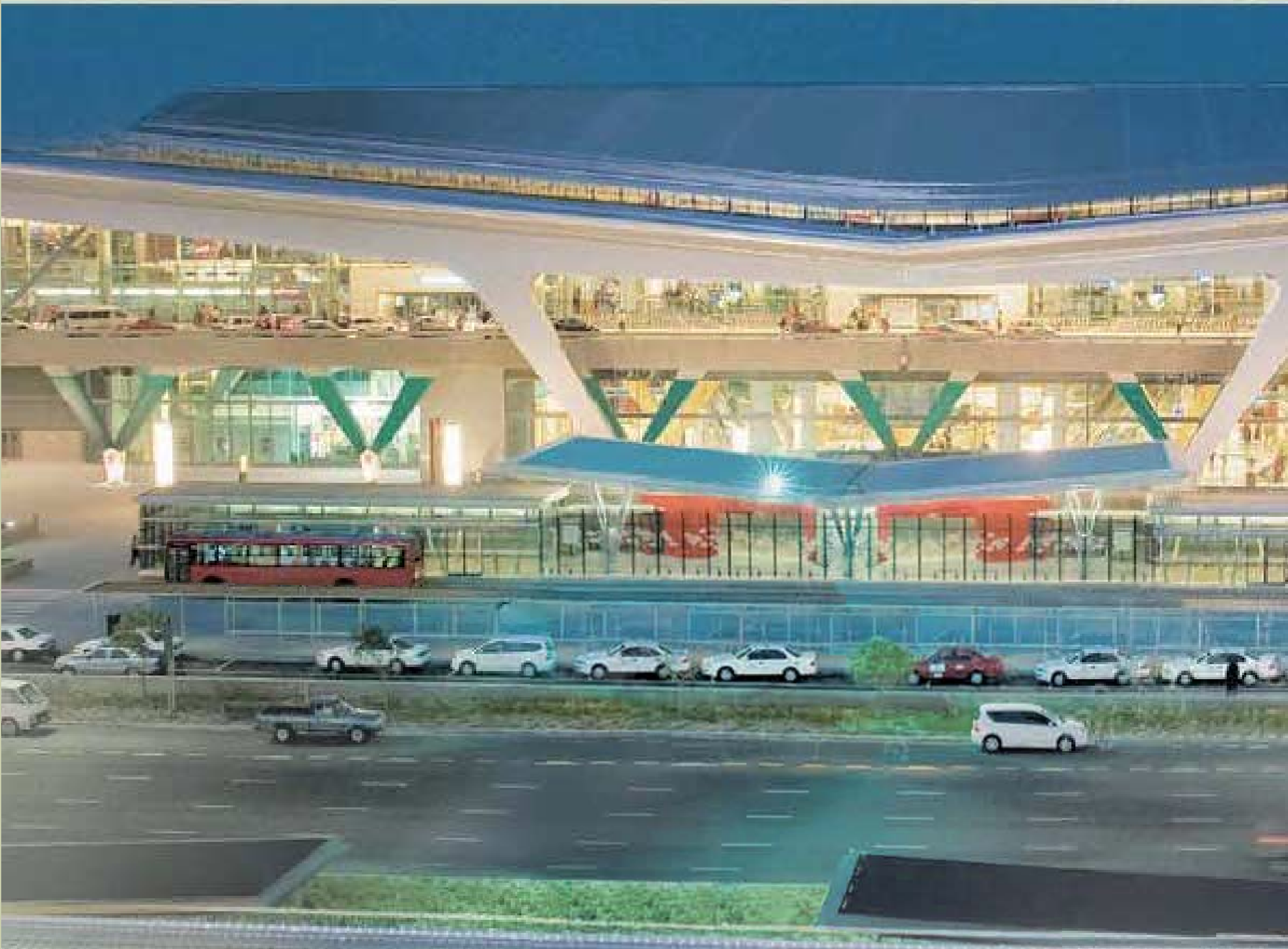
THE AVENG GROUP

Leaders in infrastructure development



Annual Report 2010

SCOPE OF THIS REPORT

This report provides an overview of the South African and the international operations of the Group for the financial year ended 30 June 2010. The Aveng Group consists of Aveng Limited and its subsidiaries. The Aveng Group provides a diverse range of construction, infrastructure and engineering products, services and solutions for customers, sustainable profitability for shareholders and aims to be a great place to work for employees. The Aveng Group had an ungeared statement of financial position at the end of the 2010 financial year, with positive net cash balances of R7,5 billion.

For additional information visit our website:
www.aveng.co.za

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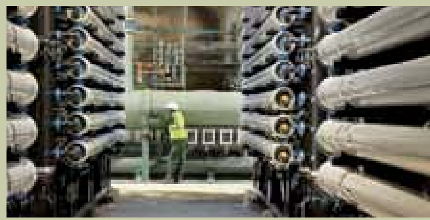

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VISION

The Aveng Group aims to be a leading infrastructure development company providing a diverse range of construction, infrastructure and engineering products, services and solutions for customers, sustainable profitability for shareholders and a great place to work for employees.

MISSION

Building a proud and lasting legacy of which customers, shareholders and employees, their families and future generations will be proud.

Achieved through

- Our ongoing involvement in building iconic structures, landmark buildings, bridges, dams, airports and power stations which form the backbone of many economies in developing countries.
- Our dedication to a value-based culture of safety, honesty and accountability across all levels of the Group.
- Our commitment to prioritising people, equality and fairness in all relationships and partnerships we forge with customers, suppliers, employees and shareholders.
- Our active contribution to social development and sustainability.

THE AVENG GROUP
HOME WITHOUT HARM
EVERYONE EVERYDAY

Safety policy

The Aveng Group is committed to our responsibilities in respect of safety, which are integral to the way we do business.

In building a legacy that every employee, their families and future generations can be fiercely proud of, we develop, implement and maintain management systems for safety that are consistent with internationally recognised standards and which enable us to:

- Entrench **safety as a core value** for our people which is never compromised in the pursuit of any other objective;
- Identify, assess and **manage risks** to employees, contractors, service providers and communities;
- Strive towards a **world-class safety** culture; and
- Meet and where appropriate, **exceed applicable legal and other requirements**.

In implementing this policy, we commit to **open communication** with our employees, contractors, service providers and communities to encourage a culture that reflects the intent of this policy. We are committed to **continual improvement** and will regularly review our performance and report our progress. We will ensure that this policy remains relevant to the needs of our stakeholders.

Responsibility and accountability

While we hold our leaders **accountable** for the safety of our people and expect our managers and supervisors to provide **effective leadership** in safety, we equally expect all individuals to be responsible for their own safety and the safety of others. The management of every operating group is responsible for the full implementation of safety management systems. This requires the allocation of appropriate resources and the provision of training, education, consultation, audits and monitoring to ensure legal compliance and the achievement of a **world-class safety culture**.

Revenue

R34,0 billion

(**2009:** R33,8 billion)

Headline earnings

R1,9 billion

(**2009:** R2,1 billion)

Diluted headline earnings per share

444,4 cents

(**2009:** 477,6 cents)

Net operating profit

R2,1 billion

(**2009:** R2,1 billion)

Operating portfolio

	Operations
GRINAKER-LTA **Eugene Erasmus** (Managing Director) **Wessel van Zyl** (Financial Director)	Building Civil Engineering Concessions Earthworks Engineering Mechanical and Electrical Mining Property Development
McCONNELL DOWELL **David Robinson** (Managing Director) **Dale Morrison** (Financial Director)	Building Civil and Marine Concessions Electrical Maintenance Fabrication Mechanical Pipelines Tunnelling and Underground
E+PC ENGINEERING & PROJECTS COMPANY **Frank Saieva** (Managing Director) **Alistair Neely** (Financial Director)	Minerals Processing and Industrial Plant Operations Power and Energy Water Management and Treatment
AVENG MANUFACTURING **Solly Letsoalo** (Managing Director) **Greg Samuel** (Financial Director)	Beneficiation of steel reinforcing bars and mesh for concrete structures Concrete products for the infrastructure, landscaping and railway markets Railway construction and maintenance services Steel, timber and concrete products primarily for the mining and geotechnical industries
TRIDENT STEEL **Tipten Terblanche** (Managing Director) **Craig Werner** (Financial Director)	Steel Merchanting Service Centres Trident Speciality Steel Trident Sterling Tube
MOOLMANS **Brian Wilmot** (Managing Director) **Peter Schumann** (Financial Director)	Surface mining operations in Southern and West Africa

	Performance	Shareholding

CONSTRUCTION AND ENGINEERING

	2010 Rm	2009 Rm	% change
Revenue	**23 762,8**	22 681,8	4,8
Operating profit	**1 268,0**	1 299,4	(2,4)
Capex	**598,3**	858,4	(30,3)

75%

100%

75%

MANUFACTURING AND PROCESSING

	2010 Rm	2009 Rm	% change
Revenue	**6 937,1**	8 008,5	(13,4)
Operating profit	**457,9**	653,7	(30,0)
Capex	**280,3**	249,4	12,4

75%

75%

OPENCAST MINING

	2010 Rm	2009 Rm	% change
Revenue	**3 261,0**	3 016,4	8,1
Operating profit	**365,4**	314,3	16,3
Capex	**213,5**	1 578,7	(86,5)

75%

GEOGRAPHICAL SPREAD AND CAPABILITIES

Public Infrastructure

Solid track record of project delivery in the public sector

Ideally placed to deliver large and complex projects that support economic growth

Power

Experience and capability to contribute to future expansion of the power industry in Africa, Australia, Asia, New Zealand and the Pacific Rim

Mining

Providing underground and surface mining from design, process, construction and project management through to contract mining

Water and Environment

Providing innovative solutions, through technology and infrastructure to help conserve fresh water resources

Commercial and Industrial

Producing quality work, on time and to the complete satisfaction of customers

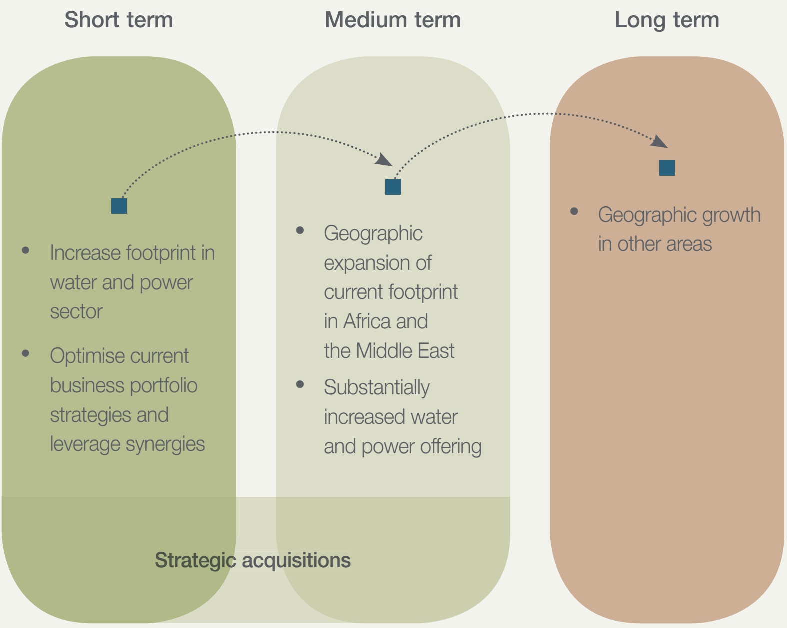
Materials

Capability in the materials and processing segment complements the multi-disciplinary engineering and construction expertise

Adelaide Desalination Plant project, South Australia.

The strategy of The Aveng Group is focused on:

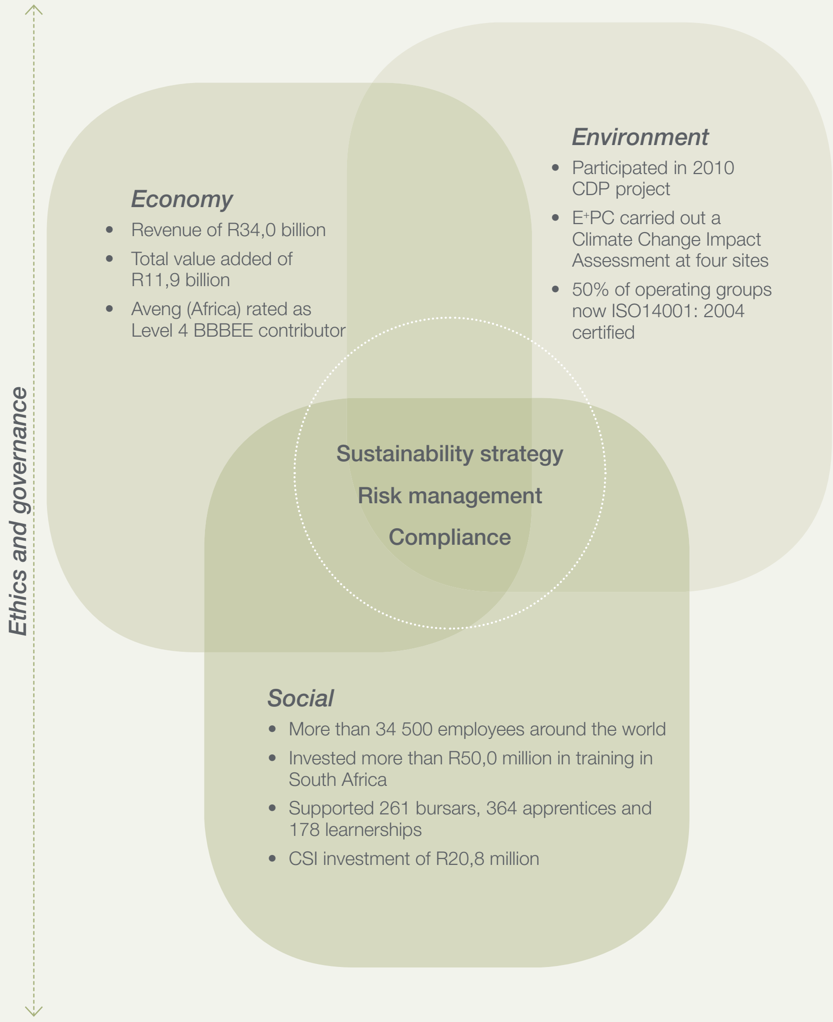
- enhancing the profitability of the existing portfolio;
- reinforcing the Group's leadership position in selected areas of the infrastructure market in South Africa;
- consolidating its position as a first-tier player in Australia; and
- expanding its portfolio by further exploiting the infrastructure value chain internationally to produce added-value services and solutions.



The strategic targets of The Aveng Group are to show double digit annual revenue growth and achieve operating margins ranging between 7% and 9% with a maximum debt-to-equity ratio of 25%.

The Aveng Group is committed to the long term well-being of the communities which our business touches every day and goes far beyond financial considerations. Sustainable development is a principle which is central to all that we do.

SUSTAINABILITY ACHIEVEMENTS



The safety of our people remains paramount to The Aveng Group and is never compromised in the pursuit of any objective. This year management was deeply saddened to report that five people lost their lives while working with the Group. A single fatality is unacceptable and the Group is committed to continuing on the journey of embedding safety as a core value and improving the safety culture, so that our employees return **home without harm everyday**.

In 2010, the Group made solid progress with regard to its safety initiatives including:

- Improving visible safety leadership initiatives across the Group;
- Continuing the roll out of the Aveng Safety Framework;
- Progressing with the development and monitoring of leading safety indicators; and
- Embedding consistent safety management systems across all operations.

The Group's operations achieved a significant number of safety milestones during 2010, including most notably:

- The Grinaker-LTA Building business unit achieved four years (115 million hours) without a fatality;
- 41% reduction in the lost-time injury frequency rate (LTIFR) to 0,26 (2009: 0,44);
- 50% reduction in number of fatalities to five (2009: 10);
- 111% increase in the near-miss frequency rate (NMFR) to 122 (2009: 58); and
- The number of operating groups with OHSAS 18001 certification increased to three (2009: one certified). A number of business units in the remaining operating groups also obtained their certification during the year.

The safety strategy of The Aveng Group for 2011 will focus on embedding safety management systems, enhancing visible leadership and high-consequence activity protocols. The Group will also develop its approach to behaviour change and subcontractor safety management while continuing with the near-miss and significant incident management programmes.

THE AVENG GROUP
HOME WITHOUT HARM
EVERYONE EVERYDAY

- 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.
- The Aveng Group is committed to compliance with the provisions of the **Competition Act 89 of 1998**. Any effort to manipulate the markets in which the Group is active, including collusion with competitors, will result in disciplinary action.
- The Group has a **zero tolerance policy** on bribery and any unethical payments to clients or business associates will result in disciplinary action.
- 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 a 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.
- We aspire to be a **transformed company** reflecting the diversity of our communities and living the principles espoused by the BBBEE Codes of Good Practice. 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, will be viewed in a very serious light and appropriate disciplinary action taken.
- **People** in The Aveng Group 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 safety, honesty and accountability will be appropriately rewarded.
- The Aveng Group 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, The Aveng Group, its subsidiaries and officers will seek to build an atmosphere of openness and trust through regular, timeous and courteous **communication** with all stakeholders.

Nelson Mandela Bay Stadium, Port Elizabeth.

Industry recognition

- The Aveng Group was recognised as a 2009 SRI Index Best Performer in the High Impact category as well as an SRI Index Best Performer for three years running (2007 to 2009).
- Fitch Ratings confirmed Aveng Limited's ratings on 12 November 2009, on the back of continued strong financial performance and significant statement of financial position flexibility. The Group's long term rating is A(zaf) and its short term rating is F1(zaf).
- The 2009 annual report of The Aveng Group was rated as "Good" in the 2009 Ernst & Young Excellence in Corporate Reporting survey.
- Grinaker-LTA won 2009 Fulton awards for the Berg River Project and the FNB Stadium.
- Grinaker-LTA won Construction World's Best Building and Civil Project for the Nelson Mandela Bay Stadium in 2009.
- Grinaker-LTA's Mining business unit became one of only four contractors worldwide with the recognised skills to sink shafts to a depth greater than 1 000 metres.
- The Grinaker-LTA Training Centre won an Achiever Award in 2010 for the Best Training Programme: Large Company Category.
- McConnell Dowell's Rosedale Outfall project won two awards at the New Zealand Contractors' Federation Awards for safety and one for environmental.
- McConnell Dowell was part of the Water Delivery Alliance consortium which won the 2010 CCF Earth Awards, New South Wales division for Excellence in Civil Construction for the Sydney Desalination Plant Distribution Network project.
- McConnell Dowell's Bogong Power Development project received a finalist award in the 2010 Australian Constructors Association Awards (ACAA).
- Keyplan, a division in E+PC, won the South African Institution of Chemical Engineers' 2009 Neale-May Gold Medal for its proprietary High-Recovery Precipitation Reverse Osmosis (HiPRO) Process.
- Trident Steel obtained its ISO 14001 and OHSAS 18001 certification.
- Steeledale Pinetown won the Master Builders South Africa Safety Competition.
- Moolmans obtained its OHSAS 18001 Certification in September 2009.

Key projects

Front cover

New Integrated Terminal at Cape Town International Airport

Location: Cape Town, South Africa
Client: Airports Company South Africa
Operating group: Grinaker-LTA (in joint venture)
Project term: 44 months
Project description: Construction of a new integrated terminal of 74 500m² gross area, 62 000m² new build and 12 500m² refurbishing existing buildings.

Pages 21 and 22

Sentosa Vehicular Bridge

Location: Singapore
Client: Resorts World at Sentosa
Operating group: McConnell Dowell
Project term: 18 months
Project description: Design and construction of a new 380 metre segmentally launched road bridge between Singapore and Sentosa Island. Precast concrete elements and modular steel truss bridges were fabricated at the Batam facility to ensure completion within a challenging timeframe.

Pages 47 and 48

Sydney Desalination Plant Distribution Network project

Location: New South Wales, Australia
Client: Sydney Water Corporation
Operating group: McConnell Dowell
Project term: 31 months
Project description: The successful completion of the pipeline linking the desalination plant to the existing water grid was due to McConnell Dowell's multi-disciplinary skills in civil, pipeline, marine, and tunnelling using a purpose-designed lay-barge to lay the pipes across Botany Bay.

Pages 81 and 82

Trekkopje Desalination Plant

Location: Near Swakopmund in Namibia
Client: AREVA Resources Namibia
Operating group: E+PC, Keyplan division
Project term: 18 months
Project description: Design and construction of the biggest desalination plant in sub-Saharan Africa using state-of-the-art technology to turn seawater from the Atlantic Ocean into high-quality potable water for the Trekkopje Uranium Mine. E+PC has a 10-year operation and maintenance contract at the plant.

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FNB Stadium
(formerly known as Soccer City)

Location: Johannesburg, South Africa
Client: City of Johannesburg
Operating group: Grinaker-LTA in joint venture with Interbeton bv; Steeledale and Infraset
Project term: 33 months
Project description: Construction of the flagship soccer stadium in the style of a calabash, or African pot, that would automatically be associated with the African continent. It has a seating capacity of 94 000.

	Years ended 30 June				
	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Property, plant and equipment	**5 146**	5 062	3 513	2 533	2 084
Goodwill and other intangibles	**1 085**	1 093	823	780	760
Investments	**211**	119	108	173	471
Deferred tax	**982**	612	680	477	344
Inventories and receivables	**8 890**	7 919	7 393	5 660	4 838
Cash and cash equivalents	**7 828**	7 910	9 491	9 886	1 585
Total assets	**24 142**	22 715	22 008	19 509	10 082
Deferred tax	**655**	240	324	291	131
Payables	**10 900**	11 110	10 552	6 625	4 707
Interest-bearing borrowings	**367**	479	603	1 604	1 719
Total liabilities	**11 922**	11 829	11 479	8 520	6 557
Net assets	**12 220**	10 886	10 529	10 989	3 525
Total equity attributable to owners of the parent	**12 215**	10 865	10 516	10 984	3 521
Non-controlling interests	**5**	21	13	5	4
Total equity attributable to owners of the parent	**12 220**	10 886	10 529	10 989	3 525
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME					
Revenue	**33 981**	33 772	29 622	22 093	16 054
Operating profit before depreciation	**3 171**	3 032	3 077	1 754	966
Depreciation	**1 063**	936	653	460	338
Amortisation of intangibles	**17**	17	0		
Operating profit before non-trading items	**2 091**	2 079	2 424	1 294	628
Non-trading items	**(13)**	49	11	6 147	(15)
Operating profit	**2 078**	2 128	2 435	7 441	613
Share of profits and losses from associates and joint ventures	**61**	67	19	426	249
Income from investments	**472**	757	946	241	88
Operating income	**2 611**	2 952	3 400	8 108	950
Interest paid	**17**	42	80	155	162
Profit before taxation	**2 594**	2 910	3 320	7 953	788
Taxation	**722**	809	1 011	468	199
Profit for the period	**1 872**	2 101	2 309	7 485	589
Other comprehensive income/(loss) for the year:					
Exchange differences on translation of foreign operations	**44**	(266)	—	—	—
Total comprehensive income for the year	**1 916**	1 835	2 309	7 485	589
Profit for the year attributable to:					
Equity holders of Aveng Limited	**1 873**	2 091	2 301	7 483	587
Non-controlling interests	**(1)**	10	8	2	2
Profit for the year	**1 872**	2 101	2 309	7 485	589
Total comprehensive attributable to:					
Equity holders of Aveng Limited	**1 917**	1 827	2 301	7 483	587
Non-controlling interests	**(1)**	8	8	2	2
	1 916	1 835	2 309	7 485	589
Determination of headline earnings					
Profit for the year attributable to equity holders of Aveng Limited	**1 873**	2 091	2 301	7 483	587
Headline earnings adjustment	**13**	(40)	(11)	(6 146)	16
Headline earnings	**1 886**	2 051	2 290	1 337	603
Consolidated statement of cash flows					
Cash available from operating activities	**1 793**	2 635	4 970	2 394	1 205
Dividends paid	**(579)**	(1 138)	(331)	(148)	(90)
Net cash from operating activities	**1 214**	1 497	4 639	2 246	1 115
Net cash (utilised)/realised in investing activities	**(1 175)**	(2 491)	(1 412)	6 070	(205)
Net cash (utilised)/realised from financing activities	**(90)**	(482)	(3 678)	(150)	(225)
Net (decrease)/increase in cash and cash equivalents	**(51)**	(1 476)	(451)	8 166	685

	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm
		Years ended 30 June			
SHARE PERFORMANCE (cents per share)					
Headline earnings	**483,6**	528,5	591,4	343,5	154,9
Diluted headline earnings	**444,4**	477,6	535,7	289,6	144,9
Earnings	**480,3**	538,8	594,2	1 922,5	151,0
Diluted earnings	**441,3**	487,0	538,3	1 567,1	141,5
Cash flow	**667,8**	1 000,9	1 413,6	738,8	397,2
Net asset value	**3 084,5**	2 743,6	2 639,4	2 772,7	888,8
Dividend	**145,0**	145,0	145,0	85,0	38,0
Dividend – special	**—**	—	145,0		
Closing share price	**3 445**	3 500	5 800	4 995	2 145
Returns and productivity					
Borrowings – (decrease)/increase in net borrowings (Rm)	**(30,0)**	1 457	(607,0)	(8 416,0)	(1 031,0)
Borrowings – net debt to equity (%)	**(61,1)**	(68,3)	(84,4)	(75,4)	3,8
CPI (%)	**5,7**	10,2	9,3	5,4	4,3
Current ratio (times)	**1,5**	1,4	1,5	2,2	1,2
Dividend cover (times)	**3,3**	3,6	4,0	4,0	4,0
Effective tax rate before non-trading items and associated companies (%)	**28,3**	28,9	30,7	33,9	36,7
Margin – gross (%)	**16,2**	16,9	17,3	16,4	14,4
– EBIT (%)	**6,2**	6,2	8,2	5,9	3,9
– EBITDA (%)	**9,3**	9,0	10,4	7,9	6,0
Net interest cover (times)	**(4,7)**	(3,1)	(2,8)	(20,1)	11,9
Property, plant and equipment – expansion (Rm)	**925,7**	1 721,6	923,6	434,8	405,6
– replacement (Rm)	**252,8**	1 018,8	865,1	556,5	354,9
Return on average capital employed (%)	**21,9**	25,8	28,6	22,0	19,1
Return on average equity (%)	**16,3**	19,2	21,3	18,4	18,9
Revenue per employee (R'000)	**982,2**	1 047,0	1 168,0	919,9	655,6
Total liabilities as a % of total shareholders' equity (%)	**97,6**	108,7	109,0	77,5	186,0
Total equity to total assets (%)	**50,6**	47,9	47,8	56,3	35,0
Number of permanent employees at year-end	**34 597**	32 256	25 361	24 018	24 488
Number of shares (million)					
In issue	**396,0**	396,0	398,5	396,1	396,1
Weighted average	**390,0**	388,0	387,3	389,2	389,2
Diluted weighted average	**424,4**	429,4	428,2	481,1	454,7
Stock exchange performance (cents per share)					
Market value per share					
– at year-end	**3 445**	3 500	5 800	4 995	2 145
– highest	**4 700**	6 992	6 830	5 348	2 517
– lowest	**3 280**	2 365	4 567	2 100	1 225
– volume weighted average price	**3 844**	3 807	5 761	3 629	2 262
Earnings yield (%)	**13,0**	19,0	6,9	4,4	5,2
Dividend yield (%)	**4,2**	4,1	1,5	0,8	1,1
Market capitalisation at closing prices (Rm)*	**13 642,0**	13 860,2	23 111,8	19 787,5	8 497,3
Price earnings ratio at year-end	**7,7**	5,3	14,5	22,7	19,2
Value of shares traded (Rm)	**23 769,8**	24 561,0	23 695,2	11 033,5	7 128,5
Number of shares traded (million)	**618,4**	645,2	411,3	304,0	315,2
Average price per share traded (cents)	**3 837**	3 966	5 747	3 568	1 897
Percentage of market capitalisation traded (%)	**174,2**	177,2	102,5	55,8	83,9
Liquidity (%)	**161,8**	169,4	107,8	79,8	82,7
Weekly Rand volume (Rm)	**474**	491	476	221	143
Rand to AUD					
Closing	**6,51**	6,30	7,58	6,03	5,30
Average	**6,67**	6,63	6,56	5,67	4,83
Rand to USD					
Closing	**7,66**	7,78	7,88	7,09	7,25
Average	**7,62**	8,83	6,56	7,20	6,47

** Market cap based on shares in issue as at 12 August 2010.*

OPTIMISE, REDESIGN AND LEVERAGE THE CURRENT BUSINESS PORTFOLIO TO EXTRACT MORE SHAREHOLDER VALUE

Rationale

The different operating groups in the business portfolio of The Aveng Group are constantly being reviewed. Where performance does not meet the Group threshold, a strategic review and intervention will be initiated to increase shareholder value.

Progress in 2010

As part of this continual monitoring of performance, Grinaker-LTA undertook a strategic turnaround exercise which doubled earnings before interest and tax between 2008 and 2010. It is expected to deliver further positive results in 2011.

Moolmans reviewed its underperforming South African operations and achieved a substantial turnaround in 2010.

Strategic growth focus

A strategic review of the current disappointing performance of the Manufacturing and Processing segment is in progress. This includes increased efforts to manage costs.

An executive growth committee, established in 2010 and chaired by the Chief Executive Officer will focus on creating cross-selling opportunities and leveraging the end-to-end value proposition of The Aveng Group. The growth committee plans to build on the successes achieved in Namibia, Zambia and Australia.

BUILD CENTRE-LED CAPABILITIES

Rationale

The Aveng Group is progressively transforming from a silo-orientated group to a centre-led group with specialist capacity at the corporate office. Its subsidiaries maintain operational autonomy but operate in a co-ordinated manner to leverage Group strengths and opportunities.

Progress in 2010

In order to deliver on its strategy, The Aveng Group has reinforced its central Group capabilities in the areas of information technology, business intelligence, capital management, strategy, acquisitions, risk management, cost and talent management, among others.

In 2010, the capital management team embarked on developing a Group-wide capital allocation framework ***see Financial Director's review, page 41***, which will be implemented in 2011. Risk management practices are continually refined ***see Risk Management, page 129***, and cost management initiatives, primarily relating to procurement and continuous improvement have been rolled out throughout the South African operations. A central group human resource department ***see Sustainability, page 118***, has been established to drive talent development, improve performance monitoring and succession planning.

Strategic growth focus

Executive and board investment committees have been established to review all opportunities and effectively manage all merger and acquisition initiatives. ***see Corporate Governance, page 155***.

In order to ensure that acquisitions are value enhancing in the long term, any acquisition under consideration must meet specific minimum criteria which include:

- Purchase must be of a controlling stake or include measures to achieve control over a reasonable time period;
- Target must have a strong strategic fit with The Aveng Group;
- An established management team must be in place;
- A proven track record of profitability is essential; and
- Scope must exist for The Aveng Group to add value and influence the culture and ethics of the target company.

GROW AND EXPAND NEW PRODUCT AREAS SUCH AS WATER, POWER AND CONCESSIONS

Water

Rationale

Economic development and population growth has resulted in increased demand for water – while the world's population tripled in the last century, the use of water grew seven-fold. The global water market is valued at some US$350 billion, growing at 5,5% per year. Although the water market is still dominated by municipalities, the growing scale and the introduction of new technologies has led to increased private sector investment across the globe, creating opportunities for companies such as The Aveng Group to participate in the market.

Progress in 2010

The Aveng Group made significant inroads to establish its reputation as a credible player in the water sector by delivering the Trekkopje Desalination Plant *see E+PC Operational Review, page 62*, subsequently securing a 10 year operation and maintenance (O&M) contract.

In the Acid Mine Drainage (AMD) segment, projects have been delivered to BHP Billiton, Anglo Platinum and the Optimum Colliery with ongoing O&M responsibility *see E+PC Operational Review, page 62*.

McConnell Dowell was part of a consortium involved in the construction of the Adelaide Desalination Plant. *see McConnell Dowell Operational Review, page 56.*

Strategic growth focus

The water strategy of The Aveng Group centres around expanding its desalination and AMD capabilities within Africa, Australia and the MENA region, focusing on the E+PC and O&M segments where it has strong credentials.

Keyplan, being the Group's primary water business, will drive growth in sub-Saharan Africa and Australia, in AMD and desalination projects. Growth opportunities in the Middle East will be considered. The Aveng Group will harness its construction skills and capabilities to deliver solutions across the complete value chain.

WATER FACTS	
1.	1,1 billion people in developing countries lack access to clean drinking water
2.	2,6 billion people around the world lack adequate sanitation
3.	1,4 million children in Africa and Asia die annually from waterborne diseases
4.	In 2006, access to water supply and sanitation in Africa was estimated to be 64% and 38%, respectively

Source: IFC, African Development Bank, The Aveng Group

Power

Rationale

The required global investment in power infrastructure for 2001 to 2030 was recently estimated at more than US$10 trillion. Economic growth on the African continent and in South Africa can only be sustained if investment in power continues over the long term.

Progress in 2010

The Aveng Group is predominantly active in the construction of the civil engineering aspects of power plants. During the year under review, McConnell Dowell completed the construction of the Bogong Power Development project in Western Australia ***see McConnell Dowell Operational Review, page 56***, while Grinaker-LTA (in joint venture) made progress with its contract to build the Medupi Power Plant in Limpopo province ***see Grinaker-LTA Operational Review, page 50***.

Strategic growth focus

The focus is on increasing the skill set and capabilities of The Aveng Group in the power sector. The Group, through E+PC, will position itself as a leading player in the development of renewable energy projects in South Africa while increasing its footprint in the manufacturing and maintenance segments of the power sector.

POWER FACTS	
1.	Power generation shortages exist across Africa with central, East and West Africa experiencing the highest shortages
2.	South Africa and Egypt account for 63,3% of all electricity generated on the continent despite being home to only 13% of the population
3.	African urban electrification rates vary from 40% (particularly in West Africa) to 90% in the more developed countries while rural area rates vary from 80% to less than 5%
4.	Required electricity investment in sub-Saharan Africa exceeds US$620 billion to add 270GW by 2030 to meet local demand

Sources: Frost & Sullivan, The Aveng Group

Concessions

Rationale

The Aveng Group has the capacity to differentiate itself in the concessions market based on its ability to design, build and operate infrastructure projects as well as its strong statement of financial position. There are numerous concession opportunities in South Africa and Australia which The Aveng Group is well positioned to consider.

Progress in 2010

The operations of The Aveng Group actively geared up their concession-focused resources during the year to pursue identified opportunities and are working on a number of project tenders.

Strategic growth focus

The primary focuses of The Aveng Group are water (AMD and desalination), power (renewable energy and co-generation), building (prisons, schools) and transport (highways). The geographical scope is focused on South Africa and Australia while feasible O&M opportunities will be pursued. The projected returns on equity investments from concession projects are evaluated independently of the construction returns to ensure that project investments are value accretive.

GROW AND EXPAND THE GEOGRAPHICAL FOOTPRINT IN AFRICA AND THE MIDDLE EAST

Rationale

In line with the vision of The Aveng Group to be leaders in infrastructure development in emerging markets, the Group is proactively pursuing opportunities outside its core regions while leveraging its strengths and capabilities in home markets.

As a South African company, The Aveng Group has an advantage as it seeks to expand its footprint in the rest of Africa where growth is expected to outpace South Africa. Between 2000 and 2008 Africa's real GDP grew by 4,9% per annum with a combined GDP approaching that of Brazil and Russia. A study by McKinsey Global Institute estimated that by 2020 the African infrastructure market will be valued at US$200 billion and will be concentrated in power, water and transport.

The Aveng Group, which has a presence in the Middle East through McConnell Dowell, has identified the region as a strategic growth area. Abu Dhabi and Saudi Arabia are expected to grow by between 3% and 6% throughout the next decade.

Progress to date

The Aveng Group has a strong presence and a successful track record in the African opencast mining sector through Moolmans. Its other operating groups' presence, has predominantly been in southern Africa to date, with limited footprint in the rest of Africa.

Strategic growth focus

The Group's long term strategy is to establish sustainable local presence in chosen markets. This will be achieved either through selective acquisitions or local partnerships with reputable players where the Group can provide added value solutions and services to customers.

In Africa, The Aveng Group is evaluating various options to set up local operations in East and West Africa within the next year.

The Aveng Group is evaluating options to expand operations in East and West Africa within the next year.

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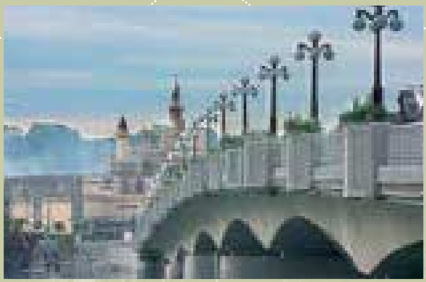


Our growth strategy is to strengthen the leadership of The Aveng Group by extending its offering in the infrastructure value chain.

Performance

overview

BOARD OF DIRECTORS

ROGER JARDINE – 44
Chief Executive Officer
Chairman of the executive, growth and tender risk committees and a member of the risk committee
2 years' service
BSc (Physics), MSc (Radiological Physics)

Roger was the 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 Limited as chief executive officer and in 2006 became the chief operating officer of Kagiso Trust Investments. In 2004, Roger was appointed to the boards of FirstRand Bank and FirstRand Bank Holdings and in July 2010 he was appointed to the board of FirstRand Limited. Roger joined Aveng Limited as Chief Executive Officer in July 2008 and is also a director of Aveng (Africa) Limited, McConnell Dowell Corporation Limited and Trident Steel Holdings (Pty) Limited.

JUBA MASHABA – 44
Group Human Resources Director
Member of the executive committee
3 years' service
BA, LLB

Juba's HR career started at Eskom and in 1995 he was appointed 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-Saharan 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 ArcelorMittal (South Africa) as executive director, HR. He was appointed Group Human Resources director of Aveng Limited in October 2007 and is also a director of Aveng (Africa) Limited and Trident Steel Holdings (Pty) Limited. Juba completed his BA (Law) and LLB from the University of Swaziland and the Human Resources Executive Programme from the University of Michigan Business School.

SIMON SCOTT – 52
Financial Director
Member of the executive and tender risk committees
1 year's service
BCom, BAcc, CA(SA)

Simon joined the Group as Financial Director on 1 August 2009 from Anglo Platinum, where, over an eight-year period, he held a number of senior financial positions and served on a number of subsidiary company boards, as well as on the group's operating committee. Prior to this Simon has held senior financial positions in JP Morgan, Chubb Holdings Limited and Nampak Limited. Simon is also a director of Aveng (Africa) Limited, McConnell Dowell Corporation Limited and Trident Steel Holdings (Pty) Limited. Simon has resigned his position on the board with effect from 26 September 2010.

KEITH RUMBLE – 56
Independent Non-Executive Director
Chairman of the risk committee and a member of the investment, safety and tender risk committees
BSc, MSc (Geology)

Keith has over 30 years' experience in the resources industry, specifically in titanium and platinum mining and is a former chief executive officer of Sun Mining, Impala Platinum (Pty) Limited and Rio Tinto Iron and Titanium Inc. Keith began his career at Richards Bay Minerals in 1980 and held various management positions until becoming chief executive officer in 1996. He is currently a director of BHP Billiton Limited, a trustee of the World Wildlife Trust and has a seat on the board of governors of Rhodes University. Keith joined the Aveng Limited board in September 2009.

DAVID ROBINSON – 56
Chief Executive Officer of McConnell Dowell Corporation Limited
Member of the executive committee
32 years' service
BE (Civil), MIE Aust, CP Eng, FAICD

David 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. David 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.

MAY HERMANUS – 50
Independent Non-Executive Director
Member of the safety committee
BSc (Geology), MSc (Physical Metallurgy)

May has been the director of the Centre for Sustainability in Mining and Industry at the University of the Witwatersrand since 2006. Prior to that, May held various positions in the National Union of Mineworkers and was also a deputy director-general in the Department of Minerals and Energy responsible for mine health and safety. May is currently chairman of the Bokamoso Trust and is a director on the board of the Railway Safety Regulator. May joined the Aveng Limited board in September 2009.

ANGUS BAND – 58
Independent non-executive director
Chairman of the board and a member of the remuneration and nomination, investment, risk, transformation and tender risk committees
BA, BAcc, CA(SA)

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 chief executive officer of AVI and was appointed non-executive chairman in October 2005 and also serves on the board of Liberty Group Holdings Limited. He was appointed to the Aveng Limited board in July 2006 and is also a director of Aveng (Africa) Limited, McConnell Dowell Corporation Limited and Trident Steel Holdings (Pty) Limited.

RICK HOGBEN – 64
Independent Non-Executive Director
Chairman of the remuneration and nomination committee, chairman of the safety committee and a member of the audit committee
BCom

Rick worked for The South African Breweries for 24 years, holding senior executive positions in both general and financial management. After joining Afrox in 1994, Rick started a number of greenfields healthcare businesses, before becoming chief executive officer of Afrox Healthcare Limited, a listed private healthcare group. In 2007, Rick retired as the chief executive officer 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 Limited board in September 2007.

PETER WARD – 57
Independent Non-Executive Director
Chairman of the audit committee and a member of the risk and tender risk committees
BCom, CA(SA)

Peter 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 Hollard Holdings (Pty) Limited, The Hollard Insurance Company Limited and Imperial Bank Limited. Peter was appointed to the Aveng Limited board in July 2007.

VINCENT MNTAMBO – 52
Independent Non-Executive Director
Chairman of the transformation committee
BJuris, LLB, LLM (Yale)

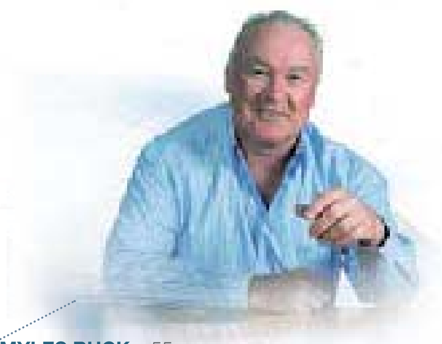
Vincent is chairman of ASG Consulting Solutions. He was previously senior lecturer at the University of Natal, executive director of the Independent Mediation Services of South Africa and director general of the Gauteng Provincial Government. He is chairman of Metrobus (Pty) Limited and a director of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

KOBUS VERSTER – 44
Executive Director
Member of the executive and tender risk committees
BCom Hons, MBL, EMP

Kobus joined ArcelorMittal South Africa Limited in 1990 and was appointed general manager, corporate finance and treasury in 2003 and then general manager, corporate treasury at Mittal Steel Company N.V in 2004. In February 2006, Kobus was appointed executive director, finance at ArcelorMittal. Kobus joined the Aveng Limited board on 1 September 2010 and will assume the position of financial director on 27 September 2010.

NKULULEKO SOWAZI – 47
Non-Executive Director
Member of the investment, remuneration and nomination and transformation committees
BA MA (UCLA)

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



MYLES RUCK – 55
Independent Non-Executive Director
Chairman of the investment committee and a member of the audit committee
B Bus Sc (Actuarial Science), PMD (Harvard)

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. He 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 Limited board in August 2006.

" The Aveng Group gained momentum with the delivery of its strategy to leverage Group strengths and pursue opportunities in the water and power sector."

PERFORMANCE OVERVIEW

The Aveng Group delivered a solid operating performance in 2010 given the difficult operating environment particularly in the Manufacturing and Processing segment with diluted headline earnings per share declining by 7% to 444,4 cents. Generally, demand in the Group's markets was constrained with projects taking much longer to be awarded and margins tightening.

The Construction and Engineering: South Africa and Africa segment materially improved its performance as Grinaker-LTA benefited from the completion of significant infrastructure projects linked to the 2010 FIFA World Cup™. Margins in the Construction and Engineering: Australasia and Pacific segment were affected by difficulties on two pipeline contracts and a stronger Australian Dollar. Notwithstanding this, the performance of McConnell Dowell remains in the upper quartile of its peer group.

The demand for steel and fabricated products remained under pressure which was compounded by volatile steel prices particularly in the first half of the year. Steel prices were more stable in the second half of the financial year which enabled the Manufacturing and Processing segment to show an improved performance in the second half of the year.

The Opencast Mining segment performed well across its diversified portfolio of long term contracts. An increase in its tonnages together with ongoing efficiency initiatives and a much improved performance from its South African contracts led to an improved operating performance notwithstanding the adverse impact of a strong Rand on its African operations.

The Group's financial position remained conservative with net cash of R7,5 billion (2009: R7,4 billion) which contributed to a positive net interest position, albeit at a materially lower level than in the previous year as a result of the reduced interest rate environment.

SAFETY

The Aveng Group made significant progress in entrenching the safety culture during the year. The board is ultimately accountable for safety across all operations and it monitors progress at the safety committee which meets quarterly. Safety is also prioritised as the first discussion item at all board meetings.

It is with regret that five fatalities occurred during the year. The board extends its sincere condolences to the families of our deceased colleagues. A single death is considered too much and the Group will continue to embed safety practices to meet its objective of zero fatalities across all its operations.

On a positive note, focus on safety resulted in The Aveng Group reporting a significant reduction of 41% in the Lost-Time Injury Frequency Rate (LTIFR) to 0,26 (2009: 0,44).

BUSINESS ENVIRONMENT

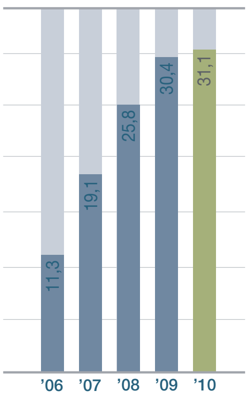
South Africa

In South Africa, the construction and engineering sector benefited from a period of sustained growth culminating in accelerated infrastructure spending in the last two years. There are, however, indications that activity in the civil engineering sector is declining, with a sharp reduction in tender enquiries and the value of contracts awarded in the last year suggesting that civil construction will decline after 2011.

Projects in preparation for the 2010 FIFA World Cup™ represented a significant portion of construction expenditure and shielded the industry from the brunt of the economic downturn while easing the level of unemployment in the short term. Having clearly displayed its capability in preparing for this world-class event, South Africa has confirmed that it has the capacity to deliver on major infrastructural initiatives.

The Government's large-scale infrastructure investment plans totalling some R845 billion over three years are encouraging and could buoy economic growth and create sustainable employment. However, the awarding of contracts has slowed with very few material awards during the 2010 financial year. This delay in the roll out of these projects by state-owned entities and national and provincial Government has impacted order books in the sector. This will start to be felt during the second half of 2011 with a potentially material adverse impact on employment in the industry. To boost growth in this period of global slowdown, Government is urged to accelerate the roll out of its comprehensive infrastructure plans and thereby ramp-up service delivery and employment.

ORDER BOOK
(R billion)



The public sector has suffered from delivery bottlenecks due to inefficiencies at provincial and local authority level. These are threatening its ability to deliver on its expansion targets. The Aveng Group believes that by leveraging proven private sector expertise through as public-private partnerships, the country can fast track public infrastructure investment initiatives and is committed to partner with Government wherever needed.

On a positive note Transnet recently announced its intention to increase its five year capital spending budgets to upgrade rail, port and pipeline infrastructure, indicating its openness to partnerships with the private sector to secure additional funding. Eskom has also started making headway with its investment programme and its future plans bode well for the infrastructure sector, although funding could constrain the pace.

In the private sector, the steady recovery of commodity prices is accelerating long term capital investment plans as mining companies increase capacity to meet future demand which should provide solid opportunities for the surface and underground mining operations of The Aveng Group.

The slowly improving world economy bodes well for global steel demand and prices. In the domestic market a general improvement in economic activity, the construction of new power stations and increased activity in the mining sector should support an incremental improvement in steel demand. These should be amplified by the recovery of the automotive sector. Although several steel price decreases have been implemented since the year-end, the improved fundamentals are expected to create support for the steel price during the second half of the financial year. The residential building sector has contracted sharply which has impacted demand for cement products in the manufacturing operations of The Aveng Group.

With the immensely successful 2010 FIFA World Cup™, perceptions of South Africa abroad changed almost overnight and the country was given an opportunity to prove itself as a promising emerging market economy. However, the recent high profile controversies relating to the ownership of mining rights in South Africa and the freedom of the South African press are of grave concern as are continued reports of corrupt and irregular tender processes. The Aveng Group believes that it is vital for Government to build on the enormous reputational boost generated by the success of the tournament by practising standards of governance that are in keeping with the King Report on Corporate Governance for South Africa – 2009 (King III). It is also important to ensure that our country retains a free press in order to help create an environment conducive to attracting foreign investment which we believe is an essential catalyst for sustained growth.

Australia and South-East Asia

Despite the impact of the global financial crisis, civil engineering construction in Australia grew by 15% in real terms during the 2009 calendar year. The buoyant market has been attributed to strong private sector work on hand, especially relating to resources and heavy industry, power and roads and was supported by growth in public funded work.

Civil construction activity is, however, widely expected to slow in the short term as the existing work on hand in the private sector is executed and with fewer projects coming on stream. Public sector funded work is expected to ease as stimulus packages cease. The next upward cycle in the industry is expected to last for several years, peaking in the second half of the decade, driven by private investment in energy and resources and public investment in freight and passenger rail and telecommunications.

Infrastructure Australia, the Australian Federal Government body which funds infrastructure projects recently published its updated list of planned projects worth more than A$80 billion. These include projects to increase the competitiveness of Australia's international gateways, developing a national freight network, investing in adaptable and resilient water supplies and extending the national energy grids to enable greater flexibility and competition.

The New Zealand economy and construction industry are showing signs of improvement with infrastructure spending in the transport as well as the water and waste water sectors of the economy.

The construction industry in most developing Asian countries is forecast to grow faster over the next five years driven by a combination of increased Government spending programmes and growing domestic demand underpinned by the region's positive economic outlook.

In summary it is anticipated that the markets within which The Aveng Group operates will continue to remain challenging with a potential shortage of appropriate major projects in the short term. The Group's analysis indicates that the market will remain constrained until the second half of 2011 with major projects being limited, heightened competition and pressure on margins.

THE AVENG GROUP STRATEGY FOR GROWTH

During the year, the board of Aveng Limited approved a growth strategy for the Group. It is focused on reinforcing the existing leadership position of The Aveng Group within the infrastructure value chain in South Africa and consolidating its position as a first-tier player in Australia. *see Strategic Focus, page 16.*

This includes continuous optimisation and redesigning of the current business portfolio to extract more shareholder value. Early benefits of this strategy include the accelerated turnaround of Grinaker-LTA and improved profitability at Moolmans.

The Group's objectives also include expansion of the current business portfolio by increasing its exposure to value-creating services and solutions internationally. Industries identified as offering attractive opportunities include expansion into water purification and desalination, supply into power transmission and concessions in the short to medium term. The geographic growth will be focused on Africa and the Middle East and will be pursued over the medium to longer term.

The Aveng Group continued reinforcing its capabilities at the Group centre with additional resources, in line with the growth strategy.

Grinaker-LTA has also refined its go to market approach which is increasingly focused on specific industry segments. McConnell Dowell has been delivering solutions which leverage its end-to-end capability rather than business units pursuing contracts independently.

In order to effectively manage all growth opportunities, an executive growth committee as well as board investment and risk committees have been established which act as custodians of the strategic implementation. Regular reviews ensure comprehensive and cautious evaluation of all opportunities.

CORPORATE GOVERNANCE

The Aveng Group has complied with the requirements of the King Report on Corporate Governance (2002) and welcomes the introduction of King III. Following a gap analysis of the practices and policies of the Group against the recommendations of King III, the board and committee charters are being revised to apply the recommended principles of King III or, where the board believes that it is in the best interests of the Group to apply the recommendations of King III differently, the board will explain the details thereof.

SUSTAINABILITY

The board is committed to its duty to build a sustainable business which recognises its economic, social and environmental impacts on the community in which the Group operates. Sustainability is a long term business imperative and as such, The Aveng Group regularly re-evaluates its sustainable development initiatives and strengthens structures to adopt a culture of continuous improvement.

In 2009, a dedicated Group Safety and Health Manager was appointed to drive the Group's commitment to world-class safety. A number of safety milestones were subsequently achieved in 2010. Similarly, a

Group Environmental Manager was recently recruited to drive the Group's strategy to sustainably reduce its environmental impacts. With the appointment of a Group Health and Wellness Manager in August 2010, The Aveng Group has dedicated safety, health and environmental specialists at the corporate office.

TRANSFORMATION

The Aveng Group maintained its commitment to being an enabler of transformation in the country. Aveng (Africa) and Trident Steel maintained their Level 4 and Level 6 BBBEE ratings respectively in terms of the Construction Charter following a review in June 2009. In the Financial Mail 2010 Top Empowerment Companies survey, the Group was ranked the top company in its sector from an ownership perspective.

During the year, the Group's transformation processes were formalised at the Group level with a strong emphasis on educating internal and external stakeholders around transformation. It also embarked on diversity management programmes across all of its South African operations. Employment equity remains a challenge to the whole industry and the Group maintained its aggressive training and development initiatives which were concentrated on black employees and black management.

BOARD OF DIRECTORS

Dennis Gammie retired from the Aveng Limited board with effect from 31 March 2010. The board thanks Mr Gammie for the roles he played as the Group's Finance and more recently Business Development Director during his 12 year tenure.

Simon Scott resigned from the board with effect from 26 September 2010 to resume his career in the platinum mining sector. The board thanks Mr Scott for his contribution to The Aveng Group.

The board welcomes Kobus Verster who joined the Group with effect from 1 September 2010 and who will assume the role of Financial Director from 27 September 2010. Mr Verster joins The Aveng Group from ArcelorMittal South Africa where he has held various senior roles in financial management with that company for the past 20 years.

Karen Robinson was appointed as Company Secretary of Aveng Limited with effect from 1 April 2010 to replace John Baxter who retired from the Group at the end of June 2010. The board extends its gratitude to Mr Baxter for his commitment to the Group over the past 30 years.

COMPETITION MATTERS

Shareholders have been kept informed of the Group's involvement with the Competition Commission through a number of SENS announcements which have been issued since 2008. The current status on Competition Commission matters within The Aveng Group is as follows:

- Following discussions with the Competition Commission, Aveng (Africa) Limited entered into an agreement with the Competition Commission in August 2010 to settle the complaint of historical anti-competitive practices within the Roof Bolt division of Duraset, which agreement was confirmed by the Competition Tribunal on 25 August 2010. Duraset is a business unit of Aveng Manufacturing, which is in turn a division of Aveng (Africa) Limited. Aveng (Africa) Limited agreed to pay an administrative penalty in the amount of R21,9 million, representing 5% of Duraset's annual turnover for the financial year ended 2008.

- The referral to the Competition Tribunal of the investigation involving the Steeledale Mesh business unit has been set down for the hearing of evidence and argument in November 2010.
- In other matters which may potentially involve Group businesses, the Competition Commission is still engaged in investigations relating to the steel reinforcing and construction industries as well as other infrastructure products and services.

The Aveng Group remains committed to fully co-operating with the Competition Commission and ensuring that its employees, management and directors do not engage in any conduct which constitutes a prohibited practice in terms of The Aveng Group Code of Business Conduct or the Competition Act 89 of 1998.

AQUARIUS PLATINUM SETTLEMENT

Aquarius Platinum (South Africa) (Pty) Limited withdrew its R963,8 million damages claim against Aveng (Africa) Limited and Moolmans' managing director Mr Brian Wilmot early in August 2010. Moolmans and Aquarius subsequently entered into an agreement of settlement, which was made an order of court on 20 August 2010 and in terms of which Aquarius paid an amount of R100,1 million inclusive of VAT to Moolmans in respect of its counterclaims on 31 August 2010. As this amount relates to events that occurred after the end of the financial year, the amount received will be brought to account in 2011.

The settlement agreement constituted a full and final settlement of all issues, claims and counterclaims including Aquarius' claim for rescission of its contract with Moolmans. The board considers this a favourable outcome to the matter for The Aveng Group given the alternative of prolonged litigation.

ACKNOWLEDGEMENTS

On behalf of the board of directors, I extend my gratitude to the executive team for its continued dedication and focus to deliver the full potential of The Aveng Group. Thanks to the commitment of our people, delivery of the growth strategy approved by the board is gaining momentum. Our operational teams are increasingly leveraging the Group strengths and pursuing opportunities across the value chain to deliver sustainable value for all stakeholders and are to be commended for their efforts in this regard.

I also wish to thank my fellow directors for their wise counsel during this year as well as their additional efforts to prepare The Aveng Group for the implementation of King III in the next year.

We value our relationship with all our external stakeholders without whose ongoing support, The Aveng Group cannot succeed. In particular our operations continued to develop strong relationships with their clients, suppliers and partners which are vital to the long term success of our organisation. I extend my gratitude to our shareholders for their continued confidence in the Group.

ANGUS BAND
Chairman

" We made significant progress towards our strategic leadership objectives while delivering a strong operational performance and maintaining our investment in the skills and expertise of our people."

INTRODUCTION

The Aveng Group continued to demonstrate its leadership in infrastructure development during the year under review. While the Group showed a strong operating performance against a challenging backdrop, a number of significant infrastructure projects were successfully completed.

Not only did the Construction and Engineering: South Africa and Africa segment deliver good results, it also completed major infrastructure projects for the 2010 FIFA World Cup™. At the same time, it extended its capability and reputation in power and water, two of the strategically targeted sectors.

McConnell Dowell, making up the Construction and Engineering: Australasia and Pacific segment is a high-quality asset which continues to grow its reputation as a first-tier player. It also delivered several significant projects simultaneously across its regional operations which were completed on schedule.

A number of businesses in the Manufacturing and Processing segment have been in existence for more than 30 years during which time they have successfully manoeuvred through peaks and troughs in the business cycle. Although the segment was faced with a difficult trading environment in 2010, it retained its lowest cost producer status through internal interventions and maintained its market share overall.

The Opencast Mining segment experienced an increase in volumes mined and delivered an improved operating performance.

SAFETY

The safety of our people is a core value of The Aveng Group. During the year we continued to make progress in living a culture where ***HOME WITHOUT HARM, EVERYONE EVERYDAY*** becomes a way of life for everything that we do at the workplace. Through our visible leadership initiatives, the senior management teams demonstrated their commitment to safe work practices with regular site visits focused on safety. Safety is regarded as an ongoing challenge where we continually pursue our objective of achieving a world-class safety culture and behaviour within all operations with zero fatalities.

As testament to the success of this heightened focus on safety, the Group's LTIFR for the year under review was ranked as the lowest within its peer group of JSE-listed construction companies.

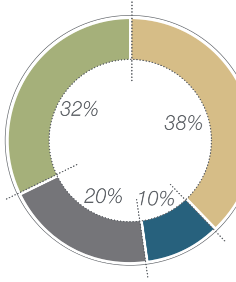
Nevertheless it is with great sadness that we experienced five fatalities during the year under review. This is unacceptable and I will be inviting sector leaders, customers and safety industry leaders in the near future to discuss a more integrated approach to safety, particularly focusing on infrastructure construction.

FINANCIAL REVIEW

Notwithstanding a challenging operating environment, the operations of The Aveng Group delivered a solid performance while also improving their positioning for the future:

- Revenue increased by 1% to R34,0 billion as Construction and Engineering and Opencast Mining continued to grow despite the tough market. Manufacturing and Processing showed revenue growth of 4% in the second half compared to the first half of the year, tempering its 12-month revenue decline to 13%.
- Operating profit before depreciation and amortisation increased by 5% to R3,2 billion.
- Operating profit was in line with the prior year at R2,1 billion which was 6,1% of revenue. This included foreign exchange gains of R119,0 million (2009: R46 million foreign exchange loss) which is included in the administration operational segmentation. Operating profit for the second half of the financial year showed a 20% improvement over the corresponding period in 2009.
- The Construction and Engineering: South Africa and Africa and Opencast Mining segments reported substantial operating profit increases of 32% and 16% respectively. The Construction and Engineering: Australasia and Pacific segment's contribution to operating profit declined by 25% primarily as a result of material losses on two pipeline contracts. Although the Manufacturing and Processing segment reported a better second half performance, facilitated by the relative stability of steel prices and an incremental recovery in demand, it still generated a 30% decline in operating profit for the full year.
- The Group remains highly cash generative with total cash generated by operations growing by 7% to amount to R3,2 billion. Reported net cash of R7,5 billion is virtually in line with the 2009 closing balance. Unencumbered cash at 30 June 2010 amounted to R3,5 billion.
- The Group remained in a positive net interest position, although lower prevailing interest rates during the year led to decreased net income from investments of R472 million (2009: R757 million).
- Headline earnings declined by 8% to R1,9 billion, translating into headline earnings per share of 483,6 cents. Reported earnings per share of 480,3 cents reflect a decrease of 11%.

REVENUE
2010: R34,0 billion



OPERATIONAL REVIEW

Construction and Engineering

The Construction and Engineering segment (comprising Grinaker-LTA, E+PC and McConnell Dowell) showed a 5% increase in revenue to R23,8 billion. Construction and Engineering: South Africa and Africa lifted its operating margin to 6,2% (2009: 4,8%), which did not fully offset a lower contribution from Construction and Engineering: Australasia and Pacific and consequently the segment reported a stable operating profit of R1,3 billion.

Grinaker-LTA extended its track record of revenue growth and improved operating margins. Its total revenue which increased by 2% to R10,0 billion showed a good balance of major infrastructure projects and smaller contracts as well as solid annuity revenues from its mining contracting activities. Good growth in earnings before interest and tax resulted from improved profitability in Civil Engineering and Earthworks Engineering as well as Mechanical and Electrical. Benefits from its strategic realignment also contributed to the improvement. Grinaker-LTA completed key infrastructure contracts for the 2010 FIFA World Cup™ well before the start of the tournament.

The performance delivered by **E+PC** was reasonable against the tough business environment with the successful commissioning of three mineral processing plants and the awarding of long term operations contracts on two significant water projects. Reflecting depressed activity levels in the Minerals Processing segment, E+PC reported a 7% decline in revenue to R781 million.

McConnell Dowell performed well in a tougher economic environment, delivering revenue growth of 7% to R13,0 billion. With its reported operating margin of 4,6% for 2010, it remains in the upper quartile of industry margins. It is gaining increased recognition as a first-tier player with the capability to deliver on large-scale infrastructure projects.

Manufacturing and Processing

The Manufacturing and Processing segment (comprising Trident Steel and Aveng Manufacturing) showed a 13% decline in revenue to R6,9 billion due mainly to lower demand across most product ranges as well as lower pricing on steel products. However the performance improved in the second half of the financial year compared to the first six months. Operating profit declined by 30% to R458 million with the operating margin down from 8% to 7%.

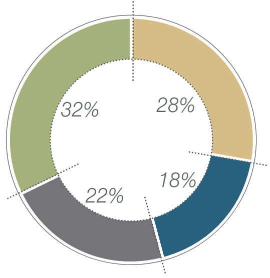
The results of **Aveng Manufacturing** reflect the adverse market. While revenue decreased by 23% to R2,5 billion due to lower activity levels, it maintained its market share. A reduction in overheads, as a result of stringent cost management and savings in line with lower production, limited the reduction in operating profit to 6%. Infraset showed a strong performance in the second half of the year. The revenues of Lennings Rail Services and Duraset declined in line with the slower market. The lower prevailing steel price and demand had the greatest impact on Steeledale's performance during the year.

Trident Steel reported a 7% decline in revenue for the year to R4,5 billion as the 8% improvement in year-on-year volumes could not offset a 14% reduction in average selling prices during the year. An incremental volume recovery and more consistent steel prices during the second half of the financial year led to an improved gross margin for that period. But these were not sufficient to recover the material decline in margin experienced in the first half when steel prices were reducing. Consequently, operating profit for the year was down by 42%. Demand from the automotive industry improved in line with global demand. Inventories continued to be monitored closely to ensure sufficient stock holdings to satisfy customers' requirements while effectively managing inventory risk. Trident Steel established supply agreements with four international steel mills and imported some 20% of total volumes.

Opencast Mining

The revenue of **Moolmans** increased by 8% to R3,3 billion as a result of a solid increase in volumes mined. Operating profit amounting to R365,0 million reflects an increase of 16% as it delivered a pleasing performance on its contracts and achieved a significant turnaround in South Africa. The strength of the Rand negatively impacted foreign denominated earnings by R51,0 million.

OPERATING PROFIT
2010: R2,1 billion



- Construction and Engineering: Australasia and Pacific
- Opencast Mining
- Manufacturing and Processing
- Construction and Engineering: South Africa and Africa

HUMAN CAPITAL IS THE STRATEGIC ENABLER

The Aveng Group has defined its strategic journey to deliver on the vision to be the leading infrastructure development company providing a diverse range of construction, infrastructure and engineering products, services and solutions in specific sectors and geographies *see Strategic Focus, page 16.*

In order to deliver on these growth objectives, the Group needs access to financial and human capital. With its strong statement of financial position, The Aveng Group has the financial strength to pursue growth opportunities within its focus areas which meet its return requirements. The Group maintained its focus on talent development during the year to ensure the quality and expertise of its operational leadership to execute on growth projects pursued within its defined risk parameters.

In 2010 The Aveng Group invested more than R50,0 million in direct training and development in South Africa alone, corresponding to more than 130 000 training days. In excess of 350 employees registered for the Group's flagship training programme, the Aveng Leadership Development Programme in January 2010, and more than 80 delegates enrolled for the associated Aveng Supervisory Development Programme. The Group is also currently supporting 261 bursars, 364 apprentices and 178 learnerships across its operations.

Having conducted a talent review across all operations during the year, the Group has an accurate view of its human resources pool and has also identified areas in the corporate office and the operations where additional expertise will be recruited to ensure that delivery on the strategy creates long term value for all stakeholders.

At the corporate office, The Aveng Group has reinforced its capabilities in the areas of information technology, business intelligence, capital management, acquisitions, risk management, strategy, cost and talent management. These will be complemented by additional resources in the year ahead to ensure the Group's capacity at the centre to achieve its long term growth objectives. The corporate office will also support the Group's objective to leverage its synergies and scale, harnessing the considerable multi-disciplinary capability and capacity within its operations.

DELIVERING GROWTH IN STRATEGIC SECTORS

In support of the Group's strategic intent of expanding its presence in the high-growth power and water sectors, a number of projects were delivered during the year. The two-year order book suggests that this will increase in the year ahead, representing 31% of current work on hand.

In southern Africa, E+PC continued to entrench its reputation as the leader in the desalination and acid mine drainage (AMD) segments and is positioned to play a role in the provision of water treatment solutions throughout southern Africa and internationally. It commissioned the Trekkopje Desalination Plant in Namibia at Areva's Trekkopje uranium project. E+PC was subsequently awarded a 10-year contract to operate the plant. Using its award-winning proprietary HiPRO process for the treatment of AMD water, E+PC was awarded a three-year extension at the eMalahleni Water Treatment project as well as a five-year operations and maintenance (O&M) contract at the Optimum Colliery after completing the mine's Water Treatment project.

In Australia, McConnell Dowell has been involved in the construction of two desalination plants and associated pipelines in the last three years. The operating group was involved in construction of the Sydney Desalination Plant-Distribution Network. The Mechanical and Tunnels, Civil Engineering and

Building teams of McConnell Dowell (in joint venture), is undertaking the design and construction of the new Adelaide Desalination Plant. The Pipelines division is constructing the associated transfer pipeline system.

Across its operations, The Aveng Group has a long-standing track record of delivery in the power sector, having been involved in the construction of power stations in South Africa dating as far back as the 1960s. McConnell Dowell has recently been involved in a number of renewable energy projects including award-winning wind farms and solar power installations. It recently completed the construction of the Bogong Power Development project in Victoria, Australia. Several operations in The Aveng Group are providing products and services for Eskom's Medupi Power Station project in the Limpopo province. Grinaker-LTA is a 33% joint venture partner for the civils package while Steeledale and Trident Steel are also supplying structural steel. E+PC has also made progress in developing renewable energy, co-generation and balance of plant solutions and has conducted studies for various clients.

DEMONSTRATING LEADERSHIP IN INFRASTRUCTURE DEVELOPMENT

The Aveng Group extended its track record of leadership in infrastructure development during the year. A number of highly successful multi-disciplinary contracts were delivered across the Group's broad geographic footprint and across its construction and engineering capability. While there are too many to report individually, it would be remiss not to showcase several noteworthy examples.

The iconic structures built for the 2010 FIFA World Cup™ came under the spotlight during the tournament. Grinaker-LTA was the main contractor (in joint venture) for the FNB Stadium (formerly known as Soccer City) whose calabash-inspired design has become globally recognisable, and the equally eye-catching Nelson Mandela Stadium in Port Elizabeth. Group companies supplied and fabricated steel components for these and three other stadia. Other infrastructure projects for the tournament included the construction of a new parkade and passenger terminals at the Cape Town International Airport and two sections of the Gauteng Freeway Improvement Project.

McConnell Dowell extended its excellent delivery track record on a number of projects in Singapore. The Sentosa Bridge, a new 380-metre segmentally launched road bridge between Singapore and Sentosa Island, was completed on time and on budget. The Waterfront Promenade marine structures at Marina Bay were completed and works progressed on the Marina Bay Sand Integrated Resort where McConnell Dowell is now constructing the innovative and complex Crystal Pavilion works. Design and construction of the new Beauty World Underground Station began in March 2010. New contracts secured on the island during the year include a design and construction project at the Singapore International Cruise Terminal.

The oil and gas sector continues to attract significant investment in Australasia and the Pacific Rim. With its capability in civil and building infrastructure, pipelines, marine facilities, process and treatment plant components as well as water treatment plants, McConnell Dowell is increasingly participating in the development of infrastructure for liquefied natural gas (LNG) and coal seam methane (CSM) projects. During the year, work started on the IRPC Natural Gas Pipeline project in Thailand and McConnell Dowell subsequently won an LNG transmission pipeline contract from the same client. The operating group is also working on the Komo Airfield contract in Papua New Guinea which will support a project to develop the gas and liquid hydrocarbon resources.

OUTLOOK AND PROSPECTS

The Aveng Group has identified its total project pipeline based on projects being targeted, which remains at approximately R102,0 billion. The two-year construction order book of the Group remains healthy at R31,1 billion which is in line with last year. With its relatively stable two-year work on hand of R9,7 billion, Grinaker-LTA should maintain current activity levels in 2011 while deriving further benefits from its business turnaround initiatives. The South African Government's much-publicised infrastructure initiative could materially impact this outlook if projects are fast-tracked but to date there has been no indication of this. Although McConnell Dowell has a solid two-year order book amounting to R13,4 billion, industry margins are expected to remain under pressure.

Within the Manufacturing and Processing segment incremental monthly volume improvements should enhance performance. Although global steel demand is increasing which should support higher prices, the outlook for steel prices domestically is unclear as they declined in July 2010. This segment requires a stable steel price together with improved volumes to drive a material improvement in performance.

The Opencast Mining segment has a strong order book amounting to R7,0 billion and 90% of its required work is already secured for 2011. As such, it is well positioned to extend its strong performance in the year ahead.

As a result of the Group's strong cash position, the board has approved a dividend of 145,0 cents for 2010 in line with the prior year. In addition, the board has approved the implementation of a share repurchase programme in terms of which the Group will execute share repurchases to a maximum of R1,0 billion when opportunities arise in the market. The Aveng Group will also continue to seek acquisitions that are in line with its stated strategy.

With a stable order book and a healthy total project pipeline as well as its multi-disciplinary capabilities over a number of geographies, the board believes that The Aveng Group is well positioned to compete successfully, in what is likely to be a difficult market, over the next year.

APPRECIATION

I would like to thank the Aveng Limited board, the management teams across all our operations and our colleagues who have remained committed to The Aveng Group during these challenging and exciting times while still delivering extraordinary projects for our clients. I remain excited about what the future holds for The Aveng Group as we continue delivering on our vision to be the leaders in infrastructure development.

ROGER JARDINE
Chief Executive Officer

" In spite of the tough market, the Group maintained its operating margin above 6% and remained highly cash generative."

FINANCIAL PERFORMANCE

The Aveng Group delivered a solid financial performance during the year, with revenue of R34,0 billion increasing by 1% on the comparable period:

- In the Construction and Engineering: South Africa and Africa segment, Grinaker-LTA reported a 2% increase in revenue to R10,0 billion, while E+PC showed a decline of 7% to R781,0 million.
- The Construction and Engineering: Australasia and Pacific segment, comprising McConnell Dowell, delivered revenue growth of 7% to R13,0 billion.
- The Manufacturing and Processing segment showed a 13% decline in revenue to R6,9 billion which was mainly due to lower demand across most product ranges, as well as lower pricing on steel products.
- The revenue of the Opencast Mining segment grew 8% to R3,3 billion as the volumes mined by Moolmans increased significantly in 2010.

In line with the tighter operating environment the gross profit margin declined, predominantly as a result of the reduction in the steel businesses within the Manufacturing and Processing segment. However good performances by the Construction and Engineering: South Africa and Africa segment and the Opencast Mining segment contributed to the Group's 5% increase in operating profit before depreciation and amortisation to R3,2 billion. Net operating profit of R2,1 billion is in line with the prior year, as is the operating margin of 6,1%. The contribution to operating profit of the Construction and Engineering: Australasia and Pacific segment declined by 25%, which was primarily due to material losses on two pipeline contracts.

Net income from investments amounted to R454,4 million compared to R715,3 million in the prior year as a result of the decrease in the net effective interest rate to 6,33% from 8,55% in line with lower prevailing interest rates. Due to the redemption of the convertible bond in 2009, interest paid decreased significantly from R41,6 million in 2009 to R17,2 million in the year under review.

Diluted headline earnings per share of 444,4 cents per share for the year ended June 2010 was 7,0% below that reported in the prior year of 477,6 cents per share.

CAPITAL AND RESERVES

The Rand weakened by some 3% to R6,51 to the Australian Dollar in June 2010 from R6,30 in the comparable period, leading to a decrease of R42,5 million in the foreign currency translation reserve.

Distributable reserves showed a net increase of R1,3 billion from R9,0 billion to R10,3 billion for the 2010 financial year, net of the R566,9 million dividend paid in 2010.

GOODWILL AND OTHER INTANGIBLES

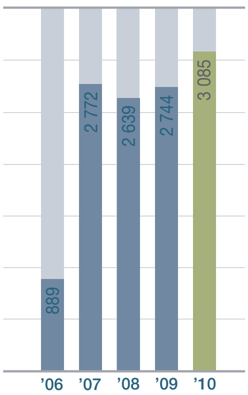
Goodwill and other intangibles were recorded at R1,1 billion, which is in line with that recorded at June 2009. Goodwill is systematically tested for impairment.

DILUTED WEIGHTED NUMBER OF SHARES

The diluted weighted average number of shares of 424 415 622 was reduced by the consolidation of the Aveng Limited Share Purchase Trust, which holds 6,0 million (2009: 6,0 million) Aveng Limited shares.

	2010	2009
Weighted average number of shares in issue by Company	**396 006 572**	394 076 109
Less: Weighted average number of treasury shares	**(6 023 482)**	(6 037 715)
Weighted average number of shares in issue	**389 983 090**	388 038 394
Add: Contingently issuable shares	**34 432 532**	41 330 596
Diluted weighted average number of shares in issue	**424 415 622**	429 368 990

NET ASSET VALUE PER SHARE
(cents)



CASH FLOW

The Aveng Group maintained its strong track record of cash generation during the year recording a 7% increase in cash generated by operations of R3,2 billion (2009: R3,0 billion) notwithstanding the difficult trading conditions which impacted most areas of the business.

Debtors of R6,9 billion (2009: R6,3 billion) were reported with no significant impairments despite difficult trading conditions. Inventory at year-end amounted to R2,0 billion (2009: R1,6 billion) representing stock days of 26 compared to 21 in the comparable period. Whilst stock levels are marginally up on the prior year, these remain tightly managed and are in line with current expected demand. Trade creditors remained in line with the R10,8 billion reported in 2009.

CASH AND BORROWINGS

The Group's net cash position of R7,5 billion was in line with the previous year, of which 57% (2009: 65%) is in South Africa with the remainder in Australia and includes an unencumbered cash component of R3,5 billion (June 2009: R2,9 billion). The encumbered portion arises predominantly from advance receipts and overclaims from contract debtors, as well as cashback guarantees given. The maintenance of good cash reserves is complemented by positive movements in working capital payables and inventories, cash generated from operations and deferral of capital expenditure. Free cash is split between Australian operations and South African operations in the amounts of R1,2 billion and R2,3 billion respectively.

The cash outflow for 2010 amounted to R51,9 million and includes the dividend payment of R579,4 million, R28,5 million in STC payments and payments in terms of the Group's incentive schemes. Net outflow for 2009 was R1,5 billion.

CAPITAL EXPENDITURE

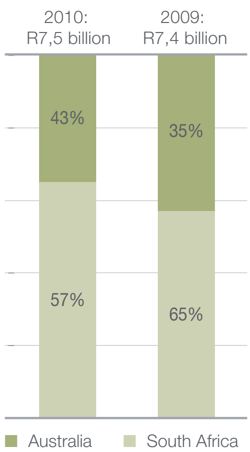
The Aveng Group adopted a more conservative capital investment stance in the year under review. The total capital expenditure for the year decreased by R1,5 billion to R1,2 billion (2009: R2,7 billion). In the Construction and Engineering segment, investments continued, albeit at a lower level than in the previous year, to ensure sufficient capacity to deliver on commitments and to participate in identified opportunities. Having invested R1,6 billion to upgrade the equipment fleet in the Opencast Mining segment in the previous year, R213,5 million was invested in capital equipment in that segment in 2010. In the Manufacturing and Processing segment, Trident Steel invested R145 million in a new blank pressing line for the automotive industry which will be commissioned in February 2011. Other investments were made to enhance productivity and ensure the segment's lowest cost producer status.

Depreciation amounted to R1,1 billion (2009: R935,4 million).

SHARE REPURCHASE PROGRAMME

The board of Aveng Limited has approved the implementation of a share repurchase programme in terms of which the Group will execute share repurchases to a maximum of R1,0 billion when opportunities arise in the market.

NET CASH



DISPUTES

Moolmans and Aquarius entered into an agreement of settlement, which was made an order of the court on 20 August 2010 in terms of which Aquarius paid an amount of R100,1 million inclusive of VAT to Moolmans in respect of Moolmans counterclaims on 31 August 2010. The settlement agreement constituted a full and final settlement of all issues, claims and counterclaims including Aquarius' claim for rescission of its contract with Moolmans. As this amount relates to events that occurred after the end of the financial year, the amount received will be brought to account in 2011.

SHAREHOLDERS' ANALYSIS

The Aveng Limited share continued to be actively traded in the 2010 financial year with liquidity of 158%. More than 618,4 million shares traded, representing a value traded of approximately R23,8 billion, at an average price of R38,37 per share.

The Aveng Limited share price closed at R34,45 on 30 June 2010 which is in line with its closing price of R35,00 on 30 June 2009.

TREASURY OPERATIONS

A centralised Group treasury function was established during the year to support delivery of the Group's growth strategy and to ensure that the strong statement of financial position enhances value for shareholders over the long term by maintaining and increasing its investment credibility. The current investment credibility of The Aveng Group is indicated in its long term credit rating of A, as allocated by Fitch ratings.

The Group Treasury is also mandated with co-ordinating the activities of the operational treasury functions in support of the growth strategy and to ensure consistent standards, processes and controls. Since it was established in the second half of the financial year, the Group treasury function has reviewed Group-wide treasury functions in this regard.

The Group's capital allocation model has been reviewed to guide management's allocation of capital resources and is being rolled out into the operations.

The treasury also conducted an analysis of cash utilisation across the Group which included a share repurchase strategy which was approved by the board. This strategy is underpinned by a share repurchase policy, which defines a process whereby the Group will execute share repurchases when opportunities arise in the market.

PROCUREMENT INITIATIVES

Procurement has been identified as a Group continuous improvement initiative with a dedicated Procurement Officer reporting to the Financial Director.

The Group procurement function delivered significant financial benefits during the year with operating groups containing their input costs which enabled them to reflect margin improvement despite the relatively flat revenues which were reported. In 2010, Group-wide procurement initiatives exceeded their budgeted savings, with sustainable cost savings of R264 million. The target for 2011 is in excess of the savings which were achieved in 2010, and is focused to deliver a sustainable competitive advantage to The Aveng Group.

In addition, the procurement function played a strategic role in managing the sustainability of over 150 relationships with black-owned businesses with an aggregate value of more than R1,4 billion, and by so doing contributing to the overall BBBEE initiatives of the Group.

Key focus areas for the 2011 financial period include the training and development of internal staff, continued optimisation and cost containment, preferential procurement and the introduction of global leading practices.

INFORMATION TECHNOLOGY

During the year, the Group's information technology (IT) capabilities which were located in the separate operating groups across South Africa, were consolidated into a single co-ordinated resource at the corporate office. The result has been a more focused and effective resource pool, capable of supporting the Group's information management objectives, and ensuring better governance over information management and technologies.

A project to create a single backbone infrastructure for the South African operations was initiated during the year, and is on track for completion by March 2011. The first phase entailed the consolidation of the wide area network into 16 major centres. The second phase, to establish a single centralised data centre, was completed in August 2010. The final step will be to migrate all South African operating entities onto this infrastructure.

The Group has identified the need for a single enterprise resource planning (ERP) system, to be deployed across its operations. This is regarded as a significant enabler of the Group's strategy, providing management with more accurate and timeous information, as well as enabling significant savings from a number of different initiatives.

The implementation of the single backbone infrastructure and a Group-wide ERP system will strengthen governance and controls relating to information technology.

DIVIDEND

As a result of the Group's strong cash position, the board has approved a dividend of 145,0 cents for 2010 in line with the prior year.

SIMON SCOTT

Financial Director

EXECUTIVE COMMITTEE

ROGER JARDINE

Chief Executive Officer

BSc (Physics), MSc (Radiological Physics)

15 years' industry and related experience

Two years with The Aveng Group

Prior to joining The Aveng Group, Roger was the national co-ordinator of science and technology policy in the Department of Economic Planning of the African National Congress and subsequently became the director-general of the Department of Arts, Culture, Science and Technology. He was chairman of the CSIR and the Nuclear Energy Corporation and held senior management positions at Kagiso Media Limited and Kagiso Trust Investments. Roger is also a non-executive director of FirstRand Limited. Roger was appointed to the board of Aveng Limited as Chief Executive Officer on 7 July 2008. Roger's full CV is set out on page 24 of this annual report.

JUBA MASHABA

Human Resources Director

BA, LLB

15 years' industry and related experience

Three years with The Aveng Group

Juba has held senior human resources positions with Eskom, Simba, and ArcelorMittal (South Africa). He was appointed Group Human Resources Director of Aveng Limited in October 2007. Juba's full CV is set out on page 24 of this annual report.

EUGENE ERASMUS

Managing Director: Grinaker-LTA

BSc, B Eng (Civil), M Eng (Civil), Pr Eng

36 years' industry and related experience

31 years with The Aveng Group

Eugene started his career in the Department of Water Affairs in 1974 as an engineer and joined LTA Limited in 1979. He has held senior management positions throughout LTA Limited and Grinaker-LTA, including managing director of Concessions and Major Infrastructure Projects and chairman of Grinaker-LTA Mining. Eugene completed the Stanford Senior Executive Programme in 1999. Eugene was appointed Managing Director: Grinaker-LTA in August 2010.

FRANK SAIEVA

Managing Director: E+PC Engineering & Projects Company

B Eng (Mech), Pr Eng, Diploma in Project Management, MSAIME

20 years' industry and related experience

20 years with The Aveng Group

Frank was a Grinaker bursary student and joined LTA in 2000 where he held various senior management positions in LTA Processing Engineering. He was appointed Managing Director of E+PC Engineering & Projects Company in 2006.

SOLLY LETSOALO

Managing Director: Aveng Manufacturing

BSc (Eng)

26 years' industry and related experience

Appointed to The Aveng Group in October 2009

Prior to joining The Aveng Group, Solly was the chief operating officer of Transnet Port Terminal and also held senior management positions at Nampak and SAB. Solly was appointed Managing Director of Aveng Manufacturing in October 2009.

HYLTON MACDONALD

Group Risk Manager

BSc (Eng) (cum laude) (Wits), PhD (Eng) (Wits), PMP (Wits), AMP (Harvard), FSAICE, MCSSA, MICE, MSPE, AAArb, FSAAE, Pr Eng, C Eng, Ing P Euro, Pr CPM, SCE-ICE.

34 years' industry and related experience

30 years with The Aveng Group

Hylton joined LTA Limited in 1980 as a site engineer and has since held various senior management positions throughout the Group including managing director of Grinaker-LTA Civil and Earthworks. He is a fellow and member of numerous industry-related bodies. Hylton is also the deputy chairman ICE – SA and played an instrumental role in developing the Construction Sector Charter.

BUZWE YAFELE

Business Development Manager

B Eng (Honours) Fuel & Energy; CPMM (Wits)

15 years' industry and related experience

3 years with The Aveng Group

Prior to joining The Aveng Group, Buzwe was the Deputy Chief Executive Officer for Technip South Africa and also held senior management positions with Eskom and other private and non-profit organisations. Buzwe was appointed to the board of Aveng (Africa) Limited on 1 March 2007 with the responsibility for business development, marketing and major infrastructure projects, notably nuclear and power initiatives. Buzwe is the current vice chairman for the Nuclear Industry Association of South Africa (NIASA).

TIPTEN TERBLANCHE

Managing Director: Trident Steel

25 years' industry and related experience

25 years with The Aveng Group

Tipten joined the sales department of Trident Steel 25 years ago, initially in the Automotive Industry, Quality Department and Electronic Media and later established the Eastern Cape branch of Trident Steel. He was appointed Managing Director of Trident Steel in August 2009.

SIMON SCOTT

Financial Director

BCom, BAcc, CA(SA)

31 years' industry and related experience

Appointed to The Aveng Group in August 2009

Prior to joining Aveng, Simon held senior financial positions with Anglo Platinum, JP Morgan, Chubb Holdings and Nampak. Simon was appointed to the Aveng Limited board in August 2009. Simon's full CV is set out on page 24 of this annual report.

DAVID ROBINSON

Chief Executive Officer: McConnell Dowell Corporation Limited

BE (Civil), MIE Aust, CP Eng, FAICD

33 years' industry and related experience

31 years with The Aveng Group

David joined McConnell Dowell as a site engineer in 1978 and subsequently held various senior management positions at McConnell Dowell Corporation. He was appointed to the position of chief executive officer for McConnell Dowell Corporation Limited in October 2000 and was appointed to the Aveng Limited board in January 2005. David's full CV is set out on page 24 of this annual report.

BRIAN WILMOT

Managing Director: Moolmans

PR Tech Eng, ECSA

37 years' industry and related experience

37 years with The Aveng Group

Brian started his career with Moolmans in 1973 and returned after completing his studies. Brian worked on various notable contracts including Sasol Roads and the Louis Trichardt Mountain Pass. He also held senior management positions on various coal mines including Phoenix Colliery and Wonderwater for Sasol. Brian was promoted to the board of Moolmans in 1989 and in 2004 became Managing Director of Moolmans.

KOBUS VERSTER

Executive Director

BCom(Hons), MBL, EMP

20 years' industry and related experience

Appointed to The Aveng Group on 1 September 2010

Kobus joined ArcelorMittal South Africa Limited in 1990 and was appointed general manager, corporate finance and treasury in 2003 and then general manager, corporate treasury at Mittal Steel Company N.V in 2004. In February 2006, Kobus was appointed executive director, finance at ArcelorMittal. Kobus joined the Aveng Limited board on 1 September 2010 and will assume the position of financial director on 27 September 2010. Kobus's full CV is set out on page 25 of this annual report.

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Our operations delivered solid results, underpinned by good project execution and decisive management interventions to ensure sustainable growth.

Operational

overview

EUGENE ERASMUS
Managing Director: Grinaker-LTA

GRINAKER-LTA

	2010	2009
Revenue (Rm)	**10 020,8**	9 831,0
Capex (Rm)	**249,0**	327,4
Employees	**15 918**	16 033

Revenue

R10,0 billion

OPERATIONAL HIGHLIGHTS

Extended track record as a result of another year of revenue growth and increased operating margins

Completed key infrastructure contracts for the 2010 FIFA World Cup™ well before the start of the tournament

Maintained the momentum of the management turnaround process to align capability for executing multi-disciplinary projects

SUSTAINABILITY HIGHLIGHTS

48% reduction in LTIFR to 0,22 with improvement in the reporting of near-miss incidents

Significant increase in employee attendance of training and development courses to more than 115 000 training days

Grinaker-LTA Construction College continued to win industry awards and accreditations

Good progress with OHSAS 18001 certification process with four out of five business units certified

KEY STRATEGIC OBJECTIVES

Extend organisational transformation to effect sustainable cultural change

Leverage value chain uplift in major projects for growth

Leverage demonstrable stadium construction and deep shaft sinking capability

Consider expansion into Africa and selected international markets

MARKET CONDITIONS

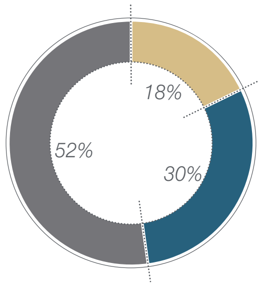
The South African construction and engineering sector was dominated by the execution of significant infrastructure projects in preparation for the 2010 FIFA World Cup™ during the second half of the financial year. Most of these contracts had been awarded prior to the global economic slowdown and shielded large contractors from the worst of the recession. The industry is now faced with replenishing order books in the current market, which is experiencing delays in contract awards and a general slowdown in certain sectors.

The South African Government's infrastructure investment plans should provide significant headroom for the industry provided that the rate of contract awards accelerates, particularly by the key parastatals such as Eskom and Transnet. A continued delay in the awarding of contracts will result in strain on the order book beyond the new financial year and a consequent loss of employment. Based on current deal flow, construction and engineering capacity utilisation is likely to come under pressure in late 2011 and 2012, which may erode margins as competition increases. In addition, contract terms are expected to become more demanding, heightening the importance of resilient risk management practices.

Trading conditions in the civil engineering, earthworks engineering and building sectors remained tight throughout the year. The civil engineering and earthworks engineering sectors were affected by a lull in contract awards and a cautious approach to spending. In the building sector, the number of contracts awarded as well as the average project size declined. Renovations, reflecting a more conservative stance during times of uncertain construction costs, are increasingly being considered as an alternative to new buildings and demand for green buildings continues to climb. Forced by the scarcity of opportunities in their traditional target markets, mid-tier contractors started pursuing projects in the higher end of the market. The resultant increase in competition is placing pressure on margins which are at levels last seen four to five years ago.

In the mining and the mechanical and electrical segments, trading conditions improved throughout the year even though the pace of economic recovery was uncertain. Improving commodity prices led to increased confidence among resource companies which are reviewing projects deferred in the height of the economic downturn.

REVENUE
2010: R10,0 billion



- Mechanical and Electrical
- Building
- Civil Engineering, Earthworks Engineering and Mining

In South Africa, public-private partnership (PPP) opportunities are starting to materialise and the Government is fine-tuning its systems to partner with the private sector. During the year, the Government demonstrated its commitment to PPPs by awarding several projects. Tender activity has increased, particularly in roads, health and correctional services and Grinaker-LTA has been selected as the preferred bidder for the head office building of the Department of Environmental Affairs. PPP opportunities are also on the increase outside South Africa, in countries such as Mauritius and Zambia. With access to a strong statement of financial position of The Aveng Group, Grinaker-LTA is well placed to secure its share of concession opportunities.

PERFORMANCE

In the year under review, Grinaker-LTA extended its track record of financial recovery, delivering another year of strong revenue growth and improved operating margins. Over the past five years, its average operating profit growth exceeded 30% per year. The consistent improvement in financial results is underpinned by the sustained turnaround of previously underperforming business units and extensive efforts to strategically align the entire organisation.

Grinaker-LTA reported a 2% increase in revenue to R10,0 billion (2009: R9,8 billion). The operating group maintained its cautious approach, recognising revenue against solid progress on key infrastructure projects in the Mining, Civil Engineering and Earthworks Engineering business units. Grinaker-LTA's total revenue in 2010 showed a good balance of major infrastructure projects and smaller contracts and also included solid annuity revenues from its mining contracting activities.

Grinaker-LTA delivered 45% growth in earnings before interest and tax which was underpinned by increased operating margins in Civil Engineering and Earthworks Engineering as well as Mechanical and Electrical. The operating group also resolved some of the remaining historical problem contracts. The early benefits of Grinaker-LTA's internal turnaround initiatives started paying off in 2010 with further benefits anticipated next year.

Delivery of major projects for 2010 FIFA World Cup™ demonstrates proven stadium building capability

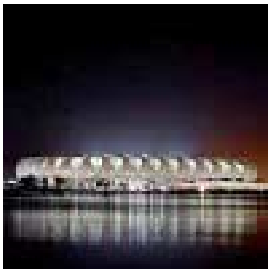
Grinaker-LTA was proud to play a significant role in South Africa's preparation for the 2010 FIFA World Cup™:

- *Together with its joint venture partner, Interbeton bv, Grinaker-LTA was the main contractor for the construction of the iconic 94 700-seater FNB Stadium (formerly known as Soccer City) which hosted the opening and final matches. The 33-month multi-disciplinary construction project involved the majority of Grinaker-LTA's business units as well as several associated Group companies. It was completed well before the opening game of the 2010 FIFA World Cup™. An extensive professional team, together with contractors and subcontractors, effectively managed the project and proactively dealt with changes in scope. Not only has the stadium become globally recognised, but it has also won a number of industry awards in South Africa, notably two Fulton Awards in 2009.*
- *Also in joint venture with Interbeton bv, Grinaker-LTA built the Nelson Mandela Bay Multi-Purpose Stadium in Port Elizabeth which was completed 100 days ahead of the programme – a world first. The team sought out innovative techniques to build the stadium more efficiently. For example, a precast production line was established to produce more than 20 000 elements in a shortened period of time.*
- *Grinaker-LTA refurbished the Orlando Stadium which was used as a practice venue during the tournament.*
- *DSE, a division in Grinaker-LTA's Mechanical and Electrical business unit, supplied extensive structural steel for the Cape Town Stadium as well as the Moses Mabhida Stadium in Durban, KwaZulu-Natal.*

With these projects successfully completed, Grinaker-LTA has a demonstrated stadium building capability and has identified opportunities to export these skills to other geographical areas through partnerships with local contractors.

The revenues of Grinaker-LTA's **Civil Engineering** business unit, have doubled since 2007 and delivered 8% topline growth for the year. Civil Engineering focused on executing large projects which counteracted the market slowdown. The successful execution of the FNB Stadium contract, among others, contributed to improved operating margins. Work on the structures of Grinaker-LTA's two Gauteng Freeway Improvement Project (GFIP) contracts is progressing according to schedule and Civil Engineering's portion of the work was 80% complete at year-end. Construction progress on the civils package for the Medupi Power Station (in joint venture) gained momentum after the resolution of delays attributable to

Konkola Copper Mine's No 4 shaft steel headgear, Zambia.



Nelson Mandela Bay Stadium, Port Elizabeth.

Polypropylene Two project at Secunda.

geotechnical problems, among others. Grinaker-LTA and its joint venture partners are working closely with the client to successfully complete this challenging project. Risk management has also been heightened to mitigate risks which include the impact of a one-year delay in construction and changes in scope. New contracts awarded during the year include the Kusile Power Station chimneys.

Earthworks Engineering continued to report improved results. In spite of delivering stable revenue as a result of contracts being awarded later than anticipated, operating profit increased by some 70%. The improved performance also demonstrates good execution on its order book which included the two GFIP packages, which both achieved the required interim completion status for the 2010 FIFA World Cup™ and will be substantially completed by December 2010. Earthworks Engineering commenced work on two significant Namibian projects, being Trekkopje and Okahao, which are on track. The two-year DMO bulk earthworks contract for BHP Billiton was close to completion at year-end. The business unit is exploring related activities to expand its capability within the value chain and counteract tighter margins on smaller projects. Its order book is under pressure but the second phase of SANRAL's Freeway Improvement programme due in 2012, should provide scope for growth.

The **Mining** business unit produced solid revenue growth from its strong annuity revenue streams which shielded the impact of resource clients' cautious attitude to initiating new projects. However, operating margins were impacted by losses on a coal contract. A significant milestone was achieved at the Konkola Deep Shaft Sinking project in Zambia with the first kibble of ore being hoisted on schedule from a depth of more than 1 000 metres. The project creates a strong differentiator for Mining as it became one of only four contractors worldwide with the recognised skills to sink shafts to this depth. The following long term contract mining engagements were secured during the year:

- An extension to the existing mining contract initially awarded in 2003 at Two Rivers Platinum Mine;
- A five-year contract at the Eland Platinum Mine to develop a system of five declines providing access to the ore-body; and
- After the successful completion of the Burnstone Mine shaft, Mining won a three-year contract to develop the mine.

The **Building** business unit reported stable revenue for the year with a slightly improved operating margin, notwithstanding the competitive market. Having completed its portions of the FNB Stadium in the 2009 financial year, the business unit was active mainly in the Commercial and Industrial segments, completing works on the substantial Cape Town International Airport contract while the airport continued to operate. It also finished the Eastgate Shopping Centre upgrade and the Samrand Data Centre which is the first tier 4 designed and certified data centre in the southern hemisphere. Projects currently underway include the Forensics Science Building and the first phase of the Sandton City upgrade (in joint venture). The Goldfields Mall project in Welkom is nearing completion and there are further opportunities in the pipeline. As Grinaker-LTA Building is only anticipating a recovery towards the end of the 2011 financial year, it has not aggressively pursued lower margin work in the current environment, retaining capacity to pursue more profitable opportunities.

Following a streamlining process, the **Mechanical and Electrical** business unit delivered to its potential, reporting substantial revenue growth and a margin improvement of more than 70%. Structural steel volumes increased 20% as the business unit supplied substantial volumes to the Medupi Power Station project. The Metals and Minerals division performed well despite tight markets, while the Oil and Gas division operated at full capacity and delivered strong growth as demonstrated by a 15% increase in its workforce.

Transforming Grinaker-LTA into a learning organisation

Grinaker-LTA continued its turnaround programme which was initiated at several business units a number of years ago. It is internally driven by employees to create a strategic and aligned organisation with an additional benefit of identifying emerging talent from all areas of the business.

The programme was first implemented in the Mining business unit almost five years ago and was subsequently rolled out to Earthworks Engineering as well as Mechanical and Electrical, to catalyse major sustainable turnarounds in both areas. In 2009, the programme was extended to Civil Engineering and Building as well as the corporate office. The result is that Grinaker-LTA has established an aligned business that has become strategic, highly analytical and focused on creating a learning organisation. A further benefit of the programme has been that Grinaker-LTA's business units operate cohesively.

As a result of the turnaround, Grinaker-LTA has also become more market aligned through its focus on selected industry sectors, namely commercial, industrial and housing, mining, infrastructure (including water), oil and gas, power, Africa and international. The new approach is providing clients with an improved sense of Grinaker-LTA's total solutions capability and the alignment has led to better awareness of its business units' integrated capability across the construction and engineering industry. As a result of its turnaround, the company has identified areas of differentiation to enhance its capability within its value chain.

SAFETY

Grinaker-LTA recorded a 48% reduction in LTIFR (Loss-Time Injury Frequency Rate) to 0,22 (2009: 0,42) as well as a remarkable improvement in the reporting of near-miss incidents to 68 908 (2009: 30 467). Four colleagues tragically lost their lives during the year (2009: four), which is not acceptable to the operating group. Grinaker-LTA will continue to pursue its objective of achieving zero fatalities across its operations.

In excess of 10 000 Grinaker-LTA employees attended safety training during the year. Grinaker-LTA addressed the ongoing challenge of improving its safety culture by focusing on targeted safety interventions at all operations. These interventions include an enhanced near-miss reporting programme, improved visible leadership initiatives and behaviour-based interventions at selected operations which led to the improved injury performance and entrenched a continuous improvement safety culture across all operations. The focus in 2010 was also on improving the management of significant incidents and closing out the identified actions. Safety climate surveys were introduced to ensure continuous improvement of safety practices.

Grinaker-LTA's business units and a large number of projects achieved significant safety milestones during the year, most notably:

- Mining achieved more than 8,6 million fatality-free hours;
- Building completed more than 100 million fatality-free hours;
- Mechanical and Electrical's Oil and Gas division achieved 6,0 million hours LTI-free; and
- Earthworks Engineering, Mining and Mechanical and Electrical business units achieved OHSAS 18001 certification.

Deep shaft sinking, Konkola, Zambia

High-tech Forensic Laboratory in Cape Town.

Konkola headgear, Zambia.

THE WAY FORWARD

In line with more challenging market conditions, the two-year construction order book of Grinaker-LTA amounts to R9,7 billion (2009: R10,1 billion). Although it completed a number of significant projects for the 2010 FIFA World Cup™ in the current year, it will continue to work on several large contracts in 2011. These include its two GFIP packages and the Medupi Power Station in the public sector as well as a number of large infrastructure projects in the mining sector. The challenge going forward for both Grinaker-LTA and its peers in the construction industry, is to secure new work and support activity levels beyond 2011.

Grinaker-LTA has enhanced its capability in niche markets to secure growth opportunities. These include its demonstrable stadium construction and deep shaft sinking capability. With its strong financial position, Grinaker-LTA is also positioned to participate in PPPs in South Africa and Africa. It will also continue to explore opportunities to extend its construction and engineering capability.

The financial improvements delivered in 2010 have been entrenched and should provide some support against the impact of declining industry margins. In addition, continuous improvement programmes are pursuing future efficiencies through asset optimisation and procurement.

Grinaker-LTA has strengthened its position in the past year, both strategically and operationally. As an aligned and learning organisation, it has evaluated its opportunities and risks and is positioned to unlock its full potential as a dominant player in the local industry.

EUGENE ERASMUS
Managing Director: Grinaker-LTA

DAVID ROBINSON
Chief Executive Officer: McConnell Dowell

McCONNELL DOWELL

	2010	2009
Revenue (Rm)	**12 980,9**	12 080,8
Capex (Rm)	**342,8**	505,9
Employees	**8 121**	6 468

OPERATIONAL HIGHLIGHTS

Operating margins remain in the upper quartile of peer group

Recognition by market of McConnell Dowell's ability to deliver major projects

Numerous industry accolades and awards for completed projects

Maintained work on hand in highly challenging market

SUSTAINABILITY HIGHLIGHTS

A total of 87 employees have completed the leadership development programme

Further reduction in LTIFR to 0,16 (2009: 0,24) as a result of overall improvement in safety awareness and responsibility at all levels of management

Completed several renewable energy contracts

KEY STRATEGIC OBJECTIVES

Continue to extend geographic diversification and grow organically within existing disciplines

Continue progress towards achieving reputation as first-tier industry player

Drive integrated procurement and cost management initiatives to counteract industry-wide margin pressure

Revenue

R13,0
billion

MARKET CONDITIONS

The Australian infrastructure environment, which had been severely impacted by project cancellations and deferrals during the global economic downturn, saw a steady improvement in confidence levels in the first half of the financial year as the general economy recovered more strongly than most geographies including South Africa. However, the announcement of the proposed resource super profits tax led to the delay of a number of significant projects in the resource sector. This now appears to be resolved and projects are again being reviewed by the private sector. Federal government elections as well as state elections in Victoria and New South Wales also introduced some uncertainty with regard to future infrastructure investment priorities and policies. The completion of these elections should lead to greater certainty about infrastructure investment going forward.

In New Zealand, the infrastructure segment showed signs of recovery during the year as the economy came out of the two-year recession which had lagged the Australian slowdown. The new government's 20-year National Infrastructure Plan unveiled in March 2010, prioritises spending on electricity transmission and further investment in the national road grid. The market appears to be improving with more tender opportunities, but remains highly competitive with limited opportunities in the general civil construction sector and aggressive pricing.

Construction spend in most South-East Asian countries is forecast to accelerate in the next five years, driven by a combination of increased government spending programmes and improving economic fundamentals. In Singapore, the volume of new work was affected by the economic downturn and led to higher competition for projects coming to market. The political upheaval in Thailand has affected activity while Indonesia is coming out of a three-year recession. In Hong Kong, infrastructure spend is increasing.

In the Middle East, project flows in Dubai continue to be affected by funding concerns which are likely to continue dampening infrastructure spending for a while. Positive market conditions exist in Abu Dhabi, Qatar and Saudi Arabia with strong prospects in oil and gas production, downstream chemical and industrial plants as well as general infrastructure including water, power, ports and rail.

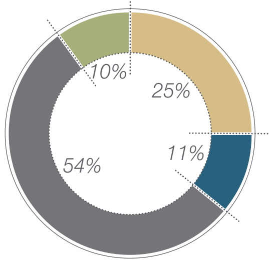
Project margins in the construction sector came under further pressure during the year as winning new work became increasingly difficult. Reflecting the tighter trading environment, clients are also imposing tougher commercial conditions.

PERFORMANCE

McConnell Dowell delivered a good performance against the tough economic backdrop. Revenue growth of 7% to R13,0 billion (2009: R12,1 billion), was pleasing in the context of the highly competitive operating environment.

In line with management's expectations, industry-wide operating margins continued to decline and will normalise to long term historic levels of some 5%. With its reported operating margin of 4,6% for 2010, McConnell Dowell remains in the upper quartile of its peer group. The tougher business environment,

REVENUE
2010: R13,0 billion



- Pipelines and Mechanical
- Building
- Civil Engineering, Marine and Tunnelling and Underground
- Electrical Maintenance

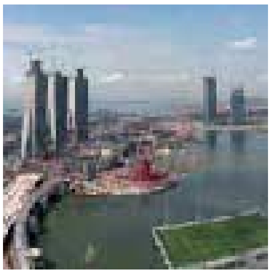
currency fluctuations and losses incurred on two pipeline contracts led to a 25% reduction in operating profit to R595,4 million (2009: R788,8 million). A significant portion of the direct tender development costs incurred in the first half of the year were recouped.

The **Civil and Marine** business unit continues to be successful, maintaining its status as the leading marine contractor in the Pilbara, extending its track record of good execution on contracts for the four major iron ore producers. During the year, Civil and Marine completed the Waterfront Promenade and marine structures at Marina Bay, Singapore, ahead of schedule. The Sentosa Bridge, a new 380-metre road bridge joining Singapore and Sentosa Island, was also completed. The operating group has been appointed to build the new Singapore International Cruise Terminal. McConnell Dowell invested in specialist rail equipment and resources to extend its offering into both construction and maintenance for rail clients in the private and public sector. In line with the strategy to leverage Group strengths, Lennings Rail Services will share its intellectual property to support McConnell Dowell's entry into this new market. The equipment has been commissioned and is being deployed on several projects.

The Sydney Desalination Plant – Distribution Network project linking the desalination plant to the existing water grid was successfully completed during the year. The project's success was as a result of McConnell Dowell's multi-disciplinary skills in tunnelling, pipeline and marine, using a purpose-designed lay-barge to lay the pipes across Botany Bay. The industry has recognised the engineering mastery of the project with two significant accolades, namely the 2009 Association of Consulting Engineers Australia (ACEA) Awards for Excellence and the 2010 CCF Earth Awards New South Wales Division for Excellence in Civil Construction.

The performance of the **Mechanical** business unit was adversely affected by the more competitive and tighter market. During the year, the business unit worked on the Adelaide Desalination Plant project as well as oil refineries in Singapore and the Middle East. It also completed major construction works on aluminium smelters in Dubai, Abu Dhabi and Qatar. McDonnell Dowell is now one of the world's largest fabricators and installers of aluminium smelter busbars and potlines. The Thailand and Batam fabrication facilities won a number of projects during the year which supported utilisation levels.


Rapid Growth Project 5 Marine Works (RGP5), Western Australia.


Marina Bay Sands Integrated Resort, Singapore.


Sydney Desalination Pipeline Alliance Project, New South Wales.

The **Pipelines** business unit, which has a long track record of profitable project execution, delivered a disappointing performance for the year under review due to difficulties on two projects. However, the business unit made solid progress on a number of current projects including:

- The IRPC Natural Gas Pipeline project in Thailand which commenced in October 2009 and will transport gas to downstream customers. The Pipelines business unit subsequently won a second project from the same client to construct part of a new gas transmission pipeline to transport gas from the liquefied natural gas terminal.
- McConnell Dowell (in joint venture) was contracted to procure and construct the Komo Airfield in Papua New Guinea. The airport will support a project to develop the gas and liquid hydrocarbon resources. Works are progressing despite the challenging on-site terrain and conditions.
- Following from its successful service delivery towards the Southern Regional Water Pipeline, McConnell Dowell was awarded the Northern Interconnector Stage 2 project. The project connects the existing Northern Pipeline Interconnector (stage 1) to the Noosa Water Treatment Plant.

McConnell Dowell's **Tunnelling and Underground** business unit delivered a good performance despite the tough operating environment. While revenue was under pressure, superior project execution enabled the unit to deliver good margins. In October 2009, it completed the Bogong Power Development project. It is the largest hydropower project constructed in Australia for 25 years and has the capacity to generate 140MW of renewable power. The project included a 6-kilometre long unlined pressure tunnel, a 1-kilometre steel-lined inlet tunnel and complete power house. The project was recognised as a finalist in the prestigious Australian Constructors Association/Institution of Engineers Project of the Year. At the Adelaide Desalination Plant construction site, McConnell Dowell's team of tunnelling specialists is well advanced with the construction of the three shafts, underground pump station and power station, subsea inlet and outlet tunnels and marine inlet and outlet connections. In New Zealand, the Pike River Coal Mine development was completed and McConnell Dowell continues to provide underground mining services to the mine. Also in New Zealand, the Rosedale Outfall Sewerage Tunnel has gone well and the Hobson Bay Sewerage Tunnel was completed ahead of schedule.

The acquisition of **Built Environs** in the previous year added diversity to McConnell Dowell in terms of commercial building and has also significantly improved its profile in South Australia. The Built Environs Building business unit delivered a satisfactory performance but disappointing results on a mechanical and a pipeline project (both in alliance with McConnell Dowell) dampened Built Environs' overall profit.

Built Environs remains strategically important to McConnell Dowell going forward. After year-end, it acquired a Western Australian-based Perth building company. The acquisition builds on a number of successful projects completed by the two companies in joint venture.

Electrix delivered excellent revenue growth which it carried through into increased operating profit. In New Zealand, the Vector Electricity maintenance contract was bedded down with activity levels above initial estimates. The gas distribution maintenance work has also exceeded forecasts. In Queensland, Electrix has been awarded a multi-year asset inspection contract. The Victorian operations performed well and have expanded operations into Western Australia.

Strategically pursuing high-growth opportunities

McConnell Dowell continues to grow its reputation. Its Strategic Projects Group (SPG) focuses on packaging the operating group's offering to ensure that it competes effectively for complex large-scale infrastructure projects. The team is making good progress with several significant opportunities and, in line with the growth strategy of The Aveng Group, aims to deliver large transport, water, power and private public partnerships (PPPs) projects in the years ahead. Liquefied natural gas (LNG) and coal seam methane (CSM) also present real prospects which McConnell Dowell is well placed to win, with its capability in civil and building infrastructure, pipelines, marine facilities, process and treatment plant components as well as water treatment plants. The operating group is currently engaged as contractor in disparate disciplines on LNG projects situated in Australia and Papua New Guinea.

During the year, McConnell Dowell continued to entrench itself as a first-tier player in the industry, with the capability to deliver on large-scale infrastructure projects. The Adelaide Desalination Plant is a significant project where McConnell Dowell has brought to bear its multi-disciplinary capability. Its Civil, Marine, Mechanical and Tunnelling teams, in partnership with Built Environs, are undertaking in joint venture the total works for the new plant while the Pipelines team with Built Environs also undertook the design and construction of the transfer pipeline system. The design and construction complexities of the projects are compounded by an extremely tight construction schedule.

Artist's impression of the Adelaide Oval Western Grandstand redevelopment, South Australia.

Glenelg Tram Overpass, South Australia.

Qatalum Aluminium Smelter, Qatar.

SAFETY

McConnell Dowell achieved a further reduction in its LTIFR (loss-time injury frequency rate) to 0,16 (2009: 0,24). The operating group rolled out further safety training for supervisors and reflected an overall improvement in safety awareness and responsibility at all levels of management. It developed new procedures and training programmes for engineers, supervisors, occupational health and safety professionals and lifting crews to address ongoing incidents relating to cranes and lifting. In the year ahead, safety awareness will be further heightened through the launch of the MacDow Golden Rules on all projects. McConnell Dowell achieved safety milestones on a number of projects. Some of these achievements are:

- 4 million hours LTI-free at EPCL, Middle East; and
- 5,4 million hours LTI-free at the Pipelines division.

THE WAY FORWARD

McConnell Dowell entered the new financial year with work on hand amounting to R13,4 billion (2009: R13,1 billion). There are promising levels of prospective works available with significant LNG, coal and iron ore opportunities being driven by strong commodity prices. With its multi-disciplinary capability, the operating group is well positioned to secure its share of these opportunities despite the fiercer competitive environment.

McConnell Dowell will maintain the momentum of its stringent risk management to ensure balance exposure across markets, disciplines and geographies while pursuing opportunities which have the potential to increase maintenance-related revenues. The operating group will also maintain continuous improvement initiatives relating to cost control and procurement to counteract the industry-wide margin pressure.

DAVID ROBINSON
Chief Executive Officer: McConnell Dowell

FRANK SAIEVA
Managing Director: E+PC

E+PC ENGINEERING & PROJECTS COMPANY

	2010	2009
Revenue (Rm)	**781,0**	836,8
Capex (Rm)	**6,5**	15,0
Employees	**657**	493

Engineering & Projects Company

OPERATIONAL HIGHLIGHTS

Entrenched leadership position in the water treatment segment in southern Africa

Secured first Australian contract

Awarded two long term operations contracts after successful plant commissionings

Commissioned third uranium plant for Paladin Resources Limited with further downstream opportunities

SUSTAINABILITY HIGHLIGHTS

An excellent safety record with an LTIFR of zero and the achievement of approximately 3,0 million hours without a lost-time injury

Good CSI activity achieved despite limited budgets

First operating group in The Aveng Group to measure the carbon footprint of all its branch offices

KEY STRATEGIC OBJECTIVES

Export water treatment capability into new geographic areas in line with The Aveng Group's strategic objectives

Continue to grow the geographic service offering in minerals processing projects

Pursue meaningful participation and contribution to developing the South African renewable energy market

Pursue concession opportunities to provide services across the full value chain in water and power

Revenue

R781,0 million

MARKET CONDITIONS

The impact of the global financial crisis continued well into 2010 with muted activity levels lasting longer than had been anticipated. Although the recovery of commodity prices boosted interest in new projects, funding dampened the flow of opportunities and delayed contract awards, as the more cautious approach to investments led to drawn-out evaluation periods. In the minerals processing segment, very few significant new projects were awarded in the last 12 months.

The Water Treatment and Management segment has been buoyed by the tightening regulatory environment which is putting pressure on mining companies to process waste water, while the increasing prevalence of droughts in the southern hemisphere is leading to greater interest in desalination plants. Significant activity in the water treatment sector is anticipated in the years ahead.

Focus on renewable energy and cogeneration power solutions remained high on the agenda during the year. Although there has been significant interest from prospective independent power producers, the catalyst to opening real opportunities in the sector will be the finalisation of power purchasing agreements and defining the roll-out process.

The operations and maintenance market continues to grow with new contracts being leveraged from the Water Management and Treatment business.

In line with the reduced availability of work in the sector, competition has increased with inevitable pressure on margins while clients are also negotiating more stringent contract terms.

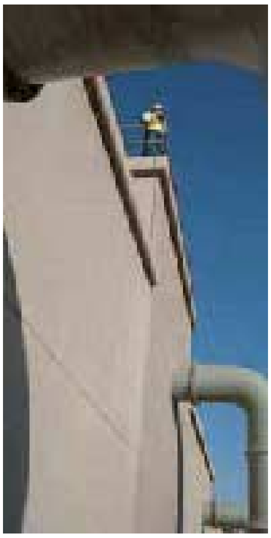
Continued differentiation within niche markets

E+PC maintained its competitive advantage during the year while further differentiating itself through the growth of its water and power capability, in support of strategic direction of The Aveng Group.

The operating group's ability to provide a complete solution, from the concept establishment, design and supply of processing plants to the long term operation and maintenance of infrastructure on behalf of clients, has long been recognised in the mining sector. Having identified growing opportunities in the power and water sectors, E+PC entered these markets by establishing a power division in June 2009 and with the acquisition of Keyplan in September 2008.

In addition to spearheading E+PC's entry into the water and environmental services sector, the strategic intention of the purchase of Keyplan was to leverage the operating group's well-established operations capability into the water treatment segment. This objective was met during the year with the awarding of a 10-year contract to operate and manage the Trekkopje Desalination Plant in Namibia following the successful completion of the design and supply contract.

E+PC's plant operations and maintenance business, supported by a strong statement of financial position, also positions E+PC to participate actively in both the private and public sector concessions market, particularly in the power, water and mining sectors.



Trekkopje Desalination Plant, Namibia.

PERFORMANCE

E+PC delivered a reasonable performance in a tough market as it successfully commissioned three processing plants, and secured new long term operations contracts on two significant water projects.

Reflecting depressed activity levels in the Minerals Processing sector, the operating group reported a 7% decline in revenue to R781,0 million (2009: R836,8 million) with a 27% negative impact on its operating profit. The market recovery which had appeared certain at the beginning of the year, failed to materialise. Against this backdrop of ongoing contract deferrals, E+PC focused on balancing its resources to maximise utilisation levels while preserving capacity for anticipated workflow. While this was achieved, E+PC also retained its core engineering skills in the Mining, Power, Water and Processing sector by mainly streamlining staff in peripheral areas of the business.

Even though the **Minerals Processing** division was severely affected by the market downturn, it delivered a good operational performance. It commissioned the Kayelekera Uranium Project for Paladin Energy Limited in Malawi on budget and on time by overcoming the challenges of working in a very remote location. E+PC was also awarded the third phase of the Langer Heinrich development for Paladin Energy Limited in Namibia, the third opportunity which E+PC is working on with the client which demonstrates a solid working relationship developed over the last four years. During the year the Minerals Processing division focused on completing the engineering and design for Exxaro's Coal Washing Plant which is the largest and most prestigious coal washing plant in southern Africa.

A good performance from E+PC's **Water Treatment** division dampened the impact of slower minerals processing demand. Keyplan met its final profit warranties and leveraged its "design and build" experience into the operations and maintenance (O&M) segment. A significant achievement in 2010 was the awarding of an acid mine drainage (AMD) contract in Australia which E+PC secured in collaboration with McConnell Dowell. The operating group is delivering on The Aveng Group's strategic objectives by establishing itself in the southern African water treatment sector:

- In April 2010, the Trekkopje Desalination Plant in Namibia was commissioned using state-of-the-art technology including screen filtration, ultra filtration, reverse osmosis and, finally, chemical treatment. It is the largest plant of its type in sub-Saharan Africa and will supply all the water used by the Areva Resources Namibia's Trekkopje Mine. E+PC Operations was also awarded a 10-year O&M contract to run the desalination plant.
- Keyplan provided the technology, designed and built the Optimum Water Treatment project in Mpumalanga. Subsequently, the plant's O&M contract was awarded to E+PC Operations.
- The Operations division also won a three-year extension on the eMalahleni Water Treatment project.

The start-up of the E+PC **Power and Energy** division, established 12 months previously, continues to fine-tune its renewable energy, cogeneration and balance of plant offering and has been involved in studies for various clients. E+PC is leading the renewable energy interests of The Aveng Group and will bid for wind and solar opportunities in particular.

Kayelekera Uranium Plant, Malawi.

eMalahleni Water Treatment project.

Optimum Water Treatment project.

The E+PC **Operations** division continues to grow with long term O&M contracts extending for a maximum of 10 years. Its portfolio includes three mineral processing plants, one chemical plant and three water treatment plants, two of which were secured towards financial year end. These new contracts will bolster the division's contribution to almost a third of E+PC's revenue pool in 2011, providing predictable long term revenue streams.

Continual efficiency enhancements are strategically important to E+PC, given its focus on delivering cost-effective long term O&M contracts on projects which it has commissioned. During the year, optimisation of its cost structure enabled E+PC to pass cost benefits to its clients which enabled it to secure a three-year extension at the eMalahleni Water Treatment Plant.

SAFETY

E+PC met The Aveng Group's safety vision by recording no lost-time injuries, resulting in a zero LTIFR for the financial year, while the near-miss reports increased from an average of six to 40 per month. E+PC also entrenched the Group safety vision of ***HOME WITHOUT HARM, EVERYONE EVERYDAY*** through visible safety leadership. As a result, employees realised the depth of management's commitment to preventing incidents. E+PC adapted The Aveng Group's safety vision to its specific requirements with the launch of a behaviour-based safety programme called "Siyanakelelana" which is a Zulu word meaning "we take care of each other".

In line with the Group's initiatives to obtain OHSAS 18001 certification across all its operations, E+PC started its preparation to obtain the certification by December 2010. Three operations obtained the OHSAS 18001 certification, namely the eMalahleni Water Treatment project, the Kopermyn Coal Washing Plant (Middelburg) and the Carolina Coal Washing Plant.

THE WAY FORWARD

Although the minerals processing sector is expected to remain competitive, E+PC will leverage its long-term relationships and look to geographic expansion to grow work on hand. A growing number of opportunities in the water segment are anticipated but funding constraints could delay public sector progress. In the industrial and mining sector, more stringent regulatory requirements should create demand for AMD solutions, with potential downstream operations contracts. E+PC looks forward to the finalisation of the power purchase agreement in South Africa which should provide the catalyst for the private sector to start investing in power generation capacity. The Operations division is well placed as a result of the new long term contracts secured in 2010 and will continue building cost-effective solutions to maximise value for clients. Across all its divisions, E+PC is working with clients to identify projects that will enable it to apply its intellectual capital to long term concessions.

FRANK SAIEVA
Managing Director: E+PC

SOLLY LETSOALO
Managing Director: Aveng Manufacturing

AVENG MANUFACTURING

	2010	2009
Revenue (Rm)	**2 486,1**	3 245,1
Capex (Rm)	**70,1**	118,8
Employees	**3 754**	3 401

Steeledale
INFRASET
DURASET
LRS
LENNINGS RAIL SERVICES

Revenue

R2,5 billion

OPERATIONAL HIGHLIGHTS

- Reduced operating expenses by 25% through continuous improvement initiatives
- Defended market share despite market pressure and declining volumes
- Strengthened and rejuvenated leadership team to drive future strategy
- Successful participation in four 2010 FIFA World Cup™ stadia, two airports, Gautrain and Gauteng Freeway Improvement Projects
- Entrenching improved governance across all divisions

SUSTAINABILITY HIGHLIGHTS

- Achievement of zero LTIFR in 60% of Aveng Manufacturing's operations
- Successful implementation of SETA NQF Level 4 accredited Supervisory Learnership
- Dedicated SHERQ Executive recruited to drive safety and environmental sustainability
- Infraset completed an independent baseline sustainability audit to identify top environmental impacts

KEY STRATEGIC OBJECTIVES

- Embark on further investments to improve competitive advantage and unlock efficiencies
- Expand footprint to cover growth areas domestically and internationally

MARKET CONDITIONS

Infrastructure and Construction (Steeledale, Infraset and Duraset)

The market in the Infrastructure and Construction products segment was characterised by disappointing demand, as a number of major public sector infrastructure projects were completed in the run-up to the 2010 FIFA World Cup™.

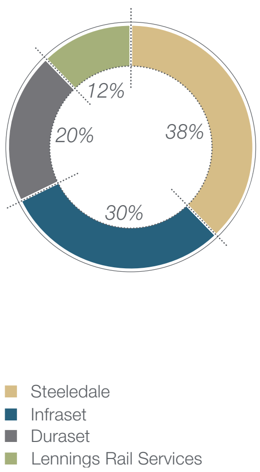
The peak in steel requirements for these large infrastructure projects which drove demand to record levels and which had coincided with the steel price peak in December 2008 amplified the decline in profitability across the sector during the year under review. Steeledale, continued to be impacted by the significantly lower demand for reinforcing and mesh products as well as steel pricing.

The effect of low volumes was exacerbated by heightened competition after a number of new steel reinforcing players entered the market during the height of the boom. A significantly increased number of players pursuing limited opportunities put greater pressure on margins in this highly commoditised market. Against this backdrop, Steeledale successfully defended its market share.

Demand for the pipes, culverts and paving products manufactured by Infraset was substantially lower due to muted construction activity across most segments. In the residential sector, the total value of buildings completed in the 12 months to the end of May 2010 declined by 26,6%, leading to a significant decline in demand for Infraset's residential concrete products. With growth decreasing in non-residential construction, demand for concrete pipes, culverts and paving products used in infrastructure projects also slowed.

The current packages of the GFIP will be completed in 2012 which will partially support the infrastructure and construction product market. SANRAL also plans to make further investments in upgrading its infrastructure in the medium term. In the provincial and local Government sectors, the allocation of additional funds from central Government to strengthen project management skills should alleviate at least some of the bottlenecks to awarding much-needed infrastructure projects which would support future activity levels.

REVENUE
2010: R2,5 billion



Mining (Duraset, Infraset, Steeledale Mesh)

The uncertainties relating to the timing of a sustained global economic recovery continued to erode the confidence and profitability of mine owners. This led to pressure from clients to reduce product prices, resulting in margin pressure among suppliers. During the year under review, demand for certain commodities including coal and platinum improved, with downstream benefits for suppliers which partially counteracted the pricing pressure. In the platinum sector, increased demand could force underground mining activities deeper and create increased appetite for Duraset's products which are tailored specifically to improve underground mining safety.

Rail (Lennings Rail Services and Infraset)

Although the pace of upgrades in the national rail infrastructure remains disappointing, the construction of the new coal-powered power stations in South Africa has resulted in new rail infrastructure investment to bring coal to these power stations. A number of tender awards in South Africa were postponed during the year due to funding constraints as well as a desire by the state-owned transport utility to encourage new entrants to the market. However, these tenders are being revisited and could lead to opportunities in 2011.

The improved global economic outlook is leading to additional opportunities in the SADC region as well as the West coast of Africa for sleepers and masts, rail construction services and in the longer term, maintenance services.

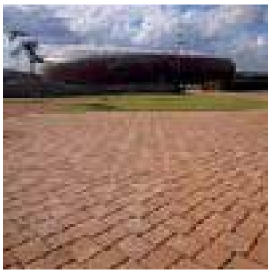
PERFORMANCE

While Aveng Manufacturing's results reflect severe industry pressure which has persisted since the onset of the global economic downturn, its performance reflects more stable prevailing market conditions in the second half of the financial year when compared to the previous six months.

The operating group reported a 23% decline in revenue for the year ended 30 June 2010 to R2,5 billion (2009: R3,2 billion). However, revenue in the second half of the year recorded a year-on-year improvement of some 9% from the comparable period in 2009. Aveng Manufacturing defended its market share in all divisions with the revenue of **Infraset** being ahead of expectation. **Lennings Rail Services** and **Duraset** reported lower revenues in line with the slower market. Although **Steeledale's** performance was severely affected by a combination of lower volumes and lower steel prices, the division maintained its market share, as evidenced by its win rate on tenders submitted.

Aveng Manufacturing maintained its lowest cost producer advantage, although increased competition and the resultant pressure on prices led to a marked reduction in overall operating profit. However, through continuous improvement initiatives which were accelerated during the year, Aveng Manufacturing's margin has started to recover. Consolidated procurement and skilful negotiation with suppliers led to cost savings on steel, cement and other raw materials. Continuous improvement initiatives produced pleasing results at Duraset and Infraset in particular. Operating expenses also declined by 25% compared to 2009 as a result of stringent cost management and savings on overheads in line with lower demand.

An administrative penalty of R21,9 million relating to the settlement agreement with the Competition Commission to settle its complaint against the Roof Bolt division of Duraset (as disclosed in a SENS announcement on 10 August 2010) as well as provisions in respect of the referral of the complaint



Infraset's Cottage Stone paving at the FNB Stadium, Johannesburg.

Newly installed plasma cutter at Duraset.

Speno 4-48 Stone Rail Grinder working for Transnet Freight Rail on a country-wide contract.

involving the Steeledale Mesh division to the Competition Tribunal, also had a negative effect on the operating group's performance.

The operating group reduced its capital expenditure to R70 million (2009: R119 million) in line with tough market and economic conditions. Expenditure was balanced between investments to expand Aveng Manufacturing's offering and the replacement of existing equipment to bring about productivity and efficiency gains and to extend its lowest cost producer status.

Operational highlights in the Infrastructure and Construction segment include:

- Infraset's landscaping products were used at a number of the Rea Vaya Bus Rapid Transit System (BRT) stations around Johannesburg;
- Steeledale Reinforcing was contracted to supply and install the reinforcing steel for the construction of the Transnet Ngqura Container Terminal phase 2. The contract is on track for completion in June 2011;
- Steeledale Mesh developed and supplied an ultra-thin precision-welded mesh product which was installed at one freeway section forming part of the GFIP and will explore further opportunities to supply the product;
- Infraset supplied more than 100 000m^2 of paving products at the FNB Stadium;
- Steeledale Reinforcing supplied 29 000 tons of steel used for the construction of four 2010 FIFA World Cup™ stadia; and
- Steeledale is supplying reinforcing steel to the Medupi Power Station project.

Operational highlights in the Mining segment include:

- Duraset invested in a plasma cutting machine to optimise material utilisation and to manufacture the Geotechnical division's bearing plate requirements in-house, introducing long term cost benefits into its manufacturing processes.

Operational highlights in the Rail segment include:

- Infraset supplied prestressed concrete masts which met Transnet Freight Rail's quality standards for a capacity upgrade on the 860 kilometre Saldanha to Sishen iron ore rail link, installing some 7 000 masts which were manufactured at the De Aar facility;
- Lennings Rail Services replaced more than 48 000 sleepers manufactured by Infraset on the Orex rail line from Saldanha to Sishen;

- Infraset secured a contract to develop and supply low-vibration concrete blocks and turnout systems for the Gautrain project, against competition from several European companies;
- Infraset's Pole division supplied 1 235 prestressed concrete masts to Transnet Capital Projects to upgrade the existing infrastructure on a rail link between Mtunzini and Empangeni in KwaZulu-Natal; and
- Lennings Rail Services was awarded a five-year contract by Transnet Freight Rail to supply ultrasonic rail flaw detection services. It built two vehicles in-house under licence from its international technology partner to fulfil the requirements of the contract.

Delivering growth by leveraging synergies

Aveng Manufacturing is increasingly focusing its growth initiatives on holistically marketing the products and services of all its business units through a single point of contact for each industry segment namely, mining, construction, building and transport. The operating group also aims to expand its geographic footprint into Africa, the Middle East and Australia in line with the growth strategy of The Aveng Group. Its approach also reflects the Group's objective to leverage the inherent synergies of its operations.

Aveng Manufacturing is leveraging off other operations in the Group. Lennings Rail Services is providing its expertise to McConnell Dowell which made investments to extend its capability into the Australian rail market during the year. Aveng Manufacturing will also leverage off other Group operations to participate in opportunities outside of South Africa and is already pursuing potential projects with opportunities for several of its divisions.

In 2010, a number of changes were effected in Aveng Manufacturing's executive management team including the appointment of a new Financial Director, Marketing Executive and SHERQ Executive as well as new Managing Director at Steeledale, Duraset and Infraset. With its new executive management team, Aveng Manufacturing is well positioned to take the business forward, pursuing projects as a collective rather than independently.

Aveng Manufacturing instituted a significant change in the way that it conducts its activities in the year under review. For the first time, it developed a consolidated strategy for growth, incorporating its four business units. In the past, they have had individual strategies which resulted in the loss of potential business opportunities spanning the operating group. New executive functions were created to deliver on these consolidated strategic objectives. A dedicated Marketing and Business Development Director was appointed to drive the operating group's integrated strategy spanning all four business units.

SAFETY

The further reduction in the operating group's LTIFR for the year to 0,87 (2009: 1,21) was achieved as a result of the commitment of its employees to entrenching safety into daily work practices and continual improvements. A notable highlight was the zero LTIFR in 60% of its operations. Training employees on safety risks and mitigation measures as well as the implementation of a near-miss programme contributed to the improvement with 3 477 near-miss reports during the year. Across its four business units, Aveng Manufacturing achieved five-star NOSA ratings in 16% of the operations, and four-star ratings in a further 27% of operations.

Infraset's concrete pipe factory, Wadeville.

Reinforcing steel supplied by Steeledale and its BEE partner for Moses Mabhida Stadium, Durban.

Duraset's cable anchors for the mining industry.

THE WAY FORWARD

Aveng Manufacturing is acutely aware that unlocking business value is predicated on its ability to maintain a lowest cost producer advantage as well as continuous improvements to reduce its cost base. Also key is the periodic review and reconfiguration of production capacity to enhance efficiencies, which may also include the consolidation of infrastructure. At the same time, all four business units will continually develop new products to maintain their market leadership.

In the Infrastructure and Construction segment, Aveng Manufacturing is pursuing increased geographic coverage by setting up new offices, particularly in the SADC region where the operating group or other operations of The Aveng Group already have an established footprint.

In the Mining sector, Duraset is exploring international avenues for its range of products for mining companies in Africa and other resource-focused economies. Having met the stringent requirements of South African deep mining conditions, Duraset's products offer international clients added cost benefits.

Downstream rail opportunities in Africa, the Middle East and Australia will be pursued in the year ahead where Lennings Rail Services can apply its technical expertise and potentially export its domestic capacity to supplement solutions.

SOLLY LETSOALO
Managing Director: Aveng Manufacturing

TIPTEN TERBLANCHE
Managing Director: Trident Steel

TRIDENT STEEL

	2010	2009
Revenue (Rm)	**4 450,9**	4 764,1
Capex (Rm)	**210,2**	130,5
Employees	**1 872**	1 710

OPERATIONAL HIGHLIGHTS

Margin recovery underpinned by improved volumes and fairly consistent steel price recovery

Effective inventory management and secured supply through agreements with four international mills

Investment in additional automotive capacity

SUSTAINABILITY HIGHLIGHTS

Achieved a tenfold increase in near-miss reporting, a leading indicator of future performance

Obtained both ISO 14001 and OHSAS 18001 certification during the year

Reduction of carbon footprint by switching packaging material from wood to reuseable steel pallets

STRATEGIC OBJECTIVES FOR 2011

Leverage volume recovery to regain cost leadership and plant utilisation

Strengthen external sales and marketing to drive growth

Exploring opportunities to broaden customer offering for return enhancements

Revenue

R4,5 billion

MARKET CONDITIONS

During the 2010 financial year, the steel industry was characterised by recovery and some normalisation, following the sharp decline in demand and steel prices in the previous year. Steel prices showed a fairly consistent but slow recovery from the lows of June 2009. Trident Steel experienced an improvement of some 8% in the average price in the fourth quarter of the financial year. According to the World Steel Association, world crude steel production for the 66 reporting countries was 119 million metric tons in June 2010, up 18% from the previous year.

Steel mills are still not operating at full capacity, although global steel capacity utilisation recently rose above 80%. The picture is mixed with utilisation in the advanced world currently at less than 80% while China and other emerging markets are using more than 90% of installed capacity. ArcelorMittal South Africa's capacity utilisation recovered to 76% at the end of June 2010 from 66% in the previous year.

The restocking of the supply chain was the catalyst for the initial recovery in demand for steel products. However, the recovery was confirmed in the second half of the financial year as volumes continued to improve in line with increased activity in underlying markets. Trident Steel experienced a relatively strong improvement in volumes in the final quarter of the financial year with month-on-month volumes exceeding 2009 levels.

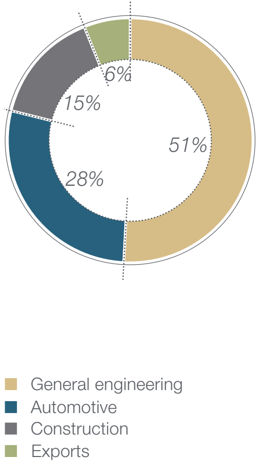
The local motor industry is finally showing strong signs of recovery after a massive downturn in volumes following the global financial crisis as well as the run-off of a number of older vehicle models. New vehicle sales registered a year-on-year improvement of 21% in June 2010. The strong domestic uptake of new vehicles has been driven by the end of the recession and the launch of several new models, but growth is widely expected to moderate. Manufacturing for the export market is gaining momentum with 106 766 locally manufactured vehicles being exported in the first six months of 2010, up 33% from the comparative period. The increase in output followed a period of heavy investment by domestic auto manufacturers to benefit from Government incentives prescribed by the Automotive Production Development Plan.

Demand in the manufacturing sector is linked to economic activity which was generally muted in the year under review. However, demand for manufacturing steel has been buoyed by the structural steel requirements of the Medupi Power Station which is currently under construction. General engineering started to recover in line with the improvement in domestic economic activity in the second half. Slow investments in new mining infrastructure and limited foreign direct investment in South Africa are dampening steel volumes to the mining sector.

Several highly commoditised steel segments in South Africa including the commercial wheel and the cellphone tower industries have been affected by increased competition from cheaper Chinese imports with an impact on downstream players in the Merchandising and Processing segments. Local market participants who are affected by these imports are engaging with Government bodies to resolve the issues.

The dispute between Kumba Iron Ore and ArcelorMittal South Africa (AMSA) led to the introduction of a 10% iron ore surcharge on steel products in March 2010, which was passed on to end users by steel merchants, thus closing the gap between domestic and global steel prices. The interim pricing agreement reached between Kumba Iron Ore and AMSA, which will remain in effect until July 2011 was welcomed by the steel industry. Subsequently, AMSA announced a price reduction for automotive steel which was backdated to 1 April 2010 as well as two consecutive price reductions on other steel products in July and August 2010.

REVENUE
2010: R4,5 billion



PERFORMANCE

Trident Steel reported a 7% decline in revenue for the year to R4,5 billion from R4,8 billion in 2009, despite the 8% improvement in year-on-year volumes which were not sufficient to offset the 14% reduction in average selling prices in 2010.

An incremental volume recovery and fairly consistent steel prices enabled Trident Steel to report an improved operating margin in the second half of the year compared to the first six months. A number of operating efficiency programmes also contributed. These included reconfiguring processing capacity at its press line and Rosslyn plant, reducing waste by using longer sheet metal lengths and producing steel strapping materials in-house. Trident Steel will continue to focus on cost reduction improvement strategies.

Trident Steel's sector performance was as follows:

- The automotive business unit benefited from increased demand for steel in the second half of the year after muted demand in the first six months, recording a 5% increase in turnover;
- Volumes in the construction segments were significantly down due to declining activity as the current large public sector projects came to an end. Export volumes increased as Trident Steel benefited from its focus on expanding its African footprint; and
- In the manufacturing sector, work on the Medupi Power Station in South Africa led to increased demand for structural steel materials and dampened the impact of lower demand from other areas of the manufacturing sector. Overall volumes were flat but revenue reflected the lower average steel price.

The operating group continued to monitor inventories to ensure sufficient stock holdings to satisfy its customers' requirements while effectively managing inventory risk. Inventory at year-end was within the limits of three months' holding for local products and five months for imported products.

In line with Trident Steel's strategic imperative to broaden its base of suppliers, the operating group established supply agreements with four international steel mills and imported some 20% of total volumes during the year. While imports introduced cost savings, they also guaranteed the quality of Trident Steel's raw materials and mitigated its supply risk.

Investment to secure sustainable growth

Trident Steel extended its capital investment programmes during the year, investing a total of R210 million. The largest capital project was a R145 million investment to commission a second press line in Port Elizabeth which will supplement the existing facility in Gauteng, introducing redundancy into the system while increasing capacity to meet the higher demand from original equipment manufacturers (OEM) vehicle manufacturers for export. Once commissioned in February 2011, the second press line will enable Trident Steel to reconfigure its production for clients in Gauteng and Port Elizabeth, unlocking efficiencies and lowering overall transport costs. During the year further investment was made in a slitting line and automating the packing lines with the latter enhancing the safety measures in the tubing factory.

During 2010, Trident Steel obtained ISO 14001 and OHSAS 18001 certification across all its operations. Due to heightened awareness of safety and environmental issues in the industry, merchants and processors are increasingly being called upon to demonstrate their compliance with these best practices to qualify as suppliers. Following its certification, Trident Steel concluded a 10-year preferred supplier agreement to provide steel to a major customer.

Typical side frame and side frame blank for automotive industry.

Slit coil being lifted.

Plasma cutting.

SAFETY

Trident Steel followed through on The Aveng Group's commitment towards world-class safety standards as evidenced by its achievement of OHSAS 18001 certification during the year. Regrettably, Trident Steel suffered one fatality during the year. However, the operating group reported an improvement in its key safety performance including a marginal reduction in the LTIFR to 0,99 (2009: 1,06) and a tenfold increase in near-miss reporting to 1 261 which is a leading indicator of future performance. Safety was increasingly integrated into the work culture through visible leadership with senior managers and safety representatives visiting operations at least once a week. Daily safety interventions based on the Green Cross safety principles have also contributed positively to the safety culture at Trident Steel.

THE WAY FORWARD

Trident Steel will focus on commissioning its additional automotive press line in Port Elizabeth to cement its leadership and unlock growth in its automotive segment. In the manufacturing and merchanting segments, it will continue to broaden its product range and expand its capability throughout the value chain. The operating group is also focused on extending its ability to offer full turnkey projects, both independently and by leveraging intergroup capabilities.

Continuous improvement initiatives remain a high priority to ensure Trident Steel's margin recovery as volumes in the steel industry normalise. The operating group is also poised to benefit from economies of scale as demand recovers.

TIPTEN TERBLANCHE
Managing Director: Trident Steel

BRIAN WILMOT
Managing Director: Moolmans

MOOLMANS

	2010	2009
Revenue (Rm)	**3 261,0**	3 016,4
Capex (Rm)	**213,5**	1 578,7
Employees	**4 116**	4 010

Moolmans

OPERATIONAL HIGHLIGHTS

Sound recovery on South African contracts with further upside in 2011

Solid growth in revenue from outside South Africa diluted by the strong Rand

Continued improvement in asset efficiency

SUSTAINABILITY HIGHLIGHTS

Moolmans' in-house training initiatives aligned to the Mining Qualifications Authority standards during the year

OHSAS 18001 certification achieved for all operations

System implemented to recycle and reuse all waste water from the wash bays on the Driehoek Coal Mine and Smaldeel Minipit operations

KEY STRATEGIC OBJECTIVES

Leverage Group skills in mining value chain

Continue to increase efficiencies to unlock higher returns

Pursuing projects selectively to maximise returns

Revenue

R3,3
billion

MARKET CONDITIONS

The pace of new contract mining opportunities showed a marked improvement in the last quarter of the financial year as the global economic recovery gained momentum, in turn providing confirmation that improving commodity prices are sustainable. Delivery times for new mining equipment, an early indicator of future market conditions, increased significantly towards year end, corroborating higher prices and demand for commodities.

In spite of the improved global economic outlook, funding for new mining ventures has remained challenging in line with lower risk tolerance and extended decision-making processes among capital providers. However, this more conservative approach has led to increased interest in contract mining as a favourable option.

Moolmans remains well positioned against this backdrop as it has deliberately targeted customer engagements with mine owners operating at the lower end of the mining cost curve. In addition, the operating group was not as severely affected as its peers by declining commodity prices due to the intentional diversification of its portfolio across a number of commodities, including gold which performed well during the recent economic upheavals. In addition, its revenue streams are linked to production rather than commodity prices which provided further protection during the downturn.

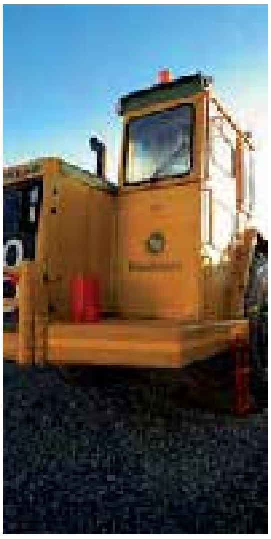
An increasing number of enquiries are coming from outside South Africa as activity improves across the continent. This is a benefit to Moolmans which has the requisite knowledge of local operating and business conditions that are crucial to successfully operating on the continent. While the South African opencast mining environment remains challenging, Moolmans achieved a significant turnaround in its South African operations with further improvements to follow in the 2011 financial year.

Contract mining business model is gaining acceptance

As niche mine owners increasingly accept contract mining as an optimal solution, Moolmans' focus on mining operations on behalf of its clients is gaining recognition. Mine owners are realising that conducting mining operations in-house is not necessarily cheaper as the capital investment needs to generate a return, regardless of whether it is funded by the mine owner or an external contractor.

The benefits of outsourcing to a company such as Moolmans are diverse. A primary advantage for the mine owner is the reduction in capital investment and increased flexibility during times of uncertainty. In addition cost management and accountability is transferred to the service provider and the resource owners' ability to predict costs improves significantly. The increasing sophistication of equipment necessitates investment in specialist knowledge to manage equipment and by outsourcing operations, the mine owner avoids having to acquire those scarce skills.

During its 40-year history, Moolmans has built its capability relating to both the mining operations and the technical expertise to run its equipment fleet optimally. As the contract miner, its priority is to run the equipment and mine the asset while the mine owner focuses on managing and marketing its resource, a symbiosis which unlocks significant efficiencies for both parties. Moolmans manages its contract portfolio across commodities and clients, geographies and currencies to diversify its risks profile and produce improved returns. Over the long term, Moolmans provides steady annuity revenue streams to The Aveng Group.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PERFORMANCE

Moolmans showed a significant increase in volumes mined during the year as additional work was carried out on existing projects. Revenue showed growth of 8% to R3,3 billion (2009: R3,0 billion).

Due to ongoing efficiency initiatives, Moolmans maintained the positive trend of margin improvement in 2010. Its operating margin increased to 11,2% from 10,4% in 2009 despite tighter prevailing contract margins. Moolmans delivered a pleasing performance on its opencast mining contracts. In particular, it successfully defended margins in South Africa by pursuing selected opportunities which made use of its experience across the mining operations from planning through to mining the resource. The strength of the Rand negatively impacted foreign denominated earnings by R51,0 million. This enabled the operating group to execute efficiently and enhance project-specific returns.

Depreciation for the year amounted to R436 million (2009: R314,4 million). Capital investments during the year totalled R214 million (2009: R1,6 billion). In order to optimise returns, Moolmans remains focused on improving the asset efficiency of its fleet. Capital investments are carefully evaluated to ensure that these meet Moolmans' objectives and enhance shareholder returns.

Moolmans maintained the momentum of continuous improvement initiatives in 2010. Projects are focused on enhancing equipment efficiencies and improving internal systems to unlock savings on procurement. Training remains a priority and includes the use of a simulator that mirrors specific mining conditions in real time on particular contracts.

Mining operations at the Iduapriem Gold Mine owned by AngloGold Ashanti are progressing well. The operating group has identified further opportunities in the region, which extend from opencast mining to broader infrastructure development projects for Group operations. A new contract was awarded to Moolmans at the Siguiri Gold Mine in Guinea, for the same client, following an open tender process. Despite a challenging operating and geopolitical environment during the year, Moolmans performed well on this contract, meeting all its mining and production targets.

Moolmans continued to deliver on its commitments at the Smaldeel Coal Mine which is part of BHP Billiton's Klipspruit Mine, despite heavy rains during the summer season.

In Namibia, performance on the Langer Heinrich Uranium project for Paladin is also progressing well.

The operating group completed two projects during the year namely at the Driehoek Coal Mine, owned by Optimum Coal and the coal mining contract at the Kriel Coal Mine owned by Anglo Coal. All equipment has been redeployed to existing projects.

Aquarius Platinum (South Africa) (Pty) Limited withdrew its R963,8 million damages claim against Aveng (Africa) Limited and Moolmans' Managing Director, Mr Brian Wilmot, early in August 2010. Moolmans and Aquarius subsequently entered into an agreement of settlement, which was made an order of court on 20 August 2010 and in terms of which Aquarius paid an amount of R100,1 million inclusive of VAT to Moolmans in respect of its counterclaims on 31 August 2010. As this amount relates to events that occurred after the end of the financial year, the amount received will be brought to account in 2011.

Sadiola Gold Mine, Mali.

Langer Heinrich Uranium Mine, Namibia.

Iduapriem Gold Mine, Ghana.

SAFETY

Moolmans achieved its safety performance targets for the 2010 financial year and became OHSAS 18001 certified in September 2009. The operating group's safety programme includes a near-miss and significant incident management programme, a visible leadership programme, a comprehensive training programme which covers all management and operational functions, as well as original equipment manufacturer (OEM) training. Moolmans also made a significant change in the near-miss reporting rate across The Aveng Group with 7 970 reported in 2010 (2009: 3 787). Its LTIFR remained stable at 0,17 (2009: 0,16). On a number of projects, Moolmans achieved significant safety records namely:

- 4,6 million hours LTI-free at the Siguiri Gold Mine in Guinea;
- 2,9 million hours LTI-free at the Sadiola Gold Mine in Mali;
- 1,5 million hours LTI-free at Moolmans' head office workshops; and
- 2,7 million hours LTI-free at the Driehoek Coal Mine in Middelburg, South Africa.

THE WAY FORWARD

The operating group is well positioned to extend its strong performance in the year ahead, underpinned by its balanced portfolio of contracts. Moolmans has a two-year order book amounting to R7,0 billion (2009: R6,4 billion) with 90% of its required work already secured for 2011. New projects include two copper mining contracts in Zambia for Konkola Copper Mines, an existing Group client, an iron ore waste stripping contract near Kathu for Assmang and a gold mining contract for Semos in Mali. As the global economy continues to recover, the outlook is expected to improve further in 2012.

Moolmans expects to continue winning new contracts as the number of opportunities increase. In particular, surface gold mining opportunities are increasing in line with strong bullion prices and lower infrastructure requirements. As demand for power continues unabated, coal mining activity has grown with higher activity levels in South Africa, Botswana, Tanzania, Zimbabwe and Mozambique. The uranium sector also shows good promise and base metals are steadily improving.

The operating group has become increasingly selective of the projects which it pursues, targeting opportunities which enable it to apply its extensive capabilities and equipment fleet to maximise returns by adding value to clients' mining operations.

The Aveng Group, across its mix of businesses, has the capability to provide clients with products and services across the mining value chain from exploration through to planning, infrastructure development, operations and processing. Moolmans is looking at accessing opportunities beyond its traditional contract mining niche through partnerships with other Group operating companies to deliver growth and added value.

BRIAN WILMOT
Managing Director: Moolmans

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Contributing to sustainable development in the communities we touch is integral to being a leader in infrastructure development.

Sustainability

performance review

"At The Aveng Group, our commitment to the long term well-being of the communities which our business touches every day goes far beyond financial considerations. Sustainable development is a principle which is central to all that we do."

The Aveng Group has its roots in South Africa but has grown into a significant international business with interests extending through Africa, South-East Asia, Australia and New Zealand and around the Pacific Rim. We are committed to making a positive contribution in all the geographies in which we operate.

Sustainability starts when we lay the foundations of the infrastructure projects which benefit the societies in either a direct or an indirect manner once these projects have been completed. The Group continually looks at the impact that it has on society, in the local environment and at large, when building a broad range of structures including roads, bridges, ports, shopping malls, mines, water treatment plants, power stations and many more.

Sustainability is multi-dimensional for The Aveng Group. We have a fiduciary responsibility to our shareholders to create long term value, and at the same time, create solutions for our clients which ultimately reduce their environmental impact and ensure their economic sustainability.

In conducting operations at The Aveng Group, we ensure that we contribute substantially to the societies in which we operate. During 2010 we provided employment to 34 597 people, and also contributed significant funds to the economy in the form of R722 million in taxes, and R8,2 billion in salaries, wages and other benefits to our employees. The Group also paid out R22,5 billion to its suppliers. Indirectly, our activities enable economic activity by ensuring that people and products travel efficiently and reliably, that the lights come on at the flick of a switch and that drinkable water is despensed from taps where there was none before.

We also realise our duty to invest in society at large and have extensive corporate social investment initiatives. Not only do we plough back substantial cash investments but our people also continually commit their time to make a difference in the less privileged communities which we come into contact with every day.

Our employees and colleagues are a valued part of The Aveng Group's sustainability equation and we recognise the enormous contribution that they make to our long term success. Accordingly, it is our duty to invest in their well-being by making sure that they have a safe and secure working environment, to provide for their development and to give them the tools to meet their full potential within our operations, both in South Africa and beyond our borders.

Throughout all the operations of The Aveng Group, we are committed to making a positive contribution to the prosperity, growth and development of all the countries in which we operate, including the citizens of those countries. As a result, we voluntarily incorporate economic, social and environmental matters into our business practices and decision-making processes so that we can make a real and sustainable difference to all our stakeholders.

ROGER JARDINE
Chief Executive Officer

Our sustainability journey and objectives

Indicator	Our commitment to sustainable development	What we achieved in 2010	Our objectives
Economic sustainability	To build and maintain a robust and enduring business for the benefit of all stakeholders.	Revenue growth of 1% to R34,0 billion and total value added of R11,9 billion.	Focus on creating sustainable value for all stakeholders.
Transformation	To achieve substantial transformation in the Group's South African operations.	Aveng (Africa) and Trident Steel rated as Level 4 and Level 6 BBBEE contributors respectively, in terms of the Construction Sector Charter.	Minimum rating of Level 3 BBBEE contributor in terms of the Construction Sector Charter.
Environmental management systems	To ensure Group-wide adoption of environmental management systems that meet international best practice.	Greater cognisance of the importance of environmental systems. Some 50% of the operating groups have been ISO 14001: 2004 certified.	ISO 14001: 2004 certification across all operations.
Environmental impact	To accelerate the measurement of the Group's carbon and general environmental footprint as it strives to reduce and mitigate its environmental impact.	Introduced more robust reporting of key metrics including power, water and fuel utilisation.	Measure and manage the Group's carbon footprint with plans to increase the measurement of Scope 1 greenhouse gas emissions.
Employee satisfaction	To prioritise people and provide a great place to work for all.	More than R50 million invested in training in South Africa alone.	Raise the performance bar of talented employees, including emerging leadership talent.
		Succession planning extended beyond line management to include support functions and to identify future leaders.	Ensure relevant training that is targeted at the right employees through a Group-wide talent review process.
Health and safety	To encourage behaviour and practices that entrench The Aveng Group's safety vision ***HOME WITHOUT HARM, EVERYONE EVERYDAY*** Group-wide.	41% decrease in Lost-Time Injury Frequency Rate to 0,26. 50% of the operating groups have been OHSAS 18001 certified.	Achieve a world-class safety culture and behaviour across all operations with zero fatalities.
Corporate social investment	To make a positive and meaningful difference in the communities in which the Group operates, with a specific focus on skills development.	Total CSI spend of R20,8 million directed to 404 social initiatives primarily in skills development and social development projects.	Contribute to community and skills development to make a real contribution to the socio-economic development of South Africa.

INTRODUCTION

At the core of all its 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. This is achieved 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 ensure its own long term commercial success, enhance the prosperity of all of the countries in which it operates including the citizens of those countries. Accordingly The Aveng Group voluntarily incorporates economic, social and environmental concerns into business practices and decision-making processes to enable it to make real and sustainable differences in its environment.

The King Report on Corporate Governance for South Africa – 2009 (King III), the Global Reporting Initiative (GRI), the standards set by the JSE Limited's Socially Responsible Investment (SRI) Index, the Group's own Code of Business Conduct, and its Sustainability Policy, guide the approach of The Aveng Group to sustainable development. The Group endorses the principles contained in King III for integrated sustainability reporting and as part of its process to apply these principles, Ernst & Young's services have been engaged to conduct a "dry run" of the external assurance of the sustainability report. Ernst & Young will produce a management letter, based on an external assurance process in 2010, with no assurance statement. A full external assurance process will be undertaken from 2011, which will include assurance statements.

The Aveng Group is a task team member of the World Economic Forum's Partnership Against Corruption Initiative. In 2004, the Group was one of the founding constituents of the SRI Index and in the 2009 survey was one of the Best Performers in the high environmental impact category. The Aveng Group participated in the Carbon Disclosure Project survey in 2009 and 2010.

An objective of The Aveng Group is to be profitable in both a responsible and an 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 transparent and practical engagement.

The Aveng Group confirms the continued relevance of its sustainability reporting process annually by aligning the reporting process with the EIRIS surveys which are utilised by the JSE Limited to assess companies for the SRI Index with the Group focus and strategy. The process in 2009 included setting improved measurement targets for environmental reporting. These will be fully implemented by 2012 and used as the baseline to set targets to reduce utilisation the following year. These improved measurement targets of key environmental metrics include energy, water and fuel consumption as well as emissions, effluents and wastes.

SUSTAINABLE ECONOMY

The Aveng Group accepts that its ability to act as a responsible corporate citizen in its pursuit of economic sustainability for all stakeholders is interlinked with its financial performance and vice versa. Contributing meaningfully to the country's transformation challenges is regarded as a key component of economic sustainability. The Group's BBBEE strategy, encompassed in its sustainability policy, is a business and cultural imperative and constitutes its licence to trade. Meeting the requirements of the Construction Sector Charter, promulgated in June 2009, is considered integral to its economic sustainability.

ENVIRONMENT

The Aveng Group recognises that due to the nature of its construction, mining and manufacturing activities, it can potentially have a significant impact on the natural environments in which it operates. The Group considers that limiting its environmental impact is vital to the long term well being of the communities and ecosystems in which it operates, for the benefit of current and future generations. The Aveng Group is committed to identifying, assessing, reducing and mitigating 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. Accordingly, the Group is also dedicated to sustainably reducing its unit emissions in the long term and will develop a more systematic approach specific to the sectors in which it operates.

INVESTMENT IN PEOPLE

The sustainability policy of The Aveng Group incorporates guiding principles which address social issues that the Group endeavours to apply consistently in all the underlying operations to provide a working environment that attracts and retains talented employees. This includes a safe and healthy place to work, commitment to employment equity, training and development, effective communication and support for those affected by HIV and Aids. The Aveng Code of Business Conduct includes measures to support an ethical culture across the organisation and is reviewed annually to ensure its continued relevance.

CORPORATE SOCIAL INVESTMENT

In its operations worldwide, The Aveng Group is mindful of the potential positive and negative impacts it has on the communities in which it operates. The Group is aware that the creation of wealth brings with it broader responsibilities to its stakeholder communities.

The Group recognises the far-reaching nature of its duties to support wider social upliftment and contribute 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 meet the needs and expectations of the wider community, while demonstrating that it is enhancing society and creating a business for future generations.

Every year, The Aveng Group contributes at least 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 skills development and educational initiatives. In addition, individual operations within The Aveng Group make a significant investment to CSI.

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

STAKEHOLDER ENGAGEMENT

The Aveng Group is committed to open and timeous communication with its stakeholders who are all treated equitably. 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 GROUP	FORM OF COMMUNICATION
Investors	Annual and interim reports, profit announcements, SENS announcements, annual general meetings, 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, email announcements, Chief Executive Officer's blog and video messaging to staff.
Clients	Service and supply contracts, meetings, letters, email updates, account statements, formal functions, personal visits and regular telephone calls.
Business partners	Agreements, meetings, letters and email updates.
Organised labour	Regular meetings and interface at the relevant levels in South Africa with the National Union of Mineworkers (NUM), Association of Mineworkers and Construction Union (AMCU), Solidarity, Workers Equality Support of South Africa (WESUSA), National Union of Metal Workers South Africa (NUMSA), National Security Workers Union, National Construction Building & Allied Workers Union, United Association of South Africa, United Peoples Union of South Africa and BCAWU. Regular meetings and interface in Australasia and the Pacific Rim with Construction, Forestry, Mining and Energy Union (CFMEU), Australian Manufacturing Workers Union (AMWU), Electrical Trades Union (ETU), Engineering, Printing and Manufacturing Union (EPMU), among others.
Major contractors, suppliers and business partners	Contracts and service agreements, meetings, letters, email updates, workshops, industry body meetings, formal functions, personal visits and regular telephone 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.

Examples of stakeholder engagement during the year:

- In addition to the bi-annual results presentations and subsequent road shows with major investors, **The Aveng Group** also conducted a number of one-on-one meetings with investors to discuss the strategic positioning and the outlook for the Group. Regular site visits are arranged by the Group and executive management also participates in a number of investor interactions arranged by the broking community. In addition to discussing business with the investment community, the Group also welcomes two-way debates with feedback from the investment community. During the year, an independent perception study was conducted with a number of investors to establish the general views and perceptions of the Group.
- The operations of **The Aveng Group** continually engage in collaborative communication with its employees with regular newsletters, roadshows and through the Intranet. During the year, a number of operating groups conducted the Barret Values Alignment Surveys to monitor progress with regard to aligning their operations' values with those of the employees. Other employee surveys conducted in the operating groups during the year included safety and climate surveys, among others.
- **The Aveng Group** and its operating groups are members of all the major industry bodies including the Master Builders Association (MBA), Master Builders of South Africa (MBSA), South African Federation of Civil Engineering Contractors (SAFCEC), Cement and Concrete Institute (C&CI), Construction Industry Institute (CII), National House Building Council (NHBC), Construction Industry Development Board (CIDB), Green Building Council (GBC), Engineering & Construction Risk Institute (ECRI), World Economic Forum's Partnership Against Crime Initiative (WEF)(PACI), Business Leadership South Africa, National Business Initiative (NBI), Business Trust, South African Reinforced Concrete Engineers Association (SARCEA) and South African Colliery Environmental Practitioners Association (SACEPA), among others.
- The Group Safety and Health Manager of **The Aveng Group** is a member of the technical committee representing the interests of business on an Occupational Health and Safety technical committee convened by the Department of Labour to review the OHS Act 85 of 1993.
- In line with its active participation in training and development across all operations, **The Aveng Group** is a member of the SAFCEC training committee, the construction partnership steering committee of the NBI and Department of Higher Education and Training as well as the Construction Education and Training Authority (CETA).
- **Grinaker-LTA** uses post-contract questionnaires to communicate with its clients and professional colleagues. These are completed by clients as well as other members of the professional team and cover a number of topics including areas of potential improvement. The learnings from these questionnaires are used to improve its service levels on a continual basis.
- **Grinaker-LTA** conducts supplier and service provider surveys when a new supplier or subcontractor is introduced to a business unit and thereafter when the supplier or subcontractor starts supplying a new site.
- **Grinaker-LTA** is acutely aware that good relations with the communities located adjacent to its contracts are key to the successful completion of projects which can have durations spanning a number of years. Grinaker-LTA's project teams make it a priority to always engage with local communities when starting a new project, in order to develop relationships as early as possible. In the past, assistance to the local communities has included the grading of land for use as a makeshift soccer field or the repairing of roads in the neighbourhood.

- As part of its learning and growth strategy, **McConnell Dowell** is a member of a broad range of industry associations. This participation also enables it to positively contribute to the ongoing development of the industries in which it participates. McConnell Dowell is a member of the following associations: Australian Constructors Association (ACA), Australian Green Infrastructure Council, Australian Human Resources Institute (AHRI), Australian Industry Group (AIG), Australian Institute of Company Directors, Australian Institute of Management (AIM), Australian Mines and Metals Association (AMMA), Australian Petroleum Production and Exploration Association, Australian Pipeline Industry Association (APIA), Australian Underground Construction and Tunnelling – New South Wales, Australian Water Association (AWA) (gold corporate member), Civil Contractors Federation (CCF), Committee for Economic Development of Australia (CEDA), Employers First – New South Wales, Engineering Employers Association – South Australia, Engineers Australia, Infrastructure Partnerships Australia (IPA), Master Builders Association (MBA), National Safety Council of Australia (NSCA), Priority Start (WA) registered for the apprentice programme, Process Engineers & Constructors Association (PEC), Queensland Chamber of Commerce, Queensland Major Contractors Association (QMCA), Roads Australia and Victoria Employers Chamber of Commerce & Industry (VECCI).
- In Singapore, **McConnell Dowell** is also a member of the following industry associations: Association of Process Industry, Singapore (ASPRI), Singapore Water Association (SWA), Singapore Business Federation (SBF), Singapore Contractors Association Limited (SCAL) and Tunnelling and Underground Construction Society, Singapore (TUCSS).
- **McConnell Dowell** recently completed the Bogong Power Development project in Victoria, Australia. Given its location in a nature park, effective community involvement and engagement was a critical success factor. Bogong Village houses an outdoor education centre and is a significant bush trekking area. McConnell Dowell was supportive both in enhancing the services of this centre with improved outdoor activity areas and by providing upgraded walking tracks in the areas surrounding the project. Public and community interaction groups were regularly convened and awareness programmes kept stakeholders and local authorities fully informed.
- **McConnell Dowell** conducts annual surveys which are used to assess the quality, integrity and prospects for repeat business.
- **Trident Steel** engages with its clients using questionnaires which span topics such as pricing, quality, service and on-time deliveries. Its results on surveys during the year averaged some 80%.
- **Trident Steel** conducted three subcontractor quality surveys in 2010 while its major mill surveys are conducted bi-annually.
- **Trident Steel** and **Aveng Manufacturing** are members of steel industry bodies including the South African Institute of Steel Construction (SAISC), Steel and Engineering Industries Federation of South Africa (SEIFSA), Institute of Flat Steel and Tubing Association, among others.
- **Moolmans** is a member of mining industry bodies including SAFCEC in South Africa, BOCCIN in Botswana, Chamber of Mines Namibia, Chamber of Mines Ghana and the Minerals Commission of Ghana.

VALUE ADDED STATEMENT, DIRECT AND INDIRECT BENEFITS

Despite the business environment which remained challenging in 2010, The Aveng Group continued to contribute positively to a sustainable economy, delivering a 1% increase in total revenue to R34,0 billion.

Total value added by the Group's diverse activities to the cost of raw materials, products and services purchased amounted to R11,9 billion. The Group's suppliers benefited from expenditure of R22,5 billion on products and services from suppliers.

The Aveng Group maintained its ordinary dividend at 145,0 cents per share for 2010 (2009: 145,0 cents).

The financial performance of The Aveng Group directly impacts on its capacity to act as a responsible corporate citizen in its pursuit of economic sustainability for all stakeholders. The Group is dedicated to building and maintaining a robust, enduring business for the benefit of all its stakeholders, the South African economy and society at large. The Aveng Group is also 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

The Aveng Group strives to contribute positively to the development of society and the South African economy, endeavours to improve its financial performance year-on-year to achieve solid growth in all aspects of the business and to create value for its stakeholders and the communities in which it operates.

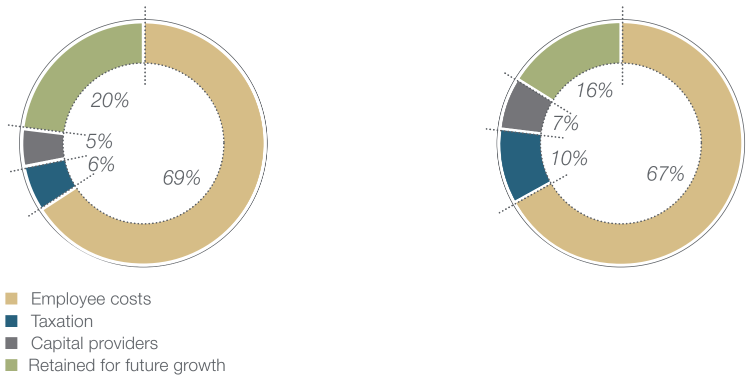
The value added statement is a measure of the wealth created by the Group during the year under review. It equates the amount of value added by its diverse activities to the cost of raw materials, products and services purchased. The statement shows the total wealth created and how it was distributed.

Value added statement for the Group at 30 June 2010

	2010 Rm	2009 Rm
Revenue	**33 981,1**	33 771,7
Net cost of products and services	**22 537,8**	22 533,5
Value added by operations	**11 443,3**	11 238,2
Income from investments and interest	**471,6**	756,9
Total value added	**11 914,9**	11 995,1
Applied as follows to:		
Employees as salaries, wages and other benefits	**8 224,2**	8 090,7
Providers of capital – financing costs	**17,2**	41,6
– dividends	**579,4**	1 138,0
The state as direct taxes	**721,6**	809,0
Total value distributed	**9 542,4**	10 079,3
Reinvested in the Group: – amortisation and depreciation	**1 079,6**	952,4
– reserves retained	**1 292,9**	963,4
Total value added	**11 914,9**	11 995,1

TOTAL VALUE APPLIED BY STAKEHOLDER GROUP

2010 **2009**



Indirect impacts

The total economic impact of an organisation includes its indirect impacts. These are usually benefits to the broader society and the workforce arising in the course of its business and to which a monetary amount is not directly attributable. The Aveng Group does not assess and quantify its indirect economic impacts. However, some of the indirect economic benefits of the Group are as follows:

- Expenditure on products and services to suppliers amounted to R22,5 billion which in turn created opportunities for the Group's suppliers to employ more staff in order to keep pace with its demands;
- During the year R8,2 billion was paid as salaries, wages and other benefits to the more than 34 500 employees of the Group, supporting economic activity in their broader communities; and
- The Group uses the products and services of a wide 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 Aveng 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.

- The Group engages actively with small businesses in the role of mentor through its enterprise development programmes, offering assistance in growing and developing these businesses, thereby indirectly contributing to the socio-economic development of South Africa.
- The Group often constructs infrastructure and other assets which are beneficial to the economy and the communities in which the projects are located, for example the development of alternative, renewable energy sources, the building of port infrastructure to increase import and export abilities and the construction and maintenance of roads and airport runways to improve transportation services. Projects including the FNB Stadium (formerly known as Soccer City) in Johannesburg, the Nelson Mandela Bay Stadium in Port Elizabeth as well as the construction of new terminals at the Cape Town International Airport, all of which were completed in time for the start of the 2010 FIFA World Cup™. In addition, interim milestones were met on the upgrade of the Gauteng Freeway Improvement Project. In South Africa and further afield, operating groups are also involved in the construction and operation of several desalination plants and other water infrastructure including

the Trekkopje Desalination Plant, Namibia; the eMalahleni Water Treatment Plant in Mpumalanga and the Adelaide Desalination Plant in Australia, among others.

- New innovations, research and development supported by the organisation are of economic benefit to the countries in which they are developed. The construction, mining and manufacturing industries continuously seek 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 is conducted by several operations within the Group to improve on and develop new products and processes and minimise any negative impacts of its current practices.

TRANSFORMATION

The Aveng Group recognises that transformation is a business and cultural imperative. The transformation committee of the board of Aveng Limited, maintained its commitment to developing and increasing the representation of black professionals and leaders across its operations. The Group advanced the financial independence and sustainability of black-owned enterprises. It also continued its efforts towards contributing to community development through direct engagement in social upliftment projects and in education and training in particular.

In December 2009, a dedicated Group Transformation Manager was appointed to drive transformation initiatives and to ensure consistent implementation and standards across the Group. During the year, transformation processes were formalised with a strong emphasis on educating internal and external stakeholders around transformation. The Group also embarked on a very constructive journey to stimulate active management of diversity across its South African operations. Diversity management workshops were initiated at The Aveng Group executive committee level and are in the process of being cascaded throughout the operations.

Having implemented more rigorous internal systems, the focus in 2011 will turn to improving the Group's performance in terms of the other aspects, namely employment equity, skills development, preferential procurement, enterprise development and socio-economic development.

BBBEE SCORECARD OF THE AVENG GROUP

The performance of Aveng (Africa) and Trident Steel against the Construction Sector Charter (EmpowerLogic, December 2009):

	Aveng (Africa)		Trident Steel	
Points	**2009**	2008*	**2009**	2008*
Ownership	**24,0**	24,0	**24,0**	24,0
Control	**7,2**	2,9	**1,9**	1,8
Employment equity	**3,3**	4,1	**4,0**	2,4
Skills development	**11,8**	10,0	**8,7**	4,4
Procurement	**10,6**	8,7	**1,2**	5,7
Enterprise development	**3,2**	10,8	**0,8**	5,0
Socio-economic development	**5,0**	5,0	**5,0**	5,0
Total	**65,1**	65,5	**45,6**	48,3
Rating	**4**	4	**6**	8

** Measured in terms of the DTI Codes of Good Practice's generic scorecard.*

Ownership

The Aveng Group 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 Tiso Group, 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 Tiso Group both the incentive and the opportunity to contribute strategically and operationally to the business. The Qakazana Consortium has one seat on the board of Aveng Limited and two seats on each of the boards of Aveng (Africa) and Trident Steel.

The targets set in the Construction Sector Charter of 27,5% and 30% after four and seven years have already been exceeded by both Aveng (Africa) and Trident Steel. The current black ownership in Aveng (Africa) is 77,5% and ownership by black women is 21,2%. Trident Steel is 64,7% black owned while black women own 17,7%.

The Aveng Group remains at the top of its industry sector from an ownership perspective, as confirmed by the *Financial Mail's* 2010 Top Empowerment Companies.

The effective ownership credentials of The Aveng Group are further strengthened by its support of a substantial BBBEE transaction through the sale of the 46% stake in Holcim (Africa) (now named Afrisam) in 2007.

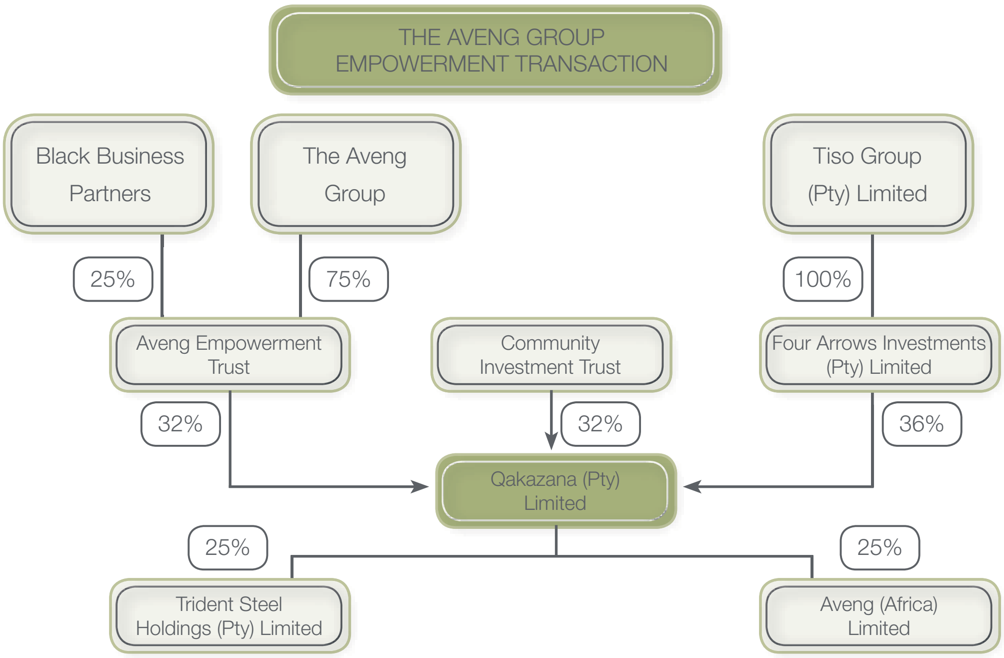
McConnell Dowell is excluded from the ownership evaluations in terms of the Construction Sector Charter as it is an offshore company based in Australia.

Members of the BEE consortium

The Qakazana Consortium is broad based and includes the employees of The Aveng Group, a community trust and a business trust, with more than 60% of the benefits of the transaction accruing to broad-based community groups. The Aveng Group regards this contribution to broad-based groups as an important component of the transaction.

- **The Tiso Group** is focused on natural resources and related goods and services, and investment banking. It is headed up by Nkululeko Sowazi and David Adomakoh.
- **The Aveng Community Investment Trust** is overseen by independent trustees, is registered as a public benefit organisation which has section 18A tax exemption. A predetermined percentage of the funds in this trust is ringfenced for women and women's groups to benefit previously disadvantaged broad-based women's groupings as agreed in terms of The Tiso Aveng Empowerment transaction. Details of the corporate social investment initiatives of The Aveng Group are contained on pages 124 to 128.
- **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 Aveng (Africa) and Trident Steel 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 4 995 846 units are in issue from the Trust to the employees.

The members of the Qakazana Consortium as at 30 June 2010 were as follows:



Control

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

Aveng (Africa)	70,1% (using the Construction Sector Charter calculation tool allowing for ARG)
Trident Steel	19,4% (using the Construction Sector Charter calculation tool allowing for ARG)

Employment equity

Employment equity is dealt with in detail in Employees on page 118 of this report.

The biggest industry-wide transformation challenge is regarded to be employment equity. In The Aveng Group, seven categories of key skills have been identified where its employment equity initiatives need to be concentrated in particular. These are various engineering disciplines, project management, several artisan disciplines, finance, quantity surveying, business development and general management.

During the last 12 months, the Group transformation function has implemented the required processes, systems and applications to support transformation of the workforce. The talent management and skills development processes have become more aggressive in enhancing the internal mobility of black employees. There has also been a strong focus on Youth in Construction Week to market the Group to talented young black people as a potential future employer. A bursary programme is also in place which is geared to developing black professionals.

The Aveng Group conducted a process to identify emerging black talent across the operations and provide them with specific, individual development plans during the year.

Skills development

Skills development is dealt with in detail in the section on Critical talent and skills development on page 121. The Group's talent development function has developed an integrated model for The Aveng Group to identify and source talented black individuals and to accelerate their development through the various levels.

In the 12 months to June 2009, being the reporting period for the 2009 EmpowerLogic rating, The Aveng Group invested R50 million in training and development initiatives, with 70% being spent on black employees, which includes 25% on black management.

Procurement

The Aveng Group made significant progress with regard to procuring from black-owned businesses. Employees attended workshops to ensure their understanding of criteria to consider when selecting suppliers. The Group developed a database for all valid suppliers' certificates and now has a consolidated view of the BBBEE credentials of all its external business partners. It played an important role in managing over 150 relationships with black-owned businesses with an aggregate value exceeding R1,4 billion.

The business intelligence department facilitated a process of consolidating transactional data from 90 disparate operational procurement databases. Accordingly, it now has the baseline to measure its preferential procurement spending accurately and on a real-time basis.

Enterprise development

Strong foundations were put in place during the year, including improved structures to manage and process the small and micro enterprises as well as to develop the Group's relationships with emerging micro enterprises. A framework to align the Group with section 9 of the Construction Sector Charter has also been developed.

Considerable effort across the Group was made in terms of short payment periods to black suppliers to facilitate their cashflow. Significant enterprise development initiatives in 2010 included programmes to ensure the financial independence and stability of black suppliers. Due to these efforts, The Aveng Group is well positioned to show an improvement in its enterprise development score during 2011, as a number of opportunities were identified after the financial year-end.

Socio-economic development

Corporate social investment is dealt with in detail on pages 124 to 128 of this report.

SAFETY

The Aveng Group continued to make significant improvements in safety performance in 2010. While there was a reduction in most lagging safety indicators, the Group is saddened to report that tragically five people lost their lives across the Group. A single fatality is unacceptable and the Group will continue to take the necessary steps to achieve a fatality-free operation.

Significant progress towards OHSAS 18001 certification was made with Moolmans and Trident Steel achieving certification at the operating group level for the first time.

The Near-Miss Reporting Programme continues to deliver success in respect of safety with early identification of incidents so that lessons can be learnt before accidents occur. The Group experienced a significant improvement in reporting of near-miss incidents during the year.

The Group Safety Forum continues to play a critical role in the sharing of best practices across operations. The forum is studying the optimal approach for behaviour change that could be applied across all operations.

In 2010, the Aveng Safety Framework was launched and continues to be rolled out across The Aveng Group. The Group-wide policy, principles and standards are clearly set out in the Framework. The Group continued to focus on visible safety leadership initiatives and employee engagement efforts which are considered necessary to build a sustainable world-class safety culture.

Improvement in the reporting of leading indicators

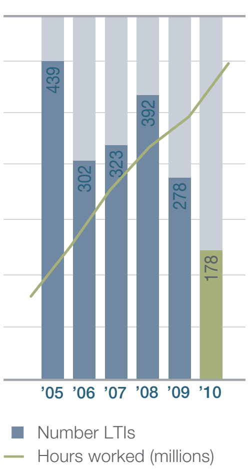
Improvement in the reporting of leading indicators continues at all operating groups.

Near-Miss Reporting Programme

The Aveng Group uses a broad definition for a near-miss incident, namely "an opportunity to improve safety practice based on a condition, or an incident that has the potential to cause injury or illness to a person".

All operating groups continued to make progress with their near-miss reporting culture during the year and accordingly a significant improvement in the near-miss frequency rate was recorded at most operations.

SAFETY PERFORMANCE



The Aveng Group reported 84 194 near-miss reports in 2010, up from 36 249 and 2 669 in 2009 and 2008 respectively. The consistent improvement in the near-miss reporting culture is considered to be a positive sign. In order to harness the potential benefits of increased near-miss reporting, the information will be analysed in more detail to identify root causes and emerging trends. Accordingly, corrective actions will be taken and the emerging trends will be communicated to entrench a learning safety culture.

Blanking press for the wheel industry at Trident Steel, Port Elizabeth.

Visible safety leadership

The Safety Framework of The Aveng Group incorporates visible leadership which enables management to demonstrate its commitment to the safety culture at all levels of the Group. As such, it defines roles, responsibilities and accountability at levels as well as functions to ensure the effective implementation of the safety management systems. Executives, management and first-line supervisors are tasked to visibly demonstrate their commitment to safety.

Machine operating panel, Trident Steel.

In support of visible safety leadership, the Chief Executive Officer of The Aveng Group, Roger Jardine, communicated his concerns with regard to the fatalities experienced within its operations during the year, compelling all operating groups to review and strengthen their safety management protocols. To further demonstrate safety leadership, Roger Jardine also personally and formally acknowledged exceptional safety achievements. In addition, regular site visits focusing on on-site safety practices were conducted by the Chief Executive Officer, members of the board of Aveng Limited and the executive committee.

McConnell Dowell's Batam Fabrication Yard, Indonesia.

The second Executive Safety Leadership (ESL) survey was completed by the operating group Managing Directors in the fourth quarter of 2010, following on the baseline survey conducted in the first quarter. It was encouraging that all scores were either within or better than the target range set for the financial year. A consistent increase in the individual and overall scores across the Group was also recorded.

The ESL tool provided subjective feedback of Executive Safety Leadership behaviours across a range of dimensions including:

- response to fatalities;
- frequency and substance of workplace engagements;
- frequency and substance of safety progress reviews;
- personal time allocation to safety (orientation of staff, training, among others);
- extent of operational budgets allocated to safety; and
- extent and form of recognition for safety achievements.

Safety management system (OHSAS 18001)

The operations of The Aveng Group continued to make progress towards its objective to obtain the OHSAS 18001 certification. During the year Moolmans and Trident Steel obtained the certification across all their operations. Accordingly, half of the six operating groups have achieved certification, in addition to which four of the five business units of Grinaker-LTA and several of the operations of E$^+$PC were also certified. Both E$^+$PC and Grinaker-LTA are on track to have all their operations certified by December 2010. Aveng Manufacturing is targeting June 2011 to complete its certification process.

While certification represents one important step along the Group's safety journey, the challenge in 2011 will be to continue implementing the safety management systems in a sustainable manner across all operations.

Injury Frequency Rates

The Group's Lost-Time Injury Frequency Rate (LTIFR) decreased by 41% to 0,26 in 2010 compared to 0,44 in the previous year. However, the Group recorded little change in its total number of injuries, with a 9% decrease in the All-Injury Frequency Rate to 5,28 in 2010 (2009: 5,82).

The Aveng Group's safety performance

	2010		
	Million hours	**Lost-time injuries***	**LTIFR**
Aveng (Africa)	**98,90**	**127**	**0,26**
McConnell Dowell	**35,02**	**28**	**0,16**
Trident Steel	**4,66**	**23**	**0,99**
Total	**138,58**	**178**	**0,26**

** A work-related injury that results in time lost from work of one day/full shift or more for employees, subcontractors and JV partners.*

Operational safety initiatives and achievements

Grinaker-LTA

- The operating group recorded a 48% reduction in LTIFR to 0,22 from 0,42 in 2009 as well as a remarkable improvement in reporting of near-miss incidents.
- Its safety culture was improved by focusing on targeted safety interventions at all operations which included enhanced near-miss programmes, improved visible leadership initiatives by executives and senior management and behaviour-based interventions in selected operations.
- New initiatives rolled out in 2010 included improved management of the significant incidents and closing out of the identified actions, improved communication and sharing of information across operations and regular safety climate surveys.
- Grinaker-LTA achieved a number of significant safety milestones across its operations, most notably:

Business unit	*Achievement*
Building	118,5 million hours (51 months) without a fatality
Earthworks Engineering	5 million fatality-free hours 37 months LTI-free Significant improvement in the incident rate at the recommencement of work in January 2010 was achieved, with over 7 000 persons being re-inducted and tested for alcohol
Mechanical and Electrical (Fraser & Chalmers Siyakha, Durban)	2,5 million hours LTI-free
Mechanical and Electrical's Oil and Gas division	6,0 million hours LTI-free
Mining	8,7 million fatality-free hours 912 102 fatality-free shifts Roll-out of safety management system on all sites

- Grinaker-LTA achieved a number of significant safety milestones on projects during the year including:

Business unit	*Project*	*Achievement*
Grinaker-LTA Interbeton bv (joint venture)	FNB Stadium	1,5 million hours LTI-free
Building	Bridge City Mall	2,8 million hours LTI-free
	Kimberley Prison	1,5 million hours LTI-free
	REHM Grinaker	2,0 million hours LTI-free (six months)
Civil Engineering	Sedibeng Brewery (joint venture)	0,5 million hours LTI-free
	Sishen South	1,0 million hours LTI-free
	MPS (joint venture)	4,0 million hours LTI-free
	GFIP Package F	2,0 million hours LTI-free
Mining	Zondagsfontein	2,0 million fatality-free hours
	Two Rivers project	Over 2,3 million fatality-free hours

- Grinaker-LTA was given external recognition for a number of projects during the year including:

Business unit	*Project*	*Achievement*
Building	Sedibeng Brewery	Sedibeng Brewery (joint venture) project achieved five-star grading in the MBA audit
	Building Inland division	Sishen South received the monthly safety award from HATCH for the best contractor on site and the Kumba Monthly Safety Award for Outstanding Safety Performance
		Awarded five-star rating after IRCA audit with an overall compliance score of 96% and retained the Fisher accreditation
Civil Engineering	Sishen South	Construction Industry CAT4 – received the Global Award for Best Overall Score in Health and Safety Construction Industry
		CAT4 won Global Award for Best SHE Management System for Construction
	Karrena Africa	Awarded fifth NOSCAR with a score of 97,1%
	16th Oxygen Plant	Achieved all five safety awards from Foster Wheeler
		Qualified for NOSCAR award after achieving more than 95% for three consecutive years

Grinaker-LTA puts world-class safety in practice at FNB Stadium (formerly known as Soccer City)

In the early days of the construction of the FNB Stadium in Johannesburg a clear warning was sounded that the team would need to heighten its attention to the safety on site when some serious near-miss incidents occurred. With a large number of people and different responsibilities on site, communication would play a crucial role in the safekeeping of all persons on site.

Within the first six months of the contract, five lost-time injuries (LTIs) were reported and a snowball effect was taking place. Enhancing systems to determine the type of injury which had occurred and the location in which it had occurred, enabled the team to identify problem areas. Nonetheless, the LTIs escalated to three per month. According to incident ratios, this rate of extrapolation indicated that the project could experience a loss of life within a few months.

The Grinaker-LTA senior management and the safety department took decisive action to dedicate more time and attention to safety and by August 2008, 55 LTI-free days had been recorded. As a result of committed senior site management, all employees on site started embracing the need for safety on the site. Unfortunately the 55 LTI-free days were followed by five LTIs in October 2008.

Following an in-depth review of safety on the project, more safety resources were allocated to the project to drive a positive project safety culture. Head office and senior site management increased visibility on site and the frequency of safety engagements with project employees. An external consultant was appointed to conduct a series of audits in order to independently confirm the results of the internal analysis and progress with the project safety culture.

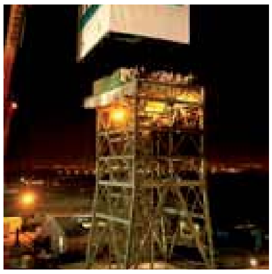
The near-miss programme developed for the FNB Stadium was strengthened and with the help and persistence of management and supervisors, the near-miss reports escalated to 1 582 near-misses in the two months to mid-December 2008. The "free lessons" emanating from the near-miss reports provided the project with an opportunity to take action before accidents occurred. Injury trends began to decline and the project was completed with no fatalities and achieved the milestone of 1,0 million hours worked without a lost time on three separate occasions in June 2009, September 2009 and February 2010.

McConnell Dowell

- McConnell Dowell showed a 33% decrease in its LTIFR to 0,16 from 0,24 in the previous year as a result of an overall improvement in safety awareness and responsibility at all levels of management.
- During the year McConnell Dowell heightened focus on visiting manager reviews on projects and senior managers were held accountable for carrying out reviews. It also launched the "MacDow Golden Rules" on all projects. Both initiatives are considered to be contributing significantly to the reduction of injury incidence rates.

- McConnell Dowell achieved significant safety milestones on a number of projects during the year including:

Project	*Achievement*
Toka Tindung Gold Processing Plant Sulawesi Indonesia	250 000 hours LTI-free
General Motors Diesel Engine Plant project in Thailand	250 000 hours LTI-free
Marina Bay Sands Integrated Resort (MBSIR) project in Singapore	1,0 million hours LTI-free
Emirates Aluminium Smelter (EMAL) project in Abu Dhabi	EMAL Safety Award 1,0 million hours LTI-free
C916 Beauty World Station tunnelling project in Singapore	500 000 hours LTI-free
Ambuklao and Binga Hydropower Plants project in the Philippines	Over 2,0 million hours LTI-free
Qatalum project, Qatar	1,5 million hours LTI-free
Dutco McConnell Dowell EMAL project team	2,0 million hours LTI-free
Marina Bay Sands project team	750 000 hours LTI-free
McConnell Dowell (American Samoa) Limited	2 500 days and 1,5 million hours LTI-free
PARS project in Singapore	3,0 million hours LTI-free
Dampier to Bunbury natural gas looping pipeline project in Western Australia	1,0 million hours LTI-free



Safe work practices at Konkola Copper Mine, Zambia.

Trekkopje Desalination Plant, Namibia.

Green Cross safety principles in action at Trident Steel.

E+PC

- E+PC conducted baseline risk assessments during 2010 on six operations sites and one construction site as well as the server rooms at three of its office premises. These were carried out as part of the operating group's decision to obtain OHSAS 18001 certification. All sites identified some residual high risks but determined that adequate measures were in place to manage these risks.
- E+PC worked for the full financial year without an LTI, amounting to more than 2,5 million hours without an LTI.
- A highlight of the year was the implementation and OHSAS 18001 certification of three sites, namely eMalahleni Water Treatment Plant, Kopermyn Coal Wash Plant and Carolina Coal Wash Plant.
- The near-miss reporting frequency increased from an average of six to 40 per month.

Aveng Manufacturing

- Aveng Manufacturing strengthened its safety procedures and the implementation thereof during the year and encouraged greater commitment from employees towards continual improvements. As a result, its LTIFR reduced by some 28% to 0,87 from 1,21 in the previous year.
- 13 of its 38 factories completed the financial year without recording a single LTI.

- During the year, a number of operations were recognised for their safety initiatives, including:

Sites/operations certified	*Awarding body*	*Name of award/certification*
Lennings Rail Services	NOSA	NOSA CMB 150N (three stars)
Steeledale KwaZulu-Natal	NOSA	NOSA CMB 150N five-star grading safety system
Steeledale Pinetown	MBSA	Master Builders South Africa safety competition
Alrode and Westonaria	NOSA	NOSA four star
Germiston	NOSA	NOSA five star

Trident Steel

- Trident Steel's commitment to safety was recognised with the achievement of OHSAS 18001 certification across all of its operations during the year.
- The operating group reported an improvement in its key safety performance including a marginal reduction in the LTIFR to 0,99 (2009:1,06) and a tenfold increase in near-miss reporting to 1 261, which is a leading indicator of future performance.
- Safety has been increasingly integrated into the work culture through visible leadership with senior managers and safety representatives visiting operations at least once a week. Daily safety interventions based on the Green Cross safety principles have also contributed positively to improving the safety culture at Trident Steel.

Moolmans

- Moolmans obtained its OHSAS 18001 certification in September 2009.
- The operating group made a significant change in near-miss reporting with 7 970 near-misses for the year compared with 3 787 the previous year. Moolmans implemented a significant incident management programme to investigate all potential significant incidents to determine the root causes and underlying causes (or contributing factors) of incidents and accordingly, overcame the challenge of experiencing a significant number of incidents which had the potential to cause serious injury or property damage. Lessons from incidents are shared across Moolmans' operations.
- Moolmans' LTIFR for the year was 0,17 and the operating group achieved a number of safety milestones, most notably:
  - the team at the Siguiri Gold Mine in Guinea achieved 4,6 million LTI-free hours;
  - in Mali, the team at the Sadiola Gold Mine achieved 2,8 million LTI-free hours;
  - Moolmans' head office and workshops achieved 1,5 million LTI-free hours; and
  - at the Driehoek Coal Mine in Middelburg, the project team achieved 2,7 million LTI-free hours.

HEALTH AND WELLNESS

The Aveng Group recognises that the health and wellness of its people is central to the long term success of the business. Paying close attention to the occupational health risks of its people and identifying and controlling hazards at the workplace is accordingly paramount to the Group. The Group also appreciates the right of employees to a healthy working environment, which increases productivity through lower absenteeism and boosts employee morale.

Having made significant progress in relation to safety across the Group and in particular achieving significant successes in entrenching a positive safety culture across all operations, focus will be extended to formalising health and wellness initiatives in the year ahead. To this end, a dedicated Group Health and Wellness Manager was appointed on 1 August 2010. Taking key learnings from the Aveng Safety Framework which was rolled out successfully, the Aveng Health and Wellness Framework will be developed to fast-track the Group's journey to leading practices in this important aspect of maximising the total employee value proposition of The Aveng Group.

HIV and AIDS

The Aveng Group recognises that the HIV and AIDS epidemic poses a significant threat to the health, wellness and development of employees. It also appreciates that combating HIV and AIDS requires a partnership between the operating groups, labour representatives, individual employees, their families, Government and other stakeholders. The Group is committed to minimising the burden of HIV and AIDS on all employees by creating a supportive and caring workplace environment and ensuring that the rights of employees living with HIV and AIDS are protected, while the rights of The Aveng Group are respected.

Programmes to promote the Group's objectives with regard to HIV and AIDS have, to date, been initiated independently at the operating group level and have included the following aspects:

- Providing HIV and AIDS information and training to employees in order to assist them to adopt health seeking behaviours and make safe and healthy decisions to prevent the spread of transmission of HIV;
- Taking measures to avoid discrimination of employees based on their HIV and AIDS status;
- Providing employees with voluntary counselling and testing (VCT) opportunities and referral systems;
- Ensuring non-disclosure of HIV and AIDS status and confidential disclosure where appropriate; and
- Providing suitable in-house educators to conduct awareness programmes and provide pre- and post-test counselling and referrals.

Specific operating group initiatives during the year include the following:

- Distribution of free condoms in most working environments;
- Supporting World Aids Day initiatives annually in December;
- Trident Steel provided HIV and AIDS training which was attended by 86% of its employees, almost half of whom also attended VCT after the session;
- Aveng Manufacturing's HIV and AIDS workplace programme was established with modules to address different issues at various levels;
- In Aveng Manufacturing, 44 employees received training in peer group educator and HIV and AIDS training for managers; and
- Grinaker-LTA's business units also conducted awareness training on HIV and AIDS for employees.

Looking forward, The Aveng Group will endeavour to align its HIV and AIDS initiatives where possible with the National HIV Counselling and Testing (HCT) Strategy which aims to test 15 million South Africans by June 2011.

ENVIRONMENT

With the heightened awareness on addressing climate change, both locally and globally, The Aveng Group is taking a leading role by looking at innovative ways to reduce its and its clients' impact on the environment. This includes the use of more efficient technology and infrastructure which reduces energy utilisation and helps to conserve scarce water and natural resources.

The environmental policy statement of The Aveng Group was reviewed and updated in September 2009.

In July 2010, a Group Environmental Manager was appointed, who has substantial experience in high environmental impact industries including construction, industrial manufacturing and mining. This dedicated role has been created to inter alia formalise consistent environmental processes and procedures across the Group. The Group Environmental Manager is also mandated to co-ordinate the operational implementation of these processes.

In line with the commitment by The Aveng Group to ensure the ongoing relevance of its sustainability reporting and embracing continuous improvement, targets were put in place for all operating groups in relation to environmental record keeping and reporting to enable the Group to comply with best practice by 2014.

The Group has also embarked on an evaluation process to measure its carbon footprint in the medium term. E+PC was the first operating group to make meaningful progress in this regard during the year. It carried out a climate change impact assessment at four sites, namely its Cape Town, Centurion, Keyplan and Woodmead offices. Aveng Manufacturing has undertaken a carbon footprint study on the input materials for several of its products. This study will be rolled out across the operating group within the next financial year. The Aveng Group participated in the 2010 Carbon Disclosure Project survey.

The impact of the Group's activities on the environment is varied, given the diversity of its business interests, and include some potentially high-impact activities such as roads and earthworks, opencast mining, property development and the manufacture of steel products. As such, The Aveng Group remains committed to developing environmental management systems (EMSs) based on ISO 14001 within all its operations by 2014.

The Group also ensures that its clients conduct full environmental impact analyses (EIAs) and obtain appropriate authorisations before commencing work on new contracts.

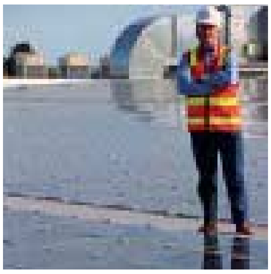
Management and performance

Environmental management systems (EMSs)

Environmental matters have been prioritised across The Aveng Group and key environmental impacts have been identified and integrated into its Strategic Risk Framework.

During the year, operating groups continued to make progress towards obtaining ISO 14 001 certification:

- 100% of Trident Steel's operations became ISO 14001 certified. The operating group has already started accruing economic benefits from this certification, with its approval as preferred supplier to a major client for a period of 10 years.



Adelaide Showground Solar project, South Australia.

Moolmans' new head office located in Parkhaven adjacent to a nature reserve.

Trekkopje Desalination Plant, Namibia.

- Grinaker-LTA continued to make progress towards the Group's target completion date for ISO 14001 certification, with four out of five of its business units being certified. The remaining business unit is on track to complete its certification by June 2011.
- Although Moolmans generally works according to the standards set by its large multi-national mining clients on all its projects, it is planning to have its operations ISO 14001 certified by 2014.
  - 63% of Moolmans' operations, being in Siguiri (Guinea), Sadiola (Mali), Iduapriem (Ghana), Phoenix (Botswana) and Smaldeel (South Africa), fall under clients' ISO 14001 systems.
  - Clients such as AngloGold Ashanti and BHP Energy Coal South Africa are also ISO 14001 compliant and accordingly, Moolmans adheres to their requirements.
  - Preparations for the ISO 14001 certification by Moolmans' clients at mines including Langer Heinrich Uranium in Namibia are underway.
  - The operating group evaluated the environmental aspects and impacts of all its operations during the year.
- McConnell Dowell has an ISO 14001 accreditation which covers 100% of its operating companies.
  - DMDME, which is 50% owned by McConnell Dowell, has commenced with ISO 14001 certification which is nearing completion.
- E^+PC is preparing to have its operations ISO 14001 certified by the end of 2011 and Aveng Manufacturing by the end of 2012.

The Aveng Group is committed to obtaining globally recognised EMS accreditations such as ISO 14001 throughout its operations by 2014, thereby providing evidence to stakeholders that it conducts its business in an environmentally sustainable manner. In addition, accreditation is becoming a business imperative and is often required in order to register for trade licences in foreign countries. Prior to such licences being awarded, the environmental impact of the company, along with other sustainability issues, are evaluated. As industries increasingly adopt formalised EMS accreditations, tender and bidding processes are now incorporating the requirement for environmental certification into evaluation criteria, putting greater pressure on suppliers to obtain ISO 14001 certification.

A benefit of the ISO 14001 accreditation is that certified operations in the Group can offer EMS training to staff. This training programme provides education, training and awareness to highlight the importance of each individual's role and responsibility in complying with environmental legislative requirements. It also ensures an understanding of the operating group's impact on the environment, as well as setting of objectives and targets.

McConnell Dowell has incorporated environmental objectives and targets, measures and initiatives into its corporate scorecard, while other operations have initiated projects to measure their carbon footprint in the medium term in addition to the monthly monitoring of water, power, fuel and waste consumption.

Infraset, a division in Aveng Manufacturing, commissioned an independent baseline sustainability audit report which spanned 75% of its sites to identify its top 10 environmental risks.

E+PC became the first operation to undertake a climate change impact assessment

Against the background of growing international calls for setting up mitigating strategies to reduce greenhouse gas (GHG) emissions, E+PC committed itself to determining its GHG emissions baseline. This baseline will in time assist with setting objectives and targets for its own GHG emissions reductions. The assessment methodology used followed the GHG protocol published by the World Business Council for Sustainable Development (WBCSD) and World Resources Institute's (WRI) reporting principles and guidelines.

The study interrogated E+PC's GHG emissions sources over four of its office sites, namely in Cape Town, Centurion, Woodmead and Keyplan.

The following steps were followed:

- *Establishing assessment boundaries including which GHGs would be analysed;*
- *Collection of data;*
- *Evaluation of quality of data;*
- *Calculating emissions employing appropriate conversion factors;*
- *Analysing the results; and*
- *Providing recommendations for future actions.*

The assessment revealed that 76% of GHG emissions were from the premises, followed by 9,5% of emissions which emanated from company-owned vehicles. The balance originated from commuting and third party deliveries.

The recommendations included prioritising the recording of refrigerant gas losses, using video conferencing rather than travelling to cut down on emissions and developing an internal system for recording and submitting the data required for a climate change impact assessment.

Risk assessment

The nature of the activities of The Aveng Group, where contracts are completed on clients' properties and on their behalf, means that EIAs generally fall into the clients' area of responsibility. The Group conducts EIAs when its operations are involved in EPC (engineer, procure and construct), BOO (build, own and operate) or BOOT (build, own, operate and transfer) contracts. In these instances, an EIA is conducted at the design stage in line with the client's contractual and legal requirements. In addition, the operating groups work actively with customers to define the best solution to mitigate the environmental impact. When constructing infrastructure for the Group's own use, it conducts all necessary EIAs.

For more information refer to the risk management report on page 129 of this report.

The operating groups have continued to review and identify their top environmental impacts which include but are not limited to:

- resources consumption;
- air pollution which includes GHG emissions;
- dust nuisance;
- fire hazards;
- ground and water pollution;
- local cultural heritage destruction;
- ambient noise pollution;
- terrestrial and marine flora and fauna disturbances;
- use of building and construction materials;
- waste generation and associated management; and
- water and electricity usage.

The operating groups are currently developing mitigation strategies to address the impacts identified above.

Legal compliance

The Aveng Group maintained its track record of successfully completing significant construction projects throughout the developing world without any major environmental incidents. The Group did not incur fines for non-compliance to applicable international declarations, conventions and treaties or national, regional and local regulations associated with environmental issues. The Aveng Group is not aware of any pending environmental litigation against its operations.

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 its 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.

Leading the way to environmental sustainability

Green procurement

The Aveng Group 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 Sustainability Policy requires all business units to ensure that subcontractors and suppliers adopt environmentally responsible practices.

It also encourages the use of environmentally friendly products in the day-to-day activities of its business units.

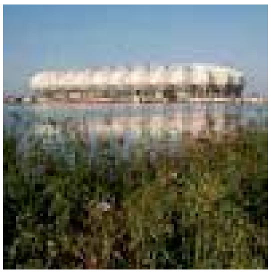
Green products and services

By extending the breadth of its green products and services, The Aveng Group assists its clients to minimise their impact on climate and broader environmental change. Its broad range of services includes:

- technologies for reduction of GHG emissions;
- acid mine drainage treatment technology;
- provision of environmental mitigation plans as part of projects;
- design and construction of green buildings;
- desalination plants;
- wind farms;
- hydropower projects; and
- solar photovoltaic power systems.

Examples of green projects which are being provided by the Group's operations include the following:

- Grinaker-LTA is increasingly incorporating its clients' imperatives to reduce their own environmental impacts, such as assisting clients with the construction of water conservation facilities and "green buildings";
- E+PC provides technologies to its clients in order to:
  - reduce their GHG emissions;
  - treat AMD to reduce pollution of watercourses and to conserve scarce water sources as treated water can be recycled as drinkable water. Examples include the eMalahleni Water Treatment project and the Optimum Water Treatment project both of which are in Mpumalanga (see page 64);
  - desalinating seawater into clean water for industrial and domestic use at the Trekkopje Desalination Plant in Namibia (see page 64); and
- McConnell Dowell completed the Bogong Hydropower Development project during the year, the largest hydropower project to come on stream in Australia in 25 years. It forms part of AGL Southern Hydro's strategic energy framework for the supply of green peak demand power. The design of the project ensures zero emissions energy production and conserves valuable water resources by reusing water. Effective community engagement and involvement during the construction of the hydropower station was a critical success factor. McConnell Dowell enhanced local community facilities including the Bogong Village Outdoor Education Centre and the bush trekking area. The tunnel rock spoil was used to upgrade the local Alpine Shire roads, including the high plains road to Omeo from Falls Creek, which is in a picturesque national park.


Nelson Mandela Bay Stadium, Port Elizabeth.


Trekkopje Desalination Plant, Sea Water Pump Station, Namibia.


Optimum Water Pre-treatment Plant, Mpumalanga.

Infraset develops innovative and sustainable building blocks

Infraset came in second place at the 2009 International Innovation Housing and Sustainable Energy Efficiency Competition which was sponsored by Absa in association with the Department of Housing, Drakenstein Municipality, NHBRC, Agrément SA, the NHFC and the French Development Agency.

The competition involved 21 local and international companies tasked with building affordable and BNG (subsidy) houses using alternative building material and systems. The criteria included durability, architectural quality of housing products, cost-effectiveness and value for money, rapid construction and energy efficiency, among others. The projects also had to meet the funding criteria of financial institutions.

Infraset entered the Izoblok (wood cement block) to build a 60m² affordable house that would be handed over to a beneficiary preselected by the organisers. The buildings were judged on criteria relating to engineering, architecture, energy efficiency, social and bank acceptance. The building completed in December 2009 was handed over to the beneficiary in February 2010.

Impacts

Materials

In addition to the water and energy consumption, the key materials used by the subsidiaries of The Aveng Group and associated companies include:

Primary focus areas	*Business*	*Key materials used*
Construction and mining	Grinaker-LTA , E+PC, Moolmans and McConnell Dowell	Bricks, cement, stone and sand, metals particularly steel, paints, emulsions, polymers and solvents, oils and lubricants, fuel, wood and tar.
Steel and allied	Trident Steel, Infraset, Duraset, Steeledale and Lennings Rail Services	Steel and alloys, acids, oils and lubricants, packaging materials, carbon, oxygen, nitrogen and LPG gas.

In 2008, the Group set down targets to record the quantities of raw materials, waste and recycled materials used across its operations worldwide by 2010. In 2010 approximately half of the operations, as measured by turnover, recorded these measures.

Energy

In 2008, the Group set down targets to measure the quantities of energy used across its operations worldwide. In 2010, 39% of the operations, as measured by turnover, reported on energy use (kWh) and fuel consumption (litres).

Plans are currently being implemented by The Aveng Group in its endeavour to achieve 100% reporting coverage in the next financial year.

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.

Where possible or appropriate, 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 emissions and minimise global climatic change.

Examples of energy conservation by the Group's operations include the following:
- Moolmans has installed fuel management systems on some sites to control spillage and measure usage. In addition, the operating group is continuously evaluating initiatives to reduce fuel usage;
- E$^+$PC assessed its carbon footprint at four of its office sites, which led to several recommendations being made to improve its efficiencies (see case study on page 110);
- Aveng Manufacturing has started calculating the carbon footprint of its products' input materials; and
- individual lighting and air-conditioning has been introduced at a number of operating groups and the corporate office. Energy-saving light bulbs have also been installed to replace conventional light bulbs.

Water

The scarcity and quality of drinkable water continues to be a source of concern across all the geographic markets of The Aveng Group:
- In South Africa, dealing with the impact of wide-ranging droughts has become the responsibility of every South African citizen. In compliance with the National Water Act 36 of 1998 (the Act), all the local operations of the Group falling within the ambit of the Act have obtained requisite water user licences from the Department of Water Affairs.
- Water is also a major issue for the Australian operations due to ongoing drought conditions. The Australian government is supporting extensive infrastructure investments to ensure the supply of drinkable water, while restrictions have also been applied to limit consumption on building sites.

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

In 2008, the Group set down targets to measure the quantities of water used across its operations worldwide. In 2010, 62% of the operations, as measured by turnover, reported on water use (kilolitres).

Water conservation is a major focus area at all operations and the Group's operations are active in both the engineering and construction sectors to supply infrastructure-related water services and solutions:

- In Namibia, after completing the construction of the Trekkopje Desalination Plant, E+PC was awarded a contract to operate and maintain the plant for a 10-year period.
- In South Africa, E+PC is operating an AMD Plant in eMalahleni as well as the Optimum Water Treatment Plant in Mpumalanga. One of the by-products of the AMD treatment is gypsum, which is now being used to make bricks for low-cost housing.
- Construction on the Adelaide Desalination Plant is progressing on track.
- Moolmans has installed a water recycling system which has been in use at its Driehoek and Smaldeel mining operations. Using the system, all waste water is recycled and reused. The operating group plans to roll out the system in its other operations.

Biodiversity

The Aveng Group monitors activities which are taking place in both protected areas and locations of high biodiversity value. This enables The Aveng Group to minimise its risk of impacts and makes it possible for the Group to manage impacts on biodiversity or avoid mismanagement. It realises that proactively managing such impacts may enhance its reputation, avoid delays in obtaining planning permission, and eliminate the loss of a social licence to operate.

Across its operations, suitably qualified people are engaged to advise and put the necessary strategy, plans and mitigation measures in place to ensure that when working in sensitive areas, the Group undertakes suitable rehabilitation to bring these areas back to the appropriate standards.

Emissions, effluents and wastes

Emissions and effluents

The Group is developing a template for reporting key environmental indicators, which will be rolled out across its operations. The template will enable operating groups to start providing quantitative measures of air emissions (nitrogen oxides, sulphur oxides, volatile organic compound and particulate matter among others) as well as effluents quality and quantities on a monthly basis. This information will be published in the 2011 sustainability report and will form part of an assurance and verification process. The introduction of this measurement tool will also enable the Group to perform the trend analyses on key indicators which are required in order to set clear objectives and targets.

Examples of efficient reduction of emissions by the operating groups include the following:

- 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 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 managed by the use of filter bag technology. It is disposed of by accredited contractors who have long-standing relationships with the operating group; and
- 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.

During the year under review, none of the operating groups reported any significant effluent discharges. The template for reporting key environmental indicators will enable operating groups to start providing quantitative measures of various types of effluent, quantities and quality. As with air emissions, trend analyses will be performed to obtain clear objectives and to set targets. This information will be published in the 2011 sustainability report.

Wastes

The quantities of waste produced by the operating groups vary depending on the types of activities being undertaken at any given time.

In 2008, the Group set down targets to measure the quantities of waste produced across its operations worldwide. In 2010, 54% of the operations, as measured by turnover, recorded their waste data.

Examples of efficient reduction and disposal of wastes by The Aveng Group include the following:

- The corporate office and a number of operations recycle printer cartridges and 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;
- Trident Steel sells its scrap metal to reputable scrap merchants for recycling. As part of its continuous improvement initiatives, the operating group has also replaced wood pallets with returnable steel pallets for the side frames of the Volkswagen Polo. Not only does this reduce its environmental impact by saving on the use of wood, but there are positive cost implications. As the initiative is rolled out across the whole operating group, annual savings could amount to almost R1 million per year;
- Grinaker-LTA's waste management programme at the Jet Park Complex remains ongoing. 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. Segregated waste is recorded; and
- The Group disposes of any contaminated material in suitable and/or designated disposal sites.

Collection, recording and analysis of the emissions, effluents and wastes data of the Group worldwide will provide it with opportunities to reduce its direct environmental footprint. This includes evaluating the overall impact of new projects as part of risk and environmental assessment. The Aveng Group will ensure that it maintains new reductions which are achieved and continually improves on them.

EMPLOYEES

Introduction

The Aveng Group has a strong track record of investing in its people. Ensuring that it has the right skills on board is crucial to delivering on its vision of being a leader in infrastructure development.

During the year, The Aveng Group made tangible progress towards meeting its objective of aligning its people management processes across the Group, a journey it embarked on two years ago. The implementation of consistent performance management practices is engendering a performance-orientated culture across the Group.

There is a Group-wide acceptance that access to talented individuals is just as important to deliver on the long term growth strategy of The Aveng Group as having access to the requisite capital to fund growth. Accordingly, the mobility of skills within the organisation has also become a high priority. This is seen as an opportunity to harness the abilities of high-performing talent to unlock long term value for all stakeholders.

Workforce

In the year under review, the Group provided employment opportunities to more than 34 500 people around the world, including almost 21 000 employees in South Africa. Through job creation, The Aveng Group had a significant beneficial impact on the societies and the economies of the countries in which it operates. Where possible, The Aveng Group 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 do not change meaningfully from one year to the next.

A snapshot of the workforce at the end of June 2010 shows that of the total workforce, 18 084 were permanent employees, 16 513 were contract employees.

Geographic split	%
South Africa	61
Rest of Africa and Middle East	16
Australasia and Pacific Rim	23

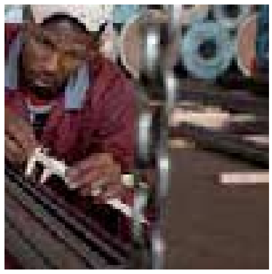
Ethnic split (South African workforce)	
African	77
Coloured	4
Indian	2
White	17

Gender split	
Male	91
Female	9

Employment equity

The employment equity (designated employees) profile of the South African operations of The Aveng Group, comprising Grinaker-LTA, E+PC, Moolmans, Aveng Manufacturing and Trident Steel was as follows on 30 June 2010:

	Previously disadvantaged	
	2010	2009
Occupational group	**%**	%
Top management	**15**	13
Senior management	**22**	18
Middle management	**31**	32
Junior management	**56**	60


Quality verification at Trident Steel.


Trekkopje Desalination Plant Sea Water Pump Station, Namibia.


Manufacture of Steeledale Reinforcing's Cageweld product for the piling industry.

In order to continue addressing its employment equity and management control imperatives, The Aveng Group maintained its focus on skills and leadership development with a particular focus on fast-tracking talented employees from designated groups who demonstrate leadership potential, aptitude, commitment and ambition. To this end, it continued its extensive training and development programmes, targeted at all occupation levels in order to increase its pool of critical skills. Special focus was placed on developing senior managers with the requisite technical, commercial and engineering experience to achieve and exceed its transformation targets and objectives over time. During the year, a number of black managers were also appointed across the Group.

Entrenching the Integrated Human Resources Framework

In continuation of the journey that The Aveng Group commenced several years ago identifying talent development as a critical success factor for long term business success, the human resources function of the Group further entrenched its integrated model during 2010. This model governs the Group-wide development and alignment of common people policies, processes and interventions. Accordingly, and in line with the Group's strategy to strengthen the skills at the corporate office to support operational delivery, several senior human resource professionals were appointed to drive transformation and organisational development, talent development, remuneration and employee benefits across the Group.

Significant progress was made in 2010 towards aligning all the people management processes across the Group including:

- The common grading and performance management system implemented throughout all operating groups in 2009 was fine-tuned and integrated into everyday human resource practices. One of the benefits has been that a performance-driven culture is starting to become inculcated across the operations, with remuneration being linked to performance. In addition, the Group now has clear guidelines and procedures for performance management, which has enabled it to consistently assess and reward talent;
- The second round of Group-wide succession planning which took place in February 2010 extended the process beyond line management roles to include the review of talent in the various support functions at the corporate centre as well as in the operations. The Group succession plans which were implemented in 2009 have already paid off in several operations with individuals identified

through this process being appointed into relevant roles. In 2010, the talent review process was far reaching and qualitative. It also extended beyond the mere identification of emergency replacements for senior management roles to identifying future leaders and emerging talent. It is noteworthy that the entire talent review process and templates were developed in-house by the human resources team, saving the business substantial costs in consultant fees; and

- Human capital is vital to the Group's ability to roll out its strategy. While the board approved the Group strategy for growth, the human resources function reviewed and aligned the human resources strategy to ensure its relevance as an enabler to the growth strategy. Having strengthened the leadership team and identified emerging talent across all operations, the Group now has access to a pool of talented employees who can implement the strategy and deliver on identified growth opportunities. The human resources department is also encouraging the mobility of talent within the organisation by increasingly communicating the breadth of opportunities within its geographic reach. By doing so, talented individuals are encouraged to commit to long term careers within The Aveng Group, rather than limiting their opportunities to single operating groups. A formal mobility policy is being developed.

Defining the DNA of The Aveng Group

While formalising a consistent Human Resources Framework across all operations is associated with the implementation of standardised processes and procedures, accurately defining the culture and values of the organisation is a much more subtle, yet critical task. During the year, the Group human resources team set about defining the DNA of The Aveng Group, which will in turn form the basis for defining the desired competencies in order to inculcate a consistent culture across the Group. The process commenced with workshops which were conducted with the executive teams of each operation. This ensured that the outcome was relevant and informed by the views of line managers, who would be key to its successful implementation. The process has since migrated to the middle and junior management layers to include a broad spectrum of internal stakeholders in its development.

The defining of The Aveng Group DNA will inform the definition of a competency profile for the organisation. It will be re-engineered into all human resources processes including recruitment of new staff, induction programmes, performance management, succession planning and training material, especially for the Aveng Leadership Development Programme.

All the abovementioned human capital interventions are developed jointly by the Group's human resources function comprising the corporate human resources team and the human resources leadership in operations.

Employee communication

The vision of The Aveng Group of building a lasting legacy that every employee, their families and future generations can be proud of, as well as the values of accountability, integrity and safety paved the way for a comprehensive communication campaign across the Group. This flows from the common sense of purpose which is encouraged across the Group, resulting in enhanced two-way communication.

Communication across the operating groups is a core focus and a refreshed, interactive intranet site was launched during the course of the year. This ensured that key Group projects, campaigns and messages were immediately and effectively communicated. The intranet includes a blog whereby staff throughout The Aveng Group can communicate directly with the Chief Executive Officer, Roger Jardine. Videos of key messages from Roger Jardine are also communicated on the intranet site and copies are circulated to staff who have no access to the intranet.

Frequent communications from the corporate office to all staff ensure that employees are kept abreast of new developments, projects and highlights in the Group. A Group-wide corporate social investment programme ran across all operations for almost three months during the financial year, where employees worked together, dedicating 1 515 hours to making a real difference in the communities in which they operate. Employees who participated in this campaign were given a personalised certificate of thanks from the Chief Executive Officer. An associated campaign highlighted extraordinary "ordinary" people within the operations, which led to a great sense of pride and unity. Staff were asked to contribute ideas during the development of the Aveng Safety Policy and inspiring ideas from staff were included in the policy.

CRITICAL TALENT AND SKILLS DEVELOPMENT

The Aveng Group continued to invest heavily in the training and development of its employees and the flagship Aveng Leadership Development Programme (ALDP) as well as the Aveng Supervisor Development Programmes (ASDP) experienced growing demand for enrolment.

In addition, operating groups continued to deliver relevant and accredited skills training to build technical and operational capabilities. The South African operating groups invested more than R50 million in direct training and development in 2010, corresponding to more than 130 000 training days.

The ALDP and its associated ASDP which has been customised for supervisory staff on the ground, continued to be highly successful in the year under review:

- In December 2009, 413 and 44 employees graduated from the ALDP and ASDP respectively.
- More than 350 employees registered for the ALDP in January 2010, while more than 80 delegates enrolled for the ASDP.
- In order to provide employees in Francophone West Africa with the opportunity to attend the ALDP, it was translated into French during the year and Moolmans employees were trained to facilitate the course.
- A pilot executive coaching programme was initiated in 2010 to supplement the formal curriculum of the ALDP. Managed by an external service provider, the needs of each delegate are analysed to match them to a suitable mentor. The programme will be more broadly rolled out in 2011 upon completion of the pilot.

The Aveng Group is also currently supporting 261 bursars, 364 apprentices and 178 learnerships across its operations.

Historically, the operating groups have conducted their training and development activities independently of each other. While this approach has been successful as evidenced by extensive industry recognition and awards, the implementation of the standardised human resource framework necessitated a more centralised approach to training to fully leverage the strengths of these initiatives. To this end, a Group Talent Development Manager was appointed during the year.

A Group-wide skills audit was conducted in 2010 and accordingly, The Aveng Group now has a complete view of its skills profile and employee demographics across all of its operations. These include a myriad of topics including quality management, construction skills, artisans and operator training through to health and safety awareness, ABET courses, first aid, HIV and AIDS programmes and healthcare programmes as well as learnerships. Looking forward, the Group talent development function is tasked with consolidating and ensuring that the value of all these programmes is optimised to deliver long term, sustainable returns on these investments.

The Aveng Group achieved a number of training milestones during the year in support of its commitment to growing its skills base:

- **The Procurement Forum** of The Aveng Group took a strategic decision and introduced a common vision and approach to learning and development among all procurement staff. Accordingly, 103 staff

CRITICAL TALENT AND SKILLS DEVELOPMENT
continued

members are in the process of being assessed and developed through the Chartered Institute of Purchasing and Supply SA (CIPS) across the Group. To date, 64 delegates have been registered and 43 have completed the required competency assessments. The first staff member graduated with the MCIPS, an Executive Diploma in Purchasing and Supply Management NQF level 7. A number of other staff are enrolled to obtain qualifications ranging from NQF level 2 to 7.

- A **Knowledge Transfer Framework** was developed internally and launched during the year to promote a culture of continuous development and sharing of knowledge and experience through a mentoring and coaching process. The Knowledge Transfer Framework provides a forum for employees and managers at all levels to "partner for excellence" in order to enhance their performance, achieve their professional goals and fulfil the Group's strategic objectives. The aim of the mentoring and coaching programme is to enhance individual and organisational performance, while enabling employees at various stages of their careers to achieve their goals. It is designed to provide employees with opportunities to build leadership and priority skills.
- **Grinaker-LTA's Engineering Training Centre** was established in 1998 to train earthmoving equipment mechanics for Grinaker-LTA Civil Engineering. In 2005, it trained 26 earthmoving equipment mechanic apprentices to Grinaker-LTA's requirements. The high standards of this training which provides skills to the earthmoving industry was recognised in 2009 when Grinaker-LTA's Engineering Training Centre was accredited by MERSETA as a registered Training Provider and Decentralised Trade Test Centre (DTTC). It has expanded significantly since it started and is now developing 217 apprentices in various trades, namely, earthmoving equipment mechanics, millwrights, boilermakers, electricians, fitters and auto electricians. In another example of leveraging Group synergies and capabilities this facility is now also providing training for a number of operating groups and business units of The Aveng Group including Trident Steel, Lennings Rail Services, Moolmans and three business units of Grinaker-LTA. It is currently the fourth largest intercompany DTTC in South Africa, putting it on a par with several of the largest companies and utilities in the country.
- **McConnell Dowell** conducted its fourth leadership development programme in June 2010 with 25 participants who once again rated the programme as excellent with an average score of 6,57 out of 7. A total of 87 employees have attended the programme to date.
- A number of **McConnell Dowell** employees in Australia completed a Certificate IV in On-Site Environmental Management and one employee has registered for the Advanced Diploma in On-Site Environmental Management.
- **McConnell Dowell's** graduate development programme, designed to assist young engineers to develop the competencies of a mature engineering professional, was streamlined to implement a three-year dual learning and job rotation structure. The graduates work towards their Chartered Engineering status. Forty graduates who are in their first, second or third year of employment with McConnell Dowell are currently enrolled in the programme.
- **Electrix** in New Zealand developed a number of e-learning tools through the system "Perception" which has been designed to assess various competencies.
- **Built Environs** conducts a highly successful and constructive mentoring programme which has led to changes in behaviour. It has 40 mentors and 40 mentees who meet every four to six weeks.
- During the year, **Aveng Manufacturing** launched a supervisory learnership programme which is NQF Level 4-accredited by the CETA. A total of 11 apprentices participated in the MERSETA artisan accelerated programme and two apprentices qualified as artisans. New programmes planned for 2011 include mentoring and coaching as well as earthmoving apprentice and track maintenance machine operator training programmes.

Sandton City Repositioning project phase I (in joint venture), Sandton.

Trekkopje Desalination Plant Final Water Reservoir, Namibia.

Overhead crane driver, Trident Steel.

- In support of its initiatives to encourage activities which enhance margins through efficiencies, **Trident Steel** developed and launched various continuous improvement (CI) training programmes facilitated by employees, who are trained as CI facilitators. The programme empowered staff by giving them the opportunity to participate in driving the business strategies of Trident Steel.
- **Trident Steel** also introduced a Code 14 licensing and professional driver training programme accredited at a NQF level 3. It is undertaken over a six-month period and uplifts the skills of existing Trident Steel employees to become Code 14-licensed truck drivers. The pilot programme started in March 2010 with seven delegates.
- During the year, **Moolmans** aligned its training and development initiatives with the Mining Qualifications Authority (MQA). MQA's training guidelines match the specific requirements of mine owners and are therefore more relevant to Moolmans and its clients. Moolmans was also accredited as an MQA training partner for all opencast mining unit standards and accordingly can provide all its employees with specific training that meets its clients' quality standards. MQA-accredited programmes include a National Certificate in Surface Mining Rock Breaking, a number of credits towards Operating Surface Mobile Equipment and the Blasting Assistant Certificate, among others. A number of new MQA-accredited modules are currently being developed for roll-out by Moolmans in 2011.

Grinaker-LTA achieved Training Centre of Excellence status

The Grinaker-LTA Construction Training College, which was established in May 2006, has trained more than 4 500 employees to date. Its successes are a clear reflection of the operating group's commitment to integrating education and training programmes into employment equity and performance enhancement initiatives and strategic human resources provision – all of which clearly demonstrate its recognition of the importance of developing its human resources.

The Training College is the only training facility of its kind in South Africa to hold a high degree of important accreditations, including the status of a workplace training provider from the Construction Education and Training Authority (CETA). It also obtained Construction Centre of Excellence status from Achiever Magazine and certified Trade Test Centre status. The Training College was registered as a Further Education and Training (FET) College by the Department of Education – making Grinaker-LTA the only construction company in South Africa to qualify for this status. It is also authorised by UMALUSI to present NCV Civil Engineering Levels 2 to 4 learning programmes.

The Training College provides training and assessment services against National Qualifications/Unit Standards as registered on the National Qualification Framework (NQF). Based on its track record, the Training College continues to set the benchmark in the industry for high-quality training programmes and development courses. It is playing an important role in addressing the skills shortage in South Africa through innovative training and integrity.

Other outstanding achievements include winning the 2009 Africa Energy Award for Leadership in Skills Development and the 2010 Achiever Award for The Best Training Programme: Large Company category.

CORPORATE SOCIAL INVESTMENT

The Aveng Group invested R20,8 million in 404 social initiatives for the year ended 30 June 2010. The investment was primarily skills development and social development projects spread across the country with over 1 515 employee hours invested in supporting these activities. This growing spirit of giving was largely inspired by the "67 days, ways and years" campaign which called on employees to make a difference to their communities in ways that they thought were impactful.

The Group has prioritised corporate social investment (CSI) through specific campaigns as well as the establishment of the CSI Forum which has representation across the Group, encouraging synergies and collaboration.

The Aveng Community Investment Trust, which manages some 75% of the Group's CSI contributions, has carefully selected key flagship projects with the intention of putting significant investment into developing skills for an industry suffering desperate shortages. The Green Schools Project in partnership with the David Rattray Foundation, and artisan training in partnership with the Tiso Foundation are two examples of this investment. The philosophy of the Trust is to nurture lasting relationships with leading organisations to ensure sustainability and sustainable impact of its CSI programmes.

While there is still much work to be done with respect to documenting good works, streamlining processes and developing strategic giving, a solid foundation is in place for an increasingly high impact CSI contribution.

Volunteering and impact of the "67 days, ways and years" campaign

On 18 July 2009, Nelson Mandela celebrated his 91st birthday. This marked his 67 years of selfless devotion to making South Africa and the world a better place. Nationally and internationally there was a call for people to contribute 67 minutes to make a difference to their communities. In line with the Group mission to build a proud and lasting legacy, the "67 days, ways and years" campaign was launched on 17 July 2009. The campaign encouraged employees to come up with ideas on how they can make a difference, both as individuals and as part of The Aveng Group team. Over 300 ideas were received from employees. As the campaign continued, top ideas from staff were selected and actioned. Employees were also asked to nominate individuals within the organisation who they believed made a real difference in people's lives – ordinary people doing extraordinary things. This created a strong sense of internal pride and acknowledgement.

The campaign was an enormous success as evidenced by the Group-wide participation. The impact has also been lasting in the sense that it has laid the foundation for a Group-wide social conscience and spirit of "giving back".

CSI contributions across The Aveng Group

Of the R20,8 million invested in CSI, 53% was contributed by the Aveng Community Investment Trust. Grinaker-LTA contributed 29% and Aveng Manufacturing contributed 14%. The average donation size across the Group was R51 488. With an impressive 404 CSI projects supported by the Group, the reach for 2010 was widespread.

Total CSI for The Aveng Group: Year ended 30 June 2010	
Total CSI contribution for the year	R20 801 045
Number of CSI initiatives supported for the period	404
Average cash donation amount	R51 488
Recorded employee hours invested in CSI	1 515

The Aveng Community Investment Trust

The Aveng Community Investment Trust was established in 2005 following the empowerment transaction entered into by The Aveng Group. The objective of the Trust is to make funding available to projects and organisations aimed at improving the lives of the underprivileged.

The Aveng Group has committed to investing 1% of headline earnings in corporate social investment activities. Of this, 75% is allocated to the Aveng Community Investment Trust and the remaining 25% is apportioned to the operating groups in the Company to disburse as they deem appropriate.

The Aveng Community Investment Trust has chosen to focus its CSI strategy by adopting the following principles for funding:

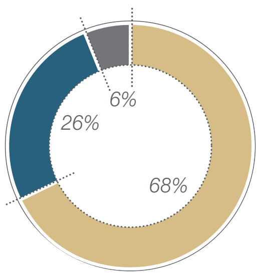
- Developmental focus – instead of supporting all developmental sectors, the Trust has chosen to target skills development, with specific reference to the skills shortages, in the field of infrastructure development.
- Programmatic approach – instead of supporting many small projects, which achieves broad but diluted impact, the Trust has decided to select a few flagship projects which would achieve a more profound impact.
- Centralised model – a central model allows for a more sustainability impact, scaleability as well as alignment with the strategy.

To improve the governance of the Trust, two additional Trustees were appointed during the year.

Objectives of the Trust

The Aveng Group has selected key focus areas. These are maths and science education at school level, skills development at artisan level, and support for the provision of tertiary education in fields relating to infrastructure development. The intention has always been to closely align CSI to the business. As such, these areas are closely related to the context that The Aveng Group operates in, and are all primarily focused on delivering skills to an industry suffering from desperate shortages. Furthermore, contributing to skills development is supporting the national imperative with Government recognising this as a key challenge to the country's economic growth.

THE AVENG COMMUNITY INVESTMENT TRUST – DISBURSEMENTS FOR 2010 BY SOCIAL DEVELOPMENT SECTOR



- Skills development
- Education: maths and science
- Other

The Aveng Group has chosen to invest in projects, that demonstrate lasting value to the societies they serve. The Aveng CSI policy has moved away from ad hoc and purely philanthropic giving, to careful selection and investment in a few flagship projects that will go some way to addressing societal issues that our business, industry and country face.


Handover of the pilot project at Mablomong, Gauteng.

The Aveng Group adopts a participatory approach, engaging communities to partner with them to find sustainable solutions. This is made possible by nurturing long term relationships allowing the Group to remain invested in its projects for a sustainable period.

The Aveng Group also realises that it does not operate in isolation and that there are great benefits through collaboration. One such collaboration is the Trust's partnership with the Tiso Foundation to deliver artisan training to unemployed youth. The Aveng Group believes there are great benefits to the community by partnering with those who share the Group's values and vision for this country.


Students celebrating their new building.

Social investment for 2010

The table below is a snapshot of investment in social initiatives by the Trust for the year. It demonstrates a commitment to the CSI strategy of significant investments in fewer and more industry-aligned CSI projects.

The Aveng Community Investment Trust: Year ended 30 June 2010	
Total CSI contribution for the year	R11 187 659
Number of CSI initiatives supported for the period	8
Average donation amount	R1,3 million per grant
Dominant development sector	Skills development – 68%


Second phase of project underway at Buhlebanagwe, KwaZulu-Natal.

The pie chart on page 125 demonstrates the breakdown of social investments by developmental sector. Skills development was the dominant focus, followed by education (specifically maths and science education) at 27%.

It is noteworthy that only 6% of the CSI spend went to CSI administration – well below the accepted norm of between 10% and 15% for administration of CSI activities.

Some of the projects

Rammed earth schools (R4 943 302) – in partnership with the David Rattray Foundation

In partnership with the David Rattray Foundation, The Aveng Group invested in an innovative pilot that, developed through the use of indigenous design and green building concepts, a model for construction which makes maximum use of unskilled labour and provides a quality and aesthetically pleasing space for learners and teachers. Unemployed volunteers from the local community were engaged to participate in a project that will provide accredited training and skills transfer. While trainees constructed the administration block for Mablomong Primary School using the "rammed earth construction" green building technique, the learners and teachers gained additional learning space and used the building to apply the lessons in the curriculum.

Not without its challenges and risks, the project proved successful and has demonstrated scaleability and a cost-effective method of construction. The benefit is broad and sustainable, although the primary objective was skills transfer. The project did not end with the completion of the administration block at this school, but has been extended with further development of the model to ensure sustainability. Ways in which to use the skills of those trained – either through employment or further training – were investigated. To this end, a second phase of the initiative is in progress with trainees from the pilot forming part of the core building group which is constructing a media centre, library and aftercare centre for learners at Mablomong school. With many of the learners living in shack dwellings, homework is a challenge due to insufficient space or lighting at home. In this case, an aftercare facility will go a long way to improving learner performance.

The second phase of this initiative also includes construction of classrooms for Buhlebamanagwe School in KwaZulu-Natal. This will include some of the core building group from the pilot project who are now embarking on additional training modules through Primeserve. New trainees from the communities have also been employed.

The project presents exciting possibilities for enhancing pride in African architecture, creating a conducive learning space for learners and teachers and addressing desperate skills shortages through the use of the environmentally friendly building techniques. Its success will ideally lead to a national roll-out of the model.

Ikhaya Fundisa Techniskills Academy (IFTA) – in partnership with the Tiso Foundation

IFTA is a technical training centre for learners and artisans, and artisan assistants, providing training in mechanical, electrical, motor diesel and boilermaking qualifications. The academy is accredited by the MQA and the Manufacturing, Engineering and Related Services Sector (MERSETA), and employs appropriately qualified education, training and development practices (ETDP) staff.

The training centre is based in Roodepoort with a new facility being opened at Crown Mines. The intention is to expand and develop a national presence. The facility at Roodepoort has the capacity to train 250 learners with accommodation facilities for 190 learners.

Tiso Foundation partnership with IFTA

The Tiso Foundation has committed to R5,6 million over a period of five years for the development of 100 artisans – 50% of whom will be black women.

IFTA sources learners through the Further Education and Training (FET) Colleges and applicants are required to send through CVs with letters of motivation. Following preliminary screening, applicants are required to complete a pre-assessment test based on the test-teach-test methodology.

The Tiso Foundation, in its first year of support, funded the training of 30 learners. After completion of the six-month training programme, learners are placed with companies requiring their skills and IFTA boasts an 80% placement rate with an impressive network of employers. Evaluation of the impact of the programme will be managed by the Tiso Foundation but IFTA is required to provide six-weekly reports on progress of the learners.

Opening at Mablomong attended by top executives, March 2010.

The Aveng Community Investment Trust has partnered with the Tiso Foundation to match training for an additional group of learners – Rand for Rand. This joint funding partnership, aims to train 500 trained artisans over a five-year period. Besides matching funding, the agreement between the two organisations is to optimise synergies, meet regularly and share findings in this artisan development programme.

LEAP school learners in Alexander, Gauteng.

Training of the 30 learners began in November 2009 and was completed in April 2010. Courses were completed in: auto electrical, boilermaking, diesel mechanical, electrical, fitting, fitting and turning, millwright and welding. The focus is currently on placing learners with companies and placements are being made for electricians, fitters and fitters and turners.

The Aveng Community Investment Trust recently agreed to fund the training of an additional 44 unemployed learners in line with the matching agreement with the Tiso Foundation.

LEAP science and maths school

LEAP has its origins in the Western Cape as the only privately funded MST (maths, science and technology) school in South Africa. The school aims to provide disadvantaged students with access to tertiary study opportunities; to be successful in their chosen career path; and to develop as socially responsible citizens of South Africa. The objective is that every student graduates from the school with a university exemption – with higher grade passes in science, maths and English. There is also a strong emphasis on life skills.

Schools across the country suffer classroom shortages.

Formal selection criteria have been developed for students. They must come from disadvantaged communities and cannot have studied at an advantaged educational institution. Students need to demonstrate enthusiasm and high energy levels in the admission phase, as well as a willingness to work long hours under pressure. Evidence that students have developed an awareness of the importance of their roles within their families and communities is also required.

Since opening in January 2004, LEAP has achieved remarkable success with a 93% Grade 12 pass rate, with 70% of secondary school graduates pursuing tertiary studies. LEAP achieved a 100% Grade 12 pass rate in 2008, with 50% of learners being eligible to continue towards their studies for a Bachelor's qualification.

The Aveng Community Investment Trust granted R2,5 million to develop a new Aveng LEAP school based in Gauteng, in an identified area of need. The development is currently in the planning phase with Diepsloot being strongly recommended as the location for the new school whose opening is planned for January 2011.

RISK MANAGEMENT

The management of risk is critically important to the ongoing success of the Group and is an inherent part of doing business. The Aveng Group regards risk as the impact of uncertainty on objectives which could be related to health and safety, environmental, economic, commercial matters, among others. To ensure that consistent risk management is applied throughout the Group, the Aveng Risk Management Framework provides the overall template for the Group risk management process and operational line management is accountable for managing risks at the appropriate level.

The principles of risk management followed by the Group are systematic and structured, address uncertainty and its causes, are part of decision-making, add benefit and value, are transparent and form an all-inclusive process that is re-evaluated and updated on a regular basis to make sure that the process is 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 by taking cognisance of the strategic macro risks facing the Group. This considers the strategic risks facing the operations, the macro environment, and input from the executive committee and the Aveng Limited board.
- The bottom-up business risk analysis is undertaken by line management for each operating group or business unit and addresses the key macro risks pertinent to that business.
- A project-for-project analysis is conducted by line management to evaluate the project's alignment to the Group's strategic focus and the specific initial and emerging risks associated with the project.

An overall Risk Management Framework was initially rolled out across The Aveng Group early in 2008 and was updated during the year under review. It takes cognisance of the 11 key risk areas namely:

- Overall strategic;
- Strategic operational;
- Business;
- Project;
- Portfolio;
- Human resources;
- Finance and administration;
- Business development;
- Information technology;
- Risk-based audit; and
- Safety.

Each of these areas is subdivided into the key risk areas and elements that are in turn considered individually. The key committees responsible and personnel are included in the schedule. This ensures that accountability for these risks is clearly defined.

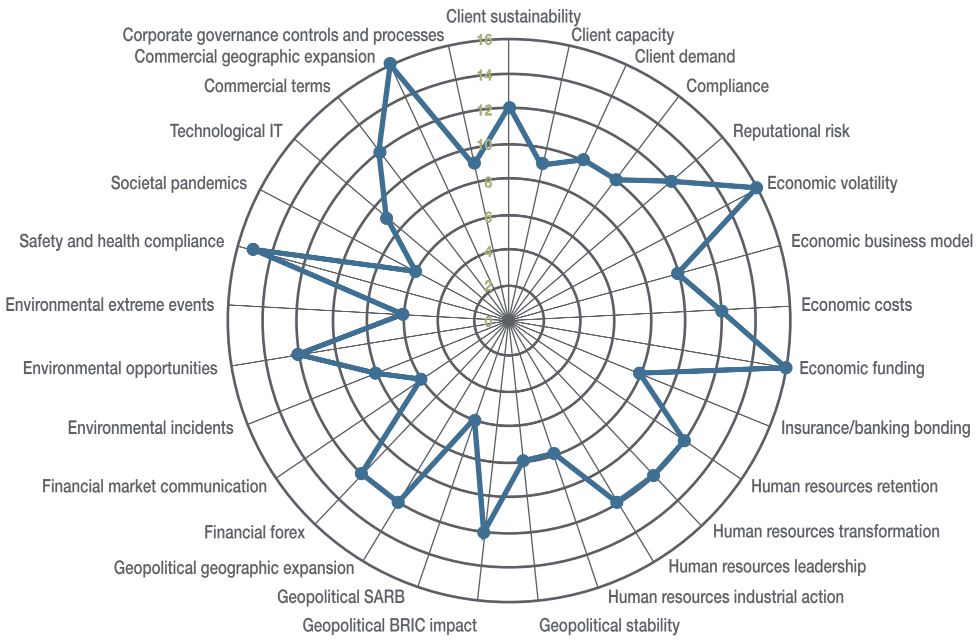
STRATEGIC RISK

Strategic risks are those that could cause severe financial loss, fundamentally undermine the competitive position of the Group, affect its reputation or impact adversely on the market sectors in which The Aveng Group operates. Strategic risks are internal and external risks faced by the operations or the Group as a whole.

RISK MANAGEMENT
continued

As defined in the Risk Management Framework, the strategic risks are evaluated at Group level taking cognisance of the findings of prior analyses at business unit and at operating group level and a complete risk landscape review. The process includes risk groupings, probability and impact assessment matrices, risk landscapes, rankings, tolerance levels and dashboards.

A dashboard, incorporating the top strategic risks into 15 categories, has been developed in terms of the Strategic Risk Framework. This dashboard is summarised in the chart below:



The strategic risks are updated bi-annually and reported to the risk committee and Aveng Limited board quarterly. The top strategic risks facing The Aveng Group have been evaluated to be:

- economic: Global economic volatility and reduction in infrastructure spend;
- economic: Containment of costs;
- economic: More stringent credit terms for client projects;
- safety and health: Adherence to local and international legislation and adequate planning for crises and pandemics; and
- commercial: Risks associated with geographic exposure.

BUSINESS RISK

Business risks are those that may have an impact or consequence on the business objectives of each individual division, business unit and operating group within The Aveng Group structure. Risks are categorised into those which the Group can control and external factors outside of its control. The latter includes country, exchange rate and commodity price risks which the Group endeavours to mitigate by maintaining a strategic balance between business sectors, markets, currencies, countries and products.

In relation to business risk, the Aveng Risk Framework takes cognisance of the individual line and support functions' business imperatives, consolidates these and quantifies the key risks that need to be managed.

The process is dynamic and strives to provide a balance between realising opportunities for gain while minimising adverse impacts.

The broad risk areas 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 and 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.

PROJECT RISK

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.

In the current market, the construction risk profile has increased dramatically with many large customers attempting to pass significant additional risk onto the contractor with no commensurate increase in return. As a result of the market pressures, the risk profile that contractors may be expected to take on are much more onerous than was the case 18 months ago.

In particular, the tougher contracting environment has led to increased analysis to establish whether any specific tender opportunity is aligned with the prevailing strategic focus of the Group.

As a result, it has become even more critical to consider the individual risk profile of any project or process at all levels to ensure 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 determined the appropriate project risk tolerance levels and policy which has been communicated to line management which is accountable for managing project risk. The limits of authority policy is being reviewed to ensure compliance with King III. The risk tolerance levels take into account the value of the project as well as its initial risk rating to ensure that the project is approved at the appropriate authority level in the Group.

The process associated with project risk comprises five key areas. This includes the decision to tender, tender risk review, project start-up, project execution and finally project close-out. The process provides for continual feedback to ensure improvement and continuous learning throughout the project lifecycle. These processes have been integrated into the day-to-day activities and compliance with these requirements is monitored regularly.

The current Project Risk Framework contains a commercial best practice module containing contract terms and conditions. In addition a Commercial Framework has been implemented to guide the evaluation of contract terms and conditions in the operations. It consists of critical contractual issues, best practice, contract guides and will include effective contractual management guidelines in the future. The objective of the Commercial Framework is to assist in maintaining an acceptable risk profile on all contracts.

TENDER RISK COMMITTEE

The primary purposes of the committee, as set out in the committee's charter, which has been approved by the board, are:

- to review risk aspects of the tenders that present significant potential risk to the Group either as a result of size, complexity or geographical location;
- to approve capital expenditure required for major projects;
- to provide the operating groups with a framework with clearly defined parameters within which bids can be submitted or contracts negotiated;
- to ensure that all major risks in tenders presented to the committee have been adequately mitigated against; and
- to give guidance to the operating groups on strategic matters relating to the submission of a particular bid or contract negotiation.

The risk review process is initiated by each division's executive committee. The decision to tender as well as tender authority levels are specified in The Aveng Group limits of authority policy which is currently being updated. 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 the Group, existing experience and technical capability. The review process is cascaded up to the appropriate authority level by the divisions and operating groups based on clearly defined criteria.

Smaller and less complex projects are reviewed at business unit or operating group level. Large, complex or high-risk projects are reviewed by the Group risk department and subsequently presented by the operating group management to the tender risk committee.

The tender risk committee comprises the Chief Executive Officer, Roger Jardine (Chairman), Simon Scott, the Financial Director and the Group Risk Manager, Hylton Macdonald, and non-executive directors, Angus Band, Myles Ruck (to 15 March 2010), Keith Rumble (from 9 September 2009) and Peter Ward, who give input into the committee on an ad hoc basis. The committee met frequently during the year under review.

PORTFOLIO RISK

The risk management department made further progress with the development of the Portfolio Risk Framework which will focus on the impact of project, business and strategic risks on The Aveng Group's portfolio of projects and businesses.

The analysis will include the following:

- Scenario analysis to determine the impact of the key risks on the Group;
- The impacts of changing the business mix;
- Verification that the Group and operations focus on the relevant risks; and
- Providing a more comprehensive analysis of the impact of investment decisions, acquisitions and disposal impacts on the risk profile and profitability of the Group.

This framework is expected to be fully introduced into the operations during 2011.

RISK AUDIT

The risk-based internal auditing (RBIA) process is fully compatible with the Aveng Risk Management Framework.

ACHIEVEMENTS DURING 2010

- King III implementation commenced following a gap analysis of current practices and policies
- Separation of the audit and risk committee functions
- Establishment of an investment committee
- Scope of the safety committee extended to include health and environment
- Appointment of two independent non-executive directors
- Roll-out of Anti-Corruption Framework and Group competition law compliance training
- Roll-out of Corporate Governance Framework software application across the Group

OBJECTIVES FOR 2011

- Adopt a formal implementation plan for applying the principles of King III
- Prepare for the implementation of the Companies Act 71 of 2008
- Implement and roll-out Legislative Compliance Framework
- Continue Group competition law compliance training

INTRODUCTION

The board of directors of Aveng Limited (the board) acts as the focal point for and is the custodian of corporate governance in the Group, overseeing processes which ensure that its relationships with management, shareholders and stakeholders are founded on sound corporate governance principles.

The board implemented the recommendations of the King Report on Corporate Governance (2002) (King II) and welcomes the introduction of the King Report on Governance for South Africa – 2009 (King III). Following a gap analysis of the practices and policies of the Group against the recommended principles of King III, the board charter and committee charters have been revised to ensure alignment with these recommendations.

In addition to the above, the board is in the process of reviewing all aspects of King III with the aim of identifying those recommendations and principles it believes will add value and be in the best interests of the Group. A formal implementation plan will thereafter be adopted in respect of those items identified as part of the process.

STATEMENT OF COMPLIANCE

The Company complied in all material respects with the recommendations of King II during the period under review and, as indicated above, has commenced with a formal process to implement a number of the latest recommendations contained in King III.

INTEGRITY, ETHICAL BEHAVIOUR AND COMPLIANCE

The board is committed to providing effective leadership based on an ethical foundation and believes that responsible leadership is characterised by the ethical values of responsibility, accountability, fairness and transparency. The board accepts its responsibility for ensuring that management actively encourages a culture of ethical conduct and establishes the correct tone at the top in respect of the Group's values.

The values of the Group include personal and organisational integrity, which underpin the Aveng Code of Business Conduct (the Code). As part of its duty to ensure that the Group's ethics are managed effectively, the Code is formally reviewed and adopted by the board on an annual basis and updated where appropriate. The Code is committed to by directors, senior executives, operating groups and business units and is distributed to employees. Compliance with the Code is monitored by the Group Internal Audit Services in a systematic manner. Behaviour contrary to the Code is considered very seriously and is dealt with expeditiously and consistently.

Every effort is made to align the Group's level of commitment to personal and organisational integrity with that of the individuals and companies with which The Aveng Group does business. The board is committed to ensuring that the Group is, and is seen to be, a responsible corporate citizen and management takes appropriate action to ensure that the reputation of the Group is not impaired. Prior to entering into dealings with individuals and companies, careful consideration is given to the level of commitment to personal and organisational integrity.

In enforcing its commitment to ensuring ethical behaviour, the Group adheres to a culture of zero tolerance of unethical behaviour. This includes bribery, corruption, fraud, the payment of facilitation fees and may include certain gifts, hospitality, expenses and sponsorships, charitable and political contributions. The Group supports the multi-industry, multi-national anti-corruption initiative launched by engineering and construction, energy and mining and metals governors of the World Economic Forum, in co-operation with Transparency International and the Basel Institute on Governance. The principles established by this forum have been developed into a broad framework "Partnering Against Corruption Initiative" by the World Economic Forum which includes a zero tolerance policy towards bribery, corruption and fraud as well as the development of a practical and effective implementation programme.

Accordingly governance, risk and compliance are integrated to ensure overall effectiveness. During the year under review, the Company Secretary, Group Risk Management and Group Commercial Legal compliance functions have worked closely together to enhance compliance across the Group. The Group's Anti-Corruption Framework takes cognisance of the World Economic Forum programme against corruption initiative and applicable legislation in South Africa and the areas where the Group conducts its activities.

THE BOARD OF DIRECTORS

The board of directors of Aveng Limited is the highest decision-making board of the Group and is the ultimate custodian of corporate governance for the Group as a whole. The board is a unitary board and members are ultimately elected by shareholders.

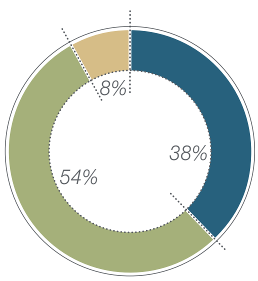
The board separates the roles of Chairman and Chief Executive Officer and the position of Chairman must be held by an independent non-executive director. A majority of the directors are independent. Of the 13 directors, five are executive, one is non-executive and seven are independent non-executives. The ratio of executive to non-executive directors ensures that the board is sufficiently informed by independent perspectives and furthermore ensures that there is a balance of power on the board with no one individual or group dominating board activities. Details of the directors appears on pages 24 and 25 of this report.

The board is satisfied that during the year under review it complied with the terms of its charter, which has now been revised to include principles of King III.

THE RESPONSIBILITIES OF THE BOARD IN ACCORDANCE WITH ITS CHARTER INCLUDE, INTER ALIA, THE FOLLOWING:

- Provide effective leadership based on ethical foundations and ensure that the Group's ethics are managed effectively and that the Group is, and is seen to be, a responsible corporate citizen
- Ensure that a suitable Code of Business Conduct is developed for the Group, to which the board, the Group and its employees shall adhere
- Act as a focal point for and being the custodians of corporate governance and ensuring that the Group is managed in accordance with the principles of fairness, accountability, responsibility and transparency
- Agree the Group's objectives, strategies and plans for achieving these objectives
- Consider and approve the annual financial statements, announcements, circulars and notices to shareholders and ensure the integrity of the Group's integrated report
- Ensure that an effective and appropriate risk management process is implemented across the Group
- Ensure that appropriate safety, health and environmental management policies and procedures exist throughout the Group, monitoring performance and holding itself ultimately accountable for safety
- Assume ultimate responsibility for financial, operational and internal systems of control and ensure adequate reporting on these matters by the respective committees
- Appreciate that strategy, risk, sustainability and operational and financial performance are inseparable
- Agree specifically, from time to time, matters that are reserved for its decisions, retaining the right to delegate any of these matters to any committee without abdicating its own responsibilities

BOARD COMPOSITION



- Executive directors
- Independent non-executive directors
- Non-executive directors – not independent

Non-executive directors may accept appointments to other boards, including industry-related organisations, Government entities and charitable organisations, provided the number of appointments does not impact on the ability of directors to discharge their duties to the Company.

Non-executive directors are not awarded share options or any benefits other than directors' fees, more fully set out in the remuneration report contained on pages 156 to 166 of this annual report. No service contracts exist between the Company and non-executive directors.

Executive directors are required to retire from the board at the age of 60 years and following a recent amendment to the articles of association, the mandatory retirement age for non-executive directors has been increased to 70 years.

The Chairman of the board is elected annually. The composition of the board and committees is considered by the remuneration and nomination committee on a regular basis and strives to ensure that the board has the appropriate skills, experience and diversity.

Independence

The independence of non-executive directors is evaluated by the remuneration and nomination committee against criteria set out in the Corporate Laws Amendment Act 36 of 2006 and King III on an annual basis. The strong independent component of the board ensures that no individual has unfettered powers of decision and authority. There are no shadow directors.

Nkululeko Sowazi is an executive director of the Tiso Group, which holds a 32% stake in the Qakazana Consortium, which in turn holds 25% in Aveng (Africa) Limited and Trident Steel Holdings (Pty) Limited. Accordingly, Mr Sowazi is not considered to be independent.

Retirement

In accordance with the Company's articles of association, all directors are subject to retirement by rotation and may stand for re-election by shareholders at least once every three years. Non-executive directors on the board are not expected to hold office for more than nine years. Where a non-executive director holds a position for longer than nine years, the independence of that director must be subject to a review by the board and a statement to that effect included in the annual report. Directors appointed to fill vacancies during the course of the year are required to stand for re-election at the next annual general meeting of the Company.

Vincent Mntambo, having served nine years on the board, will retire as an independent non-executive director after the annual general meeting on 22 October 2010.

Succession planning

The remuneration and nomination committee is responsible for ensuring that succession planning takes place at board and executive level on an ongoing basis to ensure the strategy of the Group can be implemented. Consideration is also given to the composition of the board on an annual basis and whether the board includes the skills required to ensure its continued effectiveness. Key succession plans are developed by management and approved by the remuneration and nomination committee on an annual basis.

Succession planning extends on a Group-wide basis to consider senior executives. During the year under review, a Group-wide talent search to identify potential successors for all key roles was completed, allowing for potential successors for executive directors to be identified, mentored and appropriate training programmes to be developed.

Skills, knowledge, experience and attributes of directors

All the directors of the Company possess the requisite skills, knowledge and experience to fulfil their duties and responsibilities. The directors have both local and international experience in addition to relevant operational experience.

Access to information and resources

From time to time, members of the executive committee attend board meetings by invitation. Non-executive directors also interact regularly with executive management through site visits. The Chairman of the board sits on the boards of all the major subsidiaries of the Company.

Board members are provided with unrestricted access to management and Company information. Directors are also provided with the requisite resources to discharge their duties and responsibilities, including access to external professional advisors, at the expense of the Company.

In order to assist directors in preparing for meetings of the board, a detailed agenda and supporting documents are circulated a week prior to the meeting of the board. The content of the agenda ensures proper coverage of matters set out in the board charter and the annual work plan. Any director may request the Chairman to place a matter on the agenda.

Strategy

Management is responsible for developing and presenting the Group strategy to the board on an annual basis for input and approval. The board also has a duty to ensure that the strategy takes account of associated risks and is aligned with the Aveng Code of Business Conduct. The board agrees the financial, governance and risk objectives and then monitors performance against agreed objectives. At each meeting of the board, management reports on its performance against these objectives.

Delegation of authority

The board defines its own levels of materiality and reserves certain powers for itself, which include:

- The approval of the financial and operational results;
- Issues of strategic direction;
- Major acquisitions and disposals;
- Approval of major capital expenditure;
- Approval of large construction tenders; and
- Any other material matters.

The board delegates authority to the Chief Executive Officer and management to manage the Group by way of the limits of authority. The limits of authority are currently being reviewed through a process inclusive of operational management, to ensure that delegation occurs in a practical manner, allowing operations to conduct business and ensuring that the board can effectively retain control of the Group. The board establishes benchmarks and performance indicators to hold management accountable for decisions and actions delegated to them. Compliance with the limits of authority is monitored with the assistance of the Group Risk Manager, the Commercial Legal Manager and the Company Secretary.

Board meetings

The board meets on a quarterly basis and additional meetings are held when required. During the year under review, the board formally met a total of five times. These meetings are considered necessary for the board to properly apply itself to achieving the objectives of the Group. The non-executive directors meet independently of executive directors after each board meeting. Going forward, two board meetings will be held to consider the Group’s strategy and operational business plans in addition to the quarterly meetings.

Attendance at meetings of the directors

Director	*Ind.*	*07/09/09*	*04/12/09*	*15/03/10*	*30/06/10*	*Ad hoc 21/05/10*
AWB Band (non-executive Chairman)	0	✓	✓	✓	✓	✓
WR Jardine (Chief Executive Officer)		✓	✓	✓	A	✓
DR Gammie (executive)[1]		✓	✓	✓		
MA Hermanus (non-executive)[2]	0		✓	✓	✓	✓
RL Hogben (non-executive)	0	A	✓	✓	✓	✓
JJA Mashaba (executive)		✓	✓	✓	✓	✓
VZ Mntambo (non-executive)	0	✓	✓	A	✓	✓
DG Robinson (executive)		✓	✓	✓	✓	A
MJD Ruck (non-executive)	0	✓	✓	✓	✓	✓
KC Rumble (non-executive)[2]	0		A	✓	✓	A
SJ Scott (executive)		✓	✓	✓	✓	✓
NL Sowazi (non-executive)		✓	✓	✓	✓	A
HJ Verster (executive)[3]						
PK Ward (non-executive)	0	✓	✓	✓	✓	✓

[0] Independent.
[1] Retired 31 March 2010.
[2] Appointed 9 September 2009.
[3] Appointed 1 September 2010.
[A] Apologies tendered.

Board effectiveness and evaluations

In a process overseen by the remuneration and nomination committee, the board conducts an annual evaluation of its effectiveness and the effectiveness of its committees. Results of these evaluations are tabulated and presented to the board for discussion together with suitable recommendations.

Education and induction

Members of the board recognise the importance of keeping up to date with applicable legislation and best practice. Accordingly, a formal programme of ongoing director education will be developed in 2011 and additional time scheduled for such training during the year.

During the year under review, the board visited operations at Trident Steel and Grinaker-LTA. Additional visits by the board to sites of the operating groups will also be arranged in the future, with site visits planned to the operations of Grinaker-LTA during October 2010 and McConnell Dowell during January 2011. Information sessions on King III were held for directors.

While the induction of new directors has always taken place through the Chairman, Chief Executive Officer and the Company Secretary, a formal induction programme will also be developed during the forthcoming year and all directors will be provided with a governance manual of board and committee charters revised in line with King III.

Share dealings by directors and officers

The Company 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 closed periods, directors and designated senior executives 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 Company'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 Limited securities may take place outside of the closed periods without prior written approval from the Chairman for non-executive directors and the Chief Executive Officer 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 Aveng Limited securities without their written consent. They are required to advise the Company Secretary immediately after the trade has taken place, who will then report that transaction to the JSE Limited through the Stock Exchange News Service (SENS) within one working day.

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

Company Secretary

The Company Secretary plays a pivotal role in administering the corporate governance of the Company and provides a central source of guidance and advice to the board on matters of corporate governance, legislation and best practice.

The Company Secretary has a direct channel of communication to the Chairman and provides comprehensive, practical support and guidance to directors and senior executives, with particular emphasis on supporting non-executive directors, the Chairman of the board and the Chairmen of the committees. Members of the board have unrestricted access to the Company Secretary for guidance in fulfilling their duties and responsibilities in the best interests of the Company.

The Company Secretary is also the compliance officer of the Group and is responsible for overseeing the development and implementation of the Legislative Compliance Framework.

Going concern

Based on the recommendation of the audit committee, the board assesses the going-concern considerations of the Company in preparation of the annual financial statements at year-end. The board undergoes a similar process during the interim reporting period.

Compliance

The board has noted its duty to ensure that the Company complies with applicable laws and regulations and considers adherence to non-binding rules, codes and standards as an imperative part of doing business and will adopt a formal process to manage this going forward. The board has also ensured that compliance is included on the strategic risk dashboard of the Group and it remains a key component of the Group's integral approach to governance, risk and compliance.

JSE Limited

The board is subject to and remains compliant with the Listings Requirements of the JSE Limited. During the year under review, the Aveng Limited Share Incentive Scheme was amended to bring it in line with Schedule 14 of the Listings Requirements of the JSE Limited. In addition, the board noted amendments to the Listings Requirements of the JSE Limited which became effective on 1 April 2010.

Anti-Corruption Framework

The Group continued with its roll-out of the Anti-Corruption Framework to all senior executives in the Group. This was followed by communication, production of information brochures for all employees and the implementation of appropriate control, evaluation and audit systems.

This Framework takes cognisance of the World Economic Forum programme against corruption initiative, to which the Group is a signatory, as well as relevant legislation. The Framework also covers the Code of Business Conduct, commitments, definitions, guidance, framework policies, controls and training required in this area.

Going forward, updated training material, booklets, folders and posters will be circulated to employees.

Group competition law compliance programme

In addition to the Anti-Corruption Framework, the Group competition law compliance programme was formulated and implemented during the year under review. The objective of this programme is to ensure that all employees, management and directors are made aware of the provisions of the Competition Act 81 of 1998. Compliance officers have been appointed at Aveng Limited and at each operating group to champion this initiative.

The Group has committed to developing and implementing clear competition law compliance policies and procedures.

During 2011, all employees who may potentially be exposed to conduct that contravenes the Competition Act 81 of 1998 will undergo refresher training, which will include any amendments to the compliance programme arising from new competition law developments. An approved awareness and appreciation of all aspects of competition law will remain an integral part of this compliance programme.

Corporate Governance Framework

The Group subscribed to the services of CGF Research Institute (Pty) Limited which provides local and international governance best practices through its web-based Body of Knowledge application. This application equips the Group's officers with vital information to assist them in understanding the broader implications attached to matters of governance, risk and compliance.

The Group continues to ensure that an awareness and understanding of the impacts of non-compliance in these areas is clearly understood.

Legislative Compliance Framework

As part of the move towards ensuring that the Group complies with applicable laws and regulations, development has commenced on a Legislative Compliance Framework, which will be implemented during 2011. The Framework will commence with a pilot project and then proceed to roll out a software management programme in respect of key legislation applicable to the Group. This software management programme will provide for training and an audit function and where non-compliance is found to exist, the development of an action programme to assist the Group in moving towards full compliance.

Commercial Framework

During the period under review, a Commercial Framework was developed, with the objective of improving contractual awareness and consistency across the Group. Part of this Framework includes "best practice" documents which deal with contractual and commercial issues encountered on a daily basis throughout the Group. Going forward training in this area will be implemented across the Group.

Companies Act 71 of 2008

The Companies Act 71 of 2008 was signed by the President on 9 April 2009 and is expected to come into effect in the fourth quarter of 2010 or early in 2011. The Company Secretary has commenced a process for addressing the requirements of the Companies Act 71 of 2008 in order to ensure that the Group is in a position to comply going forward.

Relationship with shareholders

In respect of its duty to protect the fundamental value of creating shareholder wealth, the board ensures that in carrying out its activities, the Group adheres to the equitable treatment of shareholders. The Chairman encourages shareholders to attend annual general meetings and ask questions.

Voting at the annual general meeting shall be by way of ballot rather than show of hands and separate resolutions shall be proposed on each issue. The results of the voting shall be released on SENS after the conclusion of the meeting.

Connecting with stakeholders

The board appreciates that stakeholders' perceptions affect the Group's reputation and accordingly requires management to proactively identify its stakeholder relationships on a regular basis. A process has been put in place to maintain transparent and practical communication with stakeholders, which is essential for building and maintaining trust and confidence.

The board strives to achieve an appropriate balance between various stakeholder groupings, in the best interests of the Company. Management has put in place a process for resolving disputes as effectively, efficiently and expeditiously as possible, including a process of alternate dispute resolution.

During the year under review, the Group conducted a number of one-on-one meetings with investors to discuss its strategic positioning and outlook. An independent perception study was also conducted with a number of local investors and analysts. The Group's operations continually engage in collaborative communication with its employees with regular newsletters, roadshows and through the intranet.

The Group's engagement with stakeholders is more fully set out on pages 89 and 91 of this annual report.

Sustainability

The board recognises the duty of responsible business leaders to build a sustainable business by having regard to the Group's economic, social and environmental effects on the communities in which it operates.

Ernst & Young's services have been engaged to conduct a "dry run" of the external assurance of the sustainability report. Ernst & Young will produce a management letter, based on an external assurance process, with no assurance statement. A full external assurance process will be undertaken from 2011, which will include assurance statements.

The Group's sustainability report is set out on pages 84 to 128 of this annual report.

Board committees

In order to assist the board to discharge its duties and in line with legislative and regulatory compliance requirements, the board has constituted the following committees:

- Audit committee (previously the audit and risk committee)
- Risk committee (from 1 April 2010)
- Remuneration and nomination committee
- Safety, health and environment committee (previously the safety committee)
- Transformation committee
- Investment committee

Each committee is governed by a formal charter which is reviewed by the board on an annual basis. All committee charters were recently amended to incorporate the recommendations of King III. The Chairman of each committee reports to the board on its activities at each board meeting and the minutes are made available to all directors.

The duties and responsibilities of the members of the committees as set out in each charter are in addition to those duties and responsibilities that they have as members of the board. The deliberations of the committee do not reduce the individual and collective responsibilities of the board members in regard to their fiduciary duties and responsibilities and members must continue to exercise due care and judgement in accordance with their legal obligations. Charters are subject to the provisions of the Companies Act 61 of 1973 (as amended) and the memorandum and articles of association of Aveng Limited, as well as any other applicable law or regulatory provision.

Individual reports and attendance registers of each committee are set out in the committee reports on pages 147, 149, 152, 154, 155 and 166 of this report.

AUDIT COMMITTEE

The audit committee is a formal committee of the board and has specific powers delegated to it by the board. The committee is, *inter alia*, responsible for assisting the board in discharging its duties in respect of the safeguarding of assets, accounting systems and practices, internal control processes and the preparation of accurate financial statements.

During the year, the committee reviewed the financial reporting processes in the Company and its South African subsidiaries, the systems for internal control and the management of financial risks, and the audit processes. The Group's procedures for monitoring compliance with the Companies Act 61 of 1973 (as amended) and other applicable statutory laws and regulations as well as the Group's Code of Business Conduct were reviewed. The committee also receives regular reports on issues raised at the audit committee meetings of its wholly owned subsidiary, McConnell Dowell Corporation Limited, in order to ensure that issues are dealt with in terms of its scope and responsibilities as set out in its charter.

The committee ensured that all matters contained in the charter were appropriately dealt with at the various meetings during the course of the financial year by way of a detailed annual work plan. The responsibilities discharged by the committee during the course of the year include:

- Reviewing and recommending for approval the annual financial statements, interim financial statements and announcements;
- Recommending the annual dividends for the board's approval;
- Addressing issues relating to the appointment and evaluation of the independence of the external auditors;
- Reviewing policies and procedures relating to internal control and internal audit;
- Reviewing policies and procedures relating to risk management and organisational integrity;
- Overseeing management's function in updating the Risk Management Framework;
- Reviewing the strategic risk dashboard; and
- Overseeing management's function in implementing a Risk Audit Framework which is fully compatible with the Risk Management Framework and uses risk-based auditing practices with adaptable audit reviews.

During the year under review, the committee was responsible for the management of risk. At its meeting in March 2010, the board agreed to separate the functions of audit and risk and delegated responsibility for risk to the risk committee.

The committee is satisfied that during the year under review, it has effectively fulfilled its role and duties and has complied with the provisions of its charter. The charter is aligned with the Companies Act 61 of 1973 (as amended) and has been revised to include principles contained in King III. This charter will guide the committee in performing its duties during 2011.

THE RESPONSIBILITIES OF THE COMMITTEE IN ACCORDANCE WITH ITS CHARTER INCLUDE, INTER ALIA, THE FOLLOWING:

- Examine and review the quality of the Group's annual financial statements, interim financial statements, accompanying reports to shareholders, preliminary announcements of results and other announcements to shareholders
- Make recommendations to the board in respect of the adoption of the annual financial statements, the interim financial statements and the annual dividend
- Nominate an external auditor for appointment by the shareholders and approve the terms of engagement and remuneration of the external auditor
- Approve and monitor a formal policy on non-audit services provided by the external auditor
- Oversee the internal audit function, ensuring that it remains independent and has the requisite resources, budget, standing and authority to discharge its functions
- Ensure that the combined assurance model applied to the Group is appropriate to address all significant risks and oversee financial risk management and controls
- Prepare a report on the annual financial statements describing how the committee carried out its functions and pronouncing on the independence of the external auditors
- Recommend to the board on the engagement of an appropriate external assurance provider in respect of the material elements of the sustainability report and evaluate the independence and credentials of such external assurance provider
- Review any business irregularities or formal disputes which may have a significant impact on the financial statements of the Group
- Consider the adequacy of the Group's insurance cover on an annual basis
- Assist the board in discharging its responsibility for IT governance across the Group and ensure that a process is implemented which aligns IT governance with the performance and sustainability objectives of the Group

In line with the revised charter, the committee updated its annual work plan to include the following responsibilities going forward:

September

- Examine and review the quality of annual financial statements and the preliminary announcement of results (including the annual dividend), prior to submission to and approval by the board
- Ensure that the financial reporting risks, internal financial controls, fraud risks in respect of financial reporting and information technology risks in respect of financial reporting are appropriately addressed
- Evaluate the independence of the external auditor and obtain confirmation of this independence from the external auditors' responsible partner

December

- Evaluate the performance of the external auditors
- Evaluate the independence, effectiveness and performance of the internal audit and compliance with its mandate
- Review significant difficulties in the completion of the audit plan, including any restrictions on the scope of work or access to required information
- Review the adequacy of insurance cover
- Review IT governance including framework, investment and expenditure, management of assets, IT risk management process and provide assurance to the board that controls are in place to address IT risks

March

- Nominate and recommend the external auditors for appointment
- Review significant matters reported by the internal audit function and the adequacy of corrective action taken
- Review the Group's policies for preventing or detecting fraud
- Examine and review the quality of the interim report and the preliminary announcement of results prior to submission to and approval by the board
- Consider the appropriateness of the accounting policies adopted and any changes thereto, as well as the accounting treatment of significant unusual transactions or accounting judgements that could be contentious
- Recommend to the board that it engage an external assurance provider in respect of material elements of the sustainability report, agree the scope of the assurance and evaluate the independence of the external assurance provider

June

- Approve the external auditors' fees and terms of reference
- Review the external auditors' engagement letter, terms and scope of the external audit function
- Review the effectiveness of the Group's systems of internal control, including internal financial controls and risk management
- Review and approve the internal audit plans
- Review significant matters reported by the internal audit function and the adequacy of corrective action taken
- Review the application of the combined assurance model across the Group
- Review the whistle-blowing process in respect of irregularities in financial and sustainability reporting
- Review any statements on ethical standards or requirements for the Group

The committee will also assist the board in discharging its obligations to ensure that appropriate financial controls and risk management procedures are in place and reported on by Group Internal Audit Services.

During the year under review, the committee made use of external advisors. KPMG was engaged to assist with reviewing and enhancing the internal audit strategic direction and plan to ensure that Group Internal Audit Services is positioned to deliver a value adding and excellent service to its stakeholders. PricewaterhouseCoopers conducted a tax capacity review.

Internal audit

The board is ultimately responsible for overseeing the establishment of effective systems of internal control in order to provide reasonable assurance that the Group's financial and non-financial objectives are achieved. 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. Executing this responsibility has been delegated to the Group Internal Audit Services, which is overseen by the audit committee and is guided in discharging its functions set out in the internal audit charter, which is approved by the committee on an annual basis.

The main function of Group Internal Audit Services is to review and provide assurance on the effectiveness of the Group's systems of internal control, including internal financial control and risk management and to ensure that effective internal control systems are maintained.

Audit plans, based on an assessment of risk, are presented in advance to the audit committee for approval. During the year under review, Group Internal Audit Services successfully met its audit plan targets. Each internal audit conducted is followed by a detailed report to management, including recommendations on aspects requiring improvement. The Head of Internal Audit is responsible for reporting significant findings to the audit committee.

Group Internal Audit Services welcomes the introduction of King III and has noted the recommendations which came into effect from 1 March 2010. In some areas, Group Internal Audit Services already meets the recommendations of King III and proactive steps are being taken to ensure that the balance of the principles will be applied during 2011.

Group Internal Audit Services has developed an audit planning methodology that utilises a risk universe which formally demonstrates processes that ensure the application of King III recommendations with regard to risk-based internal audit.

The internal audit charter ensures that the internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to discharge its duties. The Head of Internal Audit has direct access to the Chairman of the audit committee and reports to the Financial Director. The Head of Internal Audit also attends all audit committee and risk committee meetings by invitation and submits a report to each audit committee meeting.

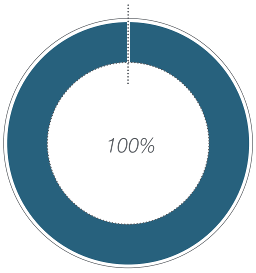
External audit

The external auditors regularly review the internal audit reports and meet formally with the Group Internal Audit Services at least twice a year 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 committee meetings of Aveng Limited. They are required to demonstrate a high level of ethical commitment and ensure that their professional independence is not impaired.

Ernst & Young Inc., the Company's auditors, have confirmed their independence. The committee is satisfied that Ernst & Young Inc. is independent of the Company.

AUDIT COMMITTEE COMPOSITION



■ Independent non-executive directors

Annual report including the sustainability report

The committee has reviewed and recommended the annual report, including the sustainability report to the board for approval. The committee is comfortable with the integrity of the information contained in the sustainability report without the oversight of an external assurance provider. However, a full external assurance process will be undertaken from 2011, which will include assurance statements.

Composition of the audit committee

Chairman: PK Ward

Members: RL Hogben

MJD Ruck

The membership of the committee is made up of three independent non-executive directors. In view of the recommendation that the Chairman of the board not be a member of this committee, Angus Band stepped down as a member of the committee on 31 March 2010. Rick Hogben was appointed to the committee on 1 April 2010.

The Chairman of the board, Chief Executive Officer, Financial Director, Head of Internal Audit and representatives of the external auditors attend meetings by invitation. Executive attendees are not present during periodic discussions with the external auditors on executive openness and co-operation. The committee meets four times per year and the minutes of these meetings are included in the quarterly board papers. The Chairman of the committee provides the board with a verbal report of the committee's activities at each board meeting.

Attendance at meetings of the audit committee

Member		*Ind.*	*03/09/2009*	*03/12/2009*	*04/03/2010*	*24/06/2010*
PK Ward	(committee Chairman: non-executive)	0	✓	✓	✓	✓
AWB Band	(non-executive)[1]	0	✓	✓	A	
RL Hogben	(non-executive)[2]	0				✓
MJD Ruck	(non-executive)	0	✓	✓	✓	✓

[0] Independent.

[1] Stepped down 31 March 2010.

[2] Appointed 1 April 2010.

RISK COMMITTEE

The risk committee which was established on 1 April 2010 is a formal committee of the board and has specific powers delegated to it by the board. Previously, oversight of risk had been the responsibility of the audit and risk committee. During the year under review, the board agreed to separate the functions of audit and risk and approved the establishment and the composition of the risk committee.

The committee is responsible for assisting the board in discharging its responsibilities for the governance of risk through a formal process and system of risk management. A formal charter for the committee has been developed and approved by the board.

The committee is satisfied that it has effectively fulfilled its role and function since inception and has complied with its charter, which has been drafted to include principles contained in King III and will guide the committee in performing its duties during 2011.

THE RESPONSIBILITIES OF THE COMMITTEE IN ACCORDANCE WITH ITS CHARTER INCLUDE, INTER ALIA, THE FOLLOWING:

- Review the Risk Management Framework and plan on an annual basis and recommend the same to the board for approval
- Monitor the implementation of the Risk Management Framework and plan through systems and processes designed for that purpose
- Make recommendations to the board regarding levels of tolerance and appetite and ensure that risks are managed within the approved levels
- Review the strategic risk dashboard at each meeting and have particular regard to ensuring that a process exists whereby risk management frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risk
- Ensure that a process exists whereby risk management assessments are performed on a continuous basis and that management considers and implements appropriate risk responses
- Ensure that continuous risk monitoring by management takes place
- Note decisions made by the tender risk committee and have particular regard to the negotiating mandate approved by that committee in respect of each proposed tender and the actual contracting terms of award

The committee has developed an annual work plan to ensure that it discharges its functions during the year.

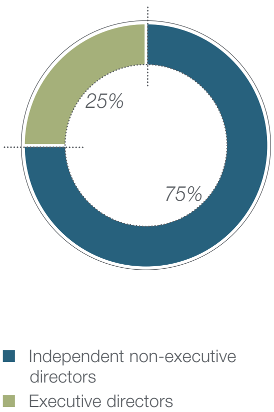
The risk management report of The Aveng Group is set on pages 129 to 132 of this annual report.

During the year under review, the committee made use of external advisors. Ernst & Young conducted a "Provision of Internal Controls and Risk Management Services" assessment in May 2010 on risk management at McConnell Dowell and a "High-Level Assessment of the Maturity of the Enterprise Risk Management Function" at Aveng Limited in June 2010. These reports included recommendations, which management is currently in the process of implementing. Progress in this regard is monitored through the Risk Report which is presented to the committee at each meeting.

Composition of the risk committee

Chairman:	KC Rumble
Members:	AWB Band
	WR Jardine
	PK Ward

RISK COMMITTEE COMPOSITION



The committee is made of up three independent non-executive directors, including the Chairman of the board and the Chief Executive Officer. Meetings of the risk committee are attended by the Group Risk Manager. Following its formation on 1 April 2010 the committee met once during the year under review but going forward will meet four times per year. The minutes of these meetings will be included in the quarterly board papers and the Chairman of the committee will provide the board with a verbal report on the committee's activities at each board meeting.

Attendance at meetings of the risk committee

Member		*Ind.*	*28/06/2010*
KC Rumble	(committee Chairman: non-executive)	0	✓
AWB Band	(non-executive)	0	✓
WR Jardine	(executive)		✓
PK Ward	(non-executive)	0	✓

0 = independent.

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

The safety committee was established during the first quarter of 2009 and was mandated to monitor safety throughout the Group. During the year under review, the responsibilities of this committee were extended to include health and environmental matters. A formal charter which will guide the committee in performing its duties during 2011 has been developed and approved by the board.

The board recognises that safety, health and environmental management forms a fundamental part of business and is integral to the success of The Aveng Group. Resources in the safety, health and environment departments have been strengthened by the recent appointment of a Group Health and Wellness Manager as well as a Group Environmental Manager.

The board acknowledges its responsibility for safety and upholds the philosophy of *HOME WITHOUT HARM, EVERYONE EVERYDAY*, which applies to all employees and subcontractors of the Group. Safety remains an area of high priority for the Group and is the first item for discussion on all board and operating group management agendas.

The Group is committed to developing, implementing and monitoring management systems for safety, health and the environment that are consistent with internationally recognised standards and which enable the Group to:

- entrench safety as a core value for its people;
- identify, assess and manage risks to employees, contractors, service providers and communities;
- strive towards a world-class safety culture; and
- meet and where appropriate, exceed applicable legal and other requirements.

The committee regrets the five fatalities were (2009: 10) recorded during the year and extends its sincere condolences to the bereaved. Although this constitutes a 50% reduction in the number of fatalities compared to 2009, even a single fatality is unacceptable and the board remains committed to its target of zero fatalities across the Group. Detailed investigations were conducted in respect of these fatalities to ensure that the underlying causes were identified and the appropriate interventions instituted to prevent a recurrence. Lessons that arise from these investigations are shared throughout the Group, as well as between industry bodies. During the year under review, the Group's Lost-Time Injury Frequency Rate (LTIFR) reduced by 41% to 0,26 (2009: 0,44).

The committee is satisfied that it has effectively fulfilled its role and duties during the year under review and has complied with its charter, which has now been revised to include principles contained in King III.

THE RESPONSIBILITIES OF THE COMMITTEE IN ACCORDANCE WITH ITS CHARTER INCLUDE, INTER ALIA, THE FOLLOWING:

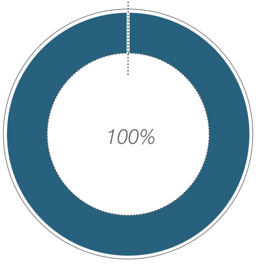
- Ensure that the Group has a clear and defined roadmap to achieve a world-class safety, health and environmental culture
- Review and approve the Group strategy on safety, health and environmental management and in particular its progress towards:
  - demonstrating visible leadership in safety, health and environmental issues
  - establishing effective interdependent safety, health and environmental communication systems and management structures
  - the integration of sound safety, health and environmental management with business decisions
  - the implementation of behavioural change initiatives
- Ensure a structure is implemented and maintained through which a system of continuous safety, health and environmental risk assessment and mitigation exists across the Group
- Ensure that a compliance framework exists whereby the Group's compliance with safety, health and environmental legislation, regulations and recommended best practice is monitored
- Review the safety, health and environmental performance of the Group, through the regular review of both leading and lagging indicators
- Ensure the integrity and quality of safety, health and environmental reporting to the board and stakeholders

During the year under review, the committee made progress towards achieving its objectives by:

- improving visible safety leadership initiatives across the Group;
- continuing the roll-out of the Aveng Safety Framework;
- progressing with the development and monitoring of leading safety indicators; and
- embedding consistent safety management systems across all operations.

The committee has developed an annual work plan to assist in the discharging of its functions during 2011, which includes embedding safety management systems, enhancing visible leadership and high-consequence activity protocols, developing a Group approach to behaviour change and subcontractor safety management and continuing with the near-miss and significant incident management programmes.

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE COMPOSITION



■ Independent non-executive directors

Composition of the safety, health and environment committee

Chairman:	RL Hogben
Members:	MA Hermanus
	KC Rumble

The committee is made up of three independent non-executive directors. Meetings of the safety, health and environment committee are attended by the Chief Executive Officer and the Group Safety and Health Manager. The committee has met four times during the year under review. The minutes of these meetings are included in the quarterly board papers and the Chairman of the committee provides the board with a verbal report of the committee's activities at each board meeting.

Attendance at meetings of the safety, health and environment committee

Member		*Ind.*	*27/08/2009*	*03/12/2009*	*26/02/2010*	*17/06/2010*
RL Hogben	(committee Chairman: non-executive)	0	✓	✓	✓	✓
MA Hermanus	(non-executive)[1]	0			✓	✓
KC Rumble	(non-executive)[1]	0			A	✓
NL Sowazi	(non-executive)[2]		✓	✓	✓	

[1] Appointed 1 January 2010.
[2] Stepped down 31 March 2010.
[A] Apologies tendered.

TRANSFORMATION COMMITTEE

The transformation committee is a formal committee of the board and has specific powers delegated to it by the board. The board recognises that transformation is a business and cultural imperative and constitutes the Group's licence to trade. The committee is responsible for assisting the board in developing and increasing the representation of previously disadvantaged professionals and leaders across the Group.

The committee is satisfied that it has effectively fulfilled its role and duties during the year under review and has complied with the provisions of its charter, which has now been revised to include principles contained in King III. The charter has been approved by the board.

THE RESPONSIBILITIES OF THE COMMITTEE IN ACCORDANCE WITH ITS CHARTER INCLUDE, INTER ALIA, THE FOLLOWING:

- Proactively review management actions and efforts to comply with relevant transformation legislation and charters and apply the principles of the King III Report
- Review and recommend policies, strategies and plans for management implementation, to ensure that the Company complies with the construction sector charter scorecard
- Guide, monitor, review and evaluate progress on transformation with specific reference to the key elements of the BBBEE scorecard
- Evaluate and formulate recommendations on major BBBEE initiatives
- Ensure that the key elements of the balanced scorecard of the construction sector charter are addressed

During the year under review, the committee made progress towards achieving its objectives by:

- Appointing a dedicated Group Transformation Manager to co-ordinate the transformation activities
- Developing operating group and corporate strategic action plans with specific targets and timelines
- Ensuring that transformation is prioritised as part of the strategic planning process
- Ensuring that transformation is high on the agenda of operating group board meetings

- Creating capability across the Group in respect of transformation
- Ensuring that the relevant policies and processes are being developed and/or aligned to ensure commitment to the transformation process
- Ensuring relative market and industry competitiveness in transformation

The committee has developed an annual work plan as set out in the committee charter to assist it in discharging its duties during 2011.

The Group's transformation report is set out on pages 95 to 98 of this annual report.

Composition of the transformation committee

Chairman:	VZ Mntambo
Members:	AWB Band
	NL Sowazi

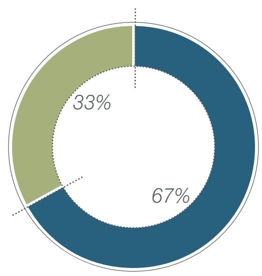
The committee consists of two independent non-executive directors and a non-executive director. Meetings of the transformation committee are attended by the Chief Executive Officer, the Human Resources Director and the Group Transformation Manager. The committee has met four times during the year under review. The minutes of these meetings are included in the quarterly board papers and the Chairman of the committee provides the board with a verbal report of the committee's activities at each board meeting. Following the retirement of Mr Mntambo on 22 October 2010, Mr Sowazi will assume the role of acting Chairman of the committee until a permanent appointment is made.

Attendance at meetings of the transformation committee

Member		*Ind.*	*28/09/2009*	*25/11/2009*	*04/02/2010*	*27/05/2010*
VZ Mntambo	(committee Chairman: non-executive)	0	✓	✓	✓	✓
AWB Band	(non-executive)	0	A	✓	✓	✓
RL Hogben	(non-executive)[1]	0	✓	✓	A	
NL Sowazi	(non-executive)[2]					A

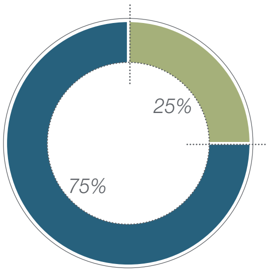
[1] Stepped down 31 March 2010.
[2] Appointed 1 April 2010.
[A] Apologies tendered.

TRANSFORMATION COMMITTEE COMPOSITION



- Independent non-executive directors
- Non-executive directors – not independent

INVESTMENT COMMITTEE COMPOSITION



- Independent non-executive directors
- Non-executive directors – not independent

INVESTMENT COMMITTEE

The investment committee is a formal committee of the board which was established in January 2010 and is responsible for assisting management and the board in considering major investment decisions. The committee may approve transactions within a certain threshold and may also recommend transactions to the board for approval. A formal charter of the committee is being developed in line with the Limits of Authority, currently under review.

Composition of the investment committee

Chairman:	MJD Ruck
Members:	AWB Band
	KC Rumble
	NL Sowazi

The membership of the committee is made up of three independent non-executive directors and one non-executive director. Meetings of the investment committee are held on an ad hoc basis and are attended by the Chief Executive Officer, the Financial Director, the Head of Group Treasury and the Group Strategy Manager. The committee has met three times since its formation in January 2010. The minutes of these meetings are included in the quarterly board papers and the Chairman of the committee provides the board with a verbal report of the committee's activities at each board meeting.

Attendance at meetings of the investment committee

Member		*Ind.*	*16/02/2010*	*10/05/2010*	*20/05/2010*
MJD Ruck	(committee Chairman: non-executive)	0	✓	✓	✓
AWB Band	(non-executive)	0	✓	✓	✓
KC Rumble	(non-executive)	0	✓	A	A
NL Sowazi	(non-executive)		✓	A	A

[A] *Apologies tendered.*

REMUNERATION AND NOMINATION COMMITTEE

The remuneration and nomination committee is a formal committee of the board and has specific powers delegated to it by the board. The committee is responsible for assisting the board to adopt remuneration policies and practices which are aligned with the Group's strategy and create value for the Group over the long term.

During the year under review, the committee examined a broad range of issues, including:

- Reviewing and approving the salary adjustment mandates based on performance reviews;
- Reviewing and recommending non-executive fees to shareholders for approval;
- Monitoring progress on the implementation of a standardised grading system;
- Reviewing the ongoing implementation of a performance management system;
- Reviewing and approving the total rewards approach, including a short, medium and long-term incentive plans;
- Reviewing remuneration benchmarking results;
- Reviewing the human resources report on key talent and retention strategies;
- Reviewing succession plans of key positions;
- Reviewing and approving the performance and remuneration of the Chief Executive Officer; and
- Recommending the appointment of two non-executive directors and one executive director to the board;

Following the implementation of the annual salary review, the remuneration and nomination committee reviews the implementation thereof to establish:

- whether the overall increases implemented remained within the approved mandate;
- whether there was sufficient link to performance in the manner in which the increases have been implemented;
- the spread of performance ratings; and
- the overall increase in the cost of labour as a result of the adjustments.

Management is strongly committed to open and transparent dialogue with shareholders on any remuneration and human resources-related matter. As recommended in King III, the Group's Remuneration Policy has been included for an advisory, non-binding vote in the notice of annual general meeting.

The committee is satisfied that it has effectively fulfilled its role and duties during the year under review and has complied with its charter, which has now been revised to include principles contained in King III.

THE RESPONSIBILITIES OF THE COMMITTEE IN ACCORDANCE WITH ITS CHARTER INCLUDE, INTER ALIA, THE FOLLOWING:

- Ensure that a Remuneration Policy is developed which promotes the achievement of the Group's strategic objectives and encourages individual performance
- Assist the board in ensuring that the executive directors and senior executives of the Group are remunerated on a fair, responsible and competitive basis and in line with approved performance measurements
- Ensure that an adequate performance management system is operational throughout the Group, which aligns with the objectives of the short-term incentive scheme, the mid-term incentive scheme and the long-term incentive scheme
- Ensure that all forms of remuneration and incentivisation across the Group are performance related
- Ensure that an adequate, formal succession plan exists throughout the Group
- Review the structure, size and composition of the board annually to ensure that it can execute its duties effectively
- Initiate an evaluation of the performance of the board, Chairman and committees and make recommendations on the results of these evaluations
- Oversee the development of a formal induction programme in respect of new members and senior executives
- Oversee the development and implementation of a formal programme of continued professional development for directors

The remuneration and nomination committee has developed an annual work plan to assist it in discharging its functions during 2011, which includes the following activities:

September

- Review and approve mandates for salary reviews
- Review and approve previous year bonus payments and performance measures for the new year
- Review and approve non-executive directors' fees to be recommended to board and shareholders for approval
- Consider and approve disclosures to be made in the integrated report and remuneration disclosures in annual financial statements

December

- Review and approve salary increases
- Review and approve executive salary reviews including comparative reviews
- Review and make recommendations on the composition of the board and committees
- Review findings from the annual performance evaluation of the board, Chairman and committees and make recommendations
- Review and approve policies in respect of continued professional development for the board and induction programmes for new members

March

- Review and approve succession plans for the Chairman, Chief Executive Officer, Financial Director and senior executives
- Note summary of actual increases effected in January 2011
- Review findings of Group-wide talent review and make recommendations to management
- Consider and approve disclosures to be made in the interim report

June

- Review executive and board performance management reviews
- Review and approve Remuneration Policy for submission to shareholders at annual general meeting
- Approve the charter and the annual work plan for following year

REMUNERATION POLICY

The Group is committed to developing, implementing and upholding remuneration strategies and practices across its entire organisation, which:

- are consistent with and aligned to the vision, mission, values and business objectives of the Group;
- pursue the best interests of the Group, its shareholders and its broad internal and external stakeholder base;
- are strongly linked to performance and designed to promote the development of a high-performance culture;
- offer an appropriate mix of guaranteed pay, short-term incentives, medium-term incentives and long-term incentives to attract, motivate and retain key talent; and
- are fair, equitable, market related and affordable.

Performance link to pay

The Group's performance management process determines the relative level of performance of both businesses and individuals. Performance rating is one of the key considerations taken into account when remuneration of all Group employees, including executive directors, is being reviewed or an incentive award is being considered. Performance targets are designed to align the efforts of employees and executive directors with the strategic goals of the Group.

Position grading

All positions in the Group are graded according to internationally recognised grading systems. This enables comparisons of pay and pay packages to market, for both operating groups and individuals. All pay is assessed and reported against the market norm. The Group's philosophy is that guaranteed pay for competent performers should be at the 50th percentile and that total reward including incentives should be at the 75th percentile.

Remuneration review considerations

Annual salary review and incentive awards

The Group' remuneration structure comprises guaranteed pay and a mixture of short, medium and long-term incentives for eligible categories of employees, based on seniority, grade and performance. The payment of any incentives is dependent on the achievement of business financial targets and individual key performance indicators.

Each year an annual increase mandate proposal which takes into account salary surveys, projected salary movements, inflation, Group performance and affordability is presented to the committee for consideration. Once the mandate has been approved by the remuneration and nomination committee, implementation guidelines are issued to the business to regulate the implementation and to ensure, among others, that the approved mandate is not exceeded.

Annual review of non-executive director fees

Annually, management submits to the remuneration and nomination committee a proposal for the review of non-executive director fees. This proposal includes extracts from various non-executive director remuneration surveys, an assessment of demands being placed on non-executive directors, risk and the time required to adequately fulfil their obligations.

A comparison of the current and proposed fees against the market surveys and a sample of similar-sized companies are used to determine the appropriate fee to be recommended to the board by the remuneration and nomination committee. This recommended fee, upon adoption by the board, is submitted to the annual general meeting for approval by the shareholders.

The salary increases and incentive awards of the top three management levels (including the Chief Executive Officer and executive directors) are individually reviewed and approved by the remuneration and nomination committee. Individual performance ratings are taken into account in determining both the salary increases and incentive awards of individual employees. The remuneration and nomination committee also considers the overall cost impact of the remuneration reviews to ensure that this is aligned to the remuneration principles as outlined above.

The Remuneration Policy has been included in the notice of annual general meeting for adoption by way of an advisory resolution.

Executive directors' remuneration

Remuneration mix

An executive director's total remuneration consists of a salary, short-term incentive, medium-term incentive, long-term incentive and benefits as indicated below.

Guaranteed remuneration

Guaranteed remuneration is determined by taking both internal pay equity and external market competitiveness into account.

- Internal pay equity takes into consideration relative earnings to peers within the Group and the grade of the position that is fulfilled by the incumbent.
- External competitiveness is based on market benchmarking using approved remuneration surveys.

Various other factors such as inflation, market increase projections and Company affordability are also considered during the review process.

Short-term incentives (STIs)

Executive directors participate in the STI scheme. The purpose of the STI scheme is to share success through rewarding for the achievement at and above expected performance based primarily on Group, operating group and business unit profits and/or key strategic performance indicators. This annual cash bonus is paid annually in October as a percentage of actual guaranteed earnings for the previous financial year.

Medium-term incentives (MTIs)

MTIs reward senior employees for their contribution to the financial and non-financial performance of their respective operating group and business unit over the medium term. MTIs consist of a cash bonus, with payment deferred over a three-year period, based on achievement of financial and non-financial targets. This also serves as a medium-term retention mechanism for management of key talent and therefore eligible participation is based on seniority.

Long-term incentives (LTIs)

LTIs are aimed at aligning senior executive performance with the interests of the shareholders and retention of critical leadership talent. This nomination is at the sole discretion of the Chief Executive Officer and the remuneration and nomination committee.

Share options are awarded based on seniority, performance and the executives' holdings in the value of unvested options relative to the relevant targeted multiple of annual guaranteed pay. These share options vest in four equal parts of 25% per year starting from the second anniversary of the grant date, with the final tranche vesting on the fifth anniversary of the grant date. Share options will vest in four equal parts, exercisable within 10 years of the grant date.

The structure of the LTI scheme is being reviewed going forward and the relevant principles of King III will be addressed during that process.

Benefits

In terms of a caring facilitator of benefits, the Group offers a number of benefits that assist with providing for the future in terms of either retirement savings or insurance against life catastrophes. Some of these are compulsory and others are voluntary or have an element of selection.

The costs of these benefits are all funded by an employee's total employment cost, unless otherwise indicated and employees have an option once a year to change their selections (or on a life-changing event).

A summary of benefits accruing to executive directors during the year under review is set out in the table below:

	Salary R'000	Retirement fund R'000	Other benefits R'000	Bonus payable R'000	Medium-term incentive* R'000	Total R'000
DIRECTORS' REMUNERATION AND INTERESTS						
Directors' remuneration						
Executive directors						
For the year ended 30 June 2010						
DR Gammie (retired 31 March 2010)	**1 842**	**182**	**211**			**2 235**
JJA Mashaba	**2 621**	**167**		**667**	**667**	**4 122**
WR Jardine	**3 403**	**218**		**1 251**	**1 501**	**6 373**
SJ Scott (appointed 1 August 2009)	**2 218**	**219**		**729**		**3 166**
DG Robinson	**6 337**	**947**	**4 456**	**4 476**		**16 216**
	16 421	**1 733**	**4 667**	**7 123**	**2 168**	**32 112**

**Payable in equal instalments over three years.*

	Medical aid R'000	Accident insurance R'000	Life insurance R'000	Vehicle benefit R'000	Total R'000
Components of salary included above					
For the year ended 30 June 2010					
DR Gammie (retired 31 March 2010)	**39**	**6**	**81**	**54**	**180**
JJA Mashaba	**54**	**8**	**112**	**96**	**269**
WR Jardine	**63**	**10**	**145**	**96**	**314**
SJ Scott (appointed 1 August 2009)	**50**	**7**	**97**	**132**	**286**
DG Robinson				**540**	**540**
	206	**30**	**436**	**918**	**1 589**

DIRECTORS' REMUNERATION AND INTERESTS (continued)

	Fees as director R'000	Chairman fees R'000	Attendance subsidiary boards R'000	Sub-committee fees R'000	Other consulting fees R'000	Total R'000
Executive directors						
For the year ended 30 June 2009						
AWB Band (acting CEO to 31 July 2008)	300					300
DR Gammie	2 228	341		642		3 211
JJA Mashaba	2 354	270		577		3 201
WR Jardine	2 950	338		822		4 110
DG Robinson	6 031	905	536	3 404		10 876
	13 863	1 854	536	5 445	—	21 698

	Fees as director R'000	Chairman fees R'000	Attendance subsidiary boards R'000	Sub-committee fees R'000	Other consulting fees R'000	Total R'000
Non-executive directors						
For the year ended 30 June 2010						
AWB Band	**203**	**428**	**716**	**337**	**210**	**1 894**
KC Rumble (appointed 9 September 2009)	**169**	**20**		**77**		**266**
MA Hermanus (appointed 9 September 2009)	**169**			**25**		**194**
MJD Ruck	**203**	**24**		**148**		**375**
PK Ward	**203**	**66**		**250**	**97**	**616**
RL Hogben	**203**	**72**		**229**		**504**
VZ Mntambo	**203**	**53**		**40**		**296**
	1 353	**663**	**716**	**1 106**	**307**	**4 145**
Non-executive directors						
For the year ended 30 June 2009						
AWB Band	134	333	704	77	100	1 348
JR Hersov (retired 24 October 2008)	31			23		54
MJD Ruck	134			121		255
PK Ward	134	32		220	68	454
RL Hogben	134	41		63		238
VZ Mntambo	134	21		67		222
	701	427	704	571	168	2 571

Interest of directors of the Company in share capital	**Ordinary shares 2010**	Ordinary shares 2009
DIRECTORS' REMUNERATION AND INTERESTS (continued)		
Executive directors		
DR Gammie (Retired 31 March 2010)		88
	–	88
Non-executive directors		
RL Hogben	**16 770**	16 770
PK Ward	**2 000**	2 000
	18 770	18 770
Total	**18 770**	18 858
% of issued securities	**0%**	0%

Securities are beneficially held.

Securities held by Mr RL Hogben are partially directly beneficial and partially indirectly beneficial.

The Company has not been advised of any changes in the above interests during the period 1 July 2010 to the date of this report.

Executive share options exercised

No executive share options exercised in the current year.

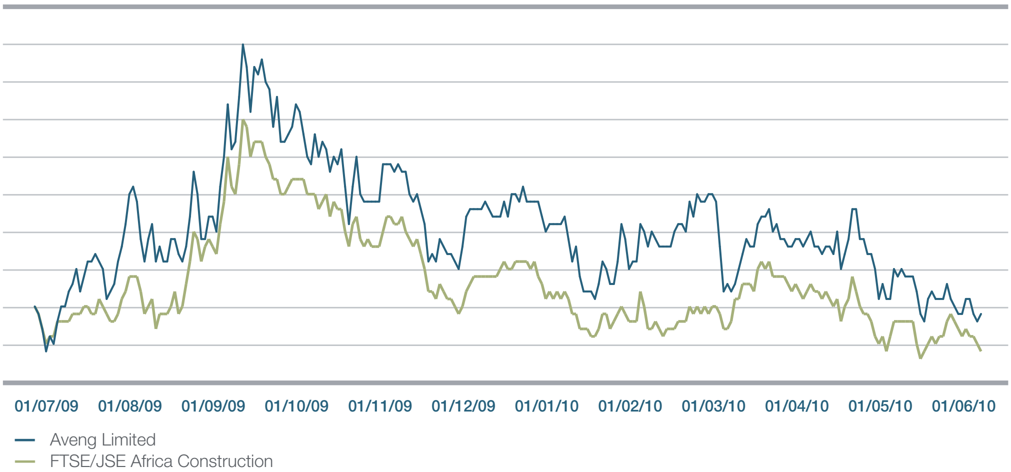
	Date from which exercisable	Date on which expires	Strike price cps	Number entitled to at 1 July 2008	Number granted during the year	Number redeemed or taken up during the year	Number entitled to at 30 June 2009
Executive share incentive scheme entitlement							
WR Jardine	Oct 2010	Oct 2018	42,80	69 897			69 897
	Oct 2011	Oct 2019	42,80	69 897			69 897
	Oct 2012	Oct 2020	42,80	69 897			69 897
	Oct 2013	Oct 2021	42,80	69 899			69 899
	Sep 2011	Sep 2019	40,30		40 794		40 794
	Sep 2012	Sep 2020	40,30		40 794		40 794
	Sep 2013	Sep 2021	40,30		40 794		40 794
	Sep 2014	Sep 2022	40,30		40 794		40 794
				279 590	163 176		442 766
DR Gammie (retired 31 March 2010)	Sep 2009	Sep 2017	53,16	28 217			28 217
	Sep 2010	Sep 2018	53,16	28 217			28 217
	Sep 2011	Sep 2019	53,16	28 217			28 217
	Sep 2012	Sep 2020	53,16	28 219			28 219
	Oct 2010	Oct 2018	42,80	48 627			48 627
	Oct 2011	Oct 2019	42,80	48 627			48 627
	Oct 2012	Oct 2020	42,80	48 627			48 627
	Oct 2013	Oct 2021	42,80	48 628			48 628

	Date from which exer-cisable	Date on which expires	Strike price cps	Number entitled to at 1 July 2008	Number granted during the year	Number redeemed or taken up during the year	Number entitled to at 30 June 2009
DIRECTORS' REMUNERATION AND INTERESTS (continued)							
Executive share incentive scheme entitlement							
DR Gammie	Sep 2011	Sep 2019	40,30		21 225		21 225
(retired 31 March 2010)	Sep 2012	Sep 2020	40,30		21 225		21 225
(continued)	Sep 2013	Sep 2021	40,30		21 225		21 225
	Sep 2014	Sep 2022	40,30		21 228		21 228
				307 379	84 903		392 282
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
	Oct 2010	Oct 2018	42,80	39 816			39 816
	Oct 2011	Oct 2019	42,80	39 816			39 816
	Oct 2012	Oct 2020	42,80	39 816			39 816
	Oct 2013	Oct 2021	42,80	39 816			39 816
	Sep 2011	Sep 2019	40,30		17 314		17 314
	Sep 2012	Sep 2020	40,30		17 314		17 314
	Sep 2013	Sep 2021	40,30		17 314		17 314
	Sep 2014	Sep 2022	40,30		17 316		17 316
				314 264	69 258		383 522
DG Robinson	Nov 2009	Nov 2017	61,80	18 341			18 341
	Nov 2010	Nov 2018	61,80	18 341			18 341
	Nov 2011	Nov 2019	61,80	18 341			18 341
	Nov 2012	Nov 2020	61,80	18 344			18 344
	Oct 2010	Oct 2018	42,80	21 593			21 593
	Oct 2011	Oct 2019	42,80	21 593			21 593
	Oct 2012	Oct 2020	42,80	21 593			21 593
	Oct 2013	Oct 2021	42,80	21 593			21 593
	Sep 2011	Sep 2019	40,30		11 029		11 029
	Sep 2012	Sep 2020	40,30		11 029		11 029
	Sep 2013	Sep 2021	40,30		11 029		11 029
	Sep 2014	Sep 2022	40,30		11 030		11 030
				159 739	44 117		203 856
SJ Scott	Sep 2011	Sep 2019	40,30		54 039		54 039
	Sep 2012	Sep 2020	40,30		54 039		54 039
	Sep 2013	Sep 2021	40,30		54 039		54 039
	Sep 2014	Sep 2022	40,30		54 039		54 039
					216 156		216 156

Aligning shareholder value with remuneration

The primary role of directors is to deliver value to shareholders and it is against this backdrop that their remuneration must, among others, be assessed. The graph below shows the performance of the Aveng Limited share against the FTSE/JSE Africa Construction index.

FTSE/AVENG SHARE PRICE



Source: I-net Bridge

Amendment of the share incentive scheme

The Aveng Limited Share Incentive Scheme (Scheme) has been amended to bring it in line with Schedule 14 of the Listings Requirements of the JSE Limited. The changes have not materially impacted on the operation of the Scheme or the rights of the participants and in terms of the rules of the Scheme and Schedule 14, no approval from shareholders is required.

External advisors

During the year under review, the remuneration and nomination committee made use of external advisors, including PricewaterhouseCoopers who conducted a report on non-executive remuneration trends. This report made recommendations which the remuneration and nomination committee is currently reviewing.

PricewaterhouseCoopers also focused on King III compliance and recommended that factors such as attendance, organisation size and individual contribution should be considered when setting non-executive fee structures. It was also noted that the role of non-executive director has become more challenging in the last 12 to 18 months, largely as a consequence of tighter governance requirements.

Composition of the remuneration and nomination committee

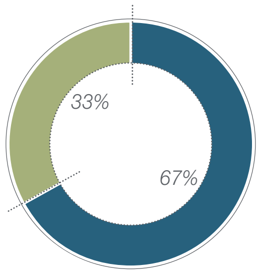
Chairman:	RL Hogben
Members:	AWB Band
	NL Sowazi

The membership of the committee is made of up two independent non-executive directors and one non-executive director. The Chairman of the committee is an independent non-executive director. Meetings of the remuneration and nomination committee are attended by the Chief Executive Officer, the Human Resources Director and the Group Rewards Specialist. The committee met five times during the year under review. The minutes of these meetings are included in the quarterly board papers and the Chairman of the committee provides the board with a verbal report of the committee's activities at each board meeting. Minutes of the meetings are distributed to all directors.

Attendance at meetings of the remuneration and nomination committee

Member		*Ind.*	*09/07/2009*	*01/09/2009*	*23/11/2009*	*09/03/2010*	*22/06/2010*
RL Hogben	(committee Chairman: non-executive)	0	✓	✓	✓	✓	✓
AWB Band	(non-executive)	0	✓	✓	✓	✓	A
NL Sowazi	(non-executive)		✓	✓	✓	✓	✓

REMUNERATION AND NOMINATION COMMITTEE COMPOSITION



■ Independent non-executive directors
■ Non-executive directors – not independent

Average capital employed	Average of total equity, non-controlling interests and all interest-bearing debt.
Average equity attributable to holders of the parent	Average of total equity as reflected on the statement of financial position including the equity component of subordinated debentures.
Cash flow per share	Cash flow from operating activities divided by the total number of shares in issue.
Cash and cash equivalents	Cash on hand, deposits held on call with banks, investments in money market instruments and short-term bank borrowings, including 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 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 non-trading items.
EBITDA	Operating profit before depreciation and amortisation.
Effective tax rate	Taxation as reflected on the statement of comprehensive income less any tax in respect of non-trading items divided by income before non-trading items less share of profits and losses from associates and joint ventures, expressed as a percentage.
Headline earnings	Earnings per the statement of comprehensive income, 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 equity attributable to owners of the parent divided by the total number of ordinary shares in issue.
Net cash	Cash on hand less short and long term interest-bearing borrowings.
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 equity.
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 percentage of average capital employed.
Return on equity	Headline earnings as a percentage of average equity attributable to owners of the parent.
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.

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We continue to optimise our current business portfolio to create more shareholder value.

Financial statements

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Group annual financial statements and annual financial statements of Aveng Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2010, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flow for the year then ended, a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out in pages 174 to 241.

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 consolidated and separate financial position of Aveng Limited as at 30 June 2010, and its consolidated and separate financial performance and consolidated and separate 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

6 September 2010

CERTIFICATE OF THE COMPANY SECRETARY

I, the undersigned, KE Robinson, in my capacity as Company Secretary, certify that:

- the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act 61 of 1973, as amended; and
- all such returns are true, correct and up to date.

KE ROBINSON
Company Secretary

Morningside
6 September 2010

AUDIT COMMITTEE REPORT

The audit committee has been constituted in accordance with applicable legislation and regulations. The committee members are all independent non-executive directors of the Group. Four audit committee meetings were held during the year at which the members fulfilled all their functions as prescribed by the Act. A detailed report on the activities of the audit committee is contained in the corporate governance section of the annual report.

In accordance with the JSE Listings Requirements, the committee is required to consider the appropriateness of the expertise and experience of the Financial Director of the Company. In respect of this requirement and for the year under review, the committee was satisfied that Mr SJ Scott, the Financial Director, possessed the appropriate expertise and experience to fulfil his responsibilities in that position.

Mr Scott has resigned as Financial Director with effect from 26 September 2010 and has been replaced by Mr HJ Verster with effect from 27 September 2010. The committee is of the opinion that Mr Verster possesses the appropriate expertise and experience to fulfil his responsibilities in this position.

PK WARD
Chairman
Audit Committee

6 September 2010

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 2 and 3 of this annual report. Details of directors' interests at 30 June 2010 are detailed in note 30 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 continues to maintain systems of internal financial controls.

The Company and its subsidiaries' internal financial controls and systems are designed to provide reasonable but not absolute assurance as to the integrity and reliability of the annual financial statements and to adequately safeguard, verify and maintain their assets. These controls are monitored throughout the Group on a 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 report on pages 143 to 147.

FINANCIAL

There has been no material change in the Company's financial or trading position since the end of the previous financial year.

The results of the Group's operations for the year are set out in the consolidated statement of comprehensive income on page 197.

Details of the movement in issued share capital and reserves are provided below and in the consolidated statement of changes in equity on page 198.

The segmental report is set out on page 200.

The consolidated annual financial statements of the Group are set out on pages 196 to 233 and the annual financial statements of the Company are set out on pages 234 to 241.

Details of earnings are provided on pages 14, 15 and 197.

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 241, 242 and 243. Businesses acquired during the current year are detailed in Note 22.

SUBSEQUENT EVENTS

On 4 August 2010, a Share Purchase Agreement was signed for the acquisition of the entire issued share capital of Dynamic Fluid Control (Pty) Limited, a company involved in the manufacture of a range of valves for the water treatment and mining industries. The transaction is subject to Competition Commission approval.

Shareholders were advised in a SENS announcement released on 20 August 2010 that Aquarius Platinum (South Africa) (Pty) Limited (Aquarius) has withdrawn its R963 775 098 damages claim against Aveng (Africa) Limited and Moolman Mining managing director, Mr Brian Wilmot. Furthermore Moolman Mining and Aquarius have entered into an agreement of settlement, which was made an order of court on 20 August 2010 and in terms of which Aquarius will pay an amount of R100 092 000 inclusive of VAT to Moolman Mining in respect of its counterclaims, by no later than 31 August 2010.

The settlement agreement constituted a full and final settlement of all issues, claims and counterclaims including Aquarius' claim for rescission of its contract with Moolman Mining. The payment made by Aquarius was not specific to any particular counterclaim of Moolman Mining but was an overall tender of settlement, which included legal costs. The matter was to have proceeded to trial on 23 August 2010.

SHARE CAPITAL

Consistent with prior years, the Aveng Limited Share Incentive Trust is consolidated into the Group's results for reporting purposes as treasury shares. There have been no changes to the Company's authorised and issued share capitals during the year under review.

In terms of a general authority received at the annual general meeting of shareholders held on 23 October 2009, the Company or its subsidiaries may acquire ordinary shares up to a maximum of 20% of the issued ordinary shares. No shares were acquired in terms of this authority during the year under review. Approval will be sought at the forthcoming annual general meeting on 22 October 2010 to renew this general authority.

DIVIDEND

The following dividend was declared in respect of the year ended 30 June 2010:
Dividend number 12 of 145 cents per share.

DIRECTORATE

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

MA Hermanus	Appointed 9 September 2009
KC Rumble	Appointed 9 September 2009
DR Gammie	Resigned 31 March 2010
HJ Verster	Appointed 1 September 2010

1.2 Retirement by rotation

In terms of the Company's articles of association, Messrs WR Jardine, JJA Mashaba, MJD Ruck and PK Ward retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election. Mr VZ Mntambo retires at the conclusion of this meeting.

Ms MA Hermanus and Mr KC Rumble who were appointed directors of the Company with effect from 9 September 2009, and Mr HJ Verster who was appointed a director on 1 September 2010, retire in terms of the Company's articles of association at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

INCREASE IN DIRECTORS' FEES

An ordinary resolution is being proposed to increase the fees paid to directors with effect from 1 October 2010. The table below details the proposed individual fees by appointment.

Board/Committee	Current fees R	Number of formal meetings per annum	**Total proposed fee R**
Non-executive Chairman	685 000	5	**726 000**
Non-executive directors	225 000	5	**239 000**
Ad hoc meetings	20 000**	Ad hoc	**21 000**
Subsidiary boards	120 000	4	**127 000**
McConnell Dowell travel allowance	55 000*	Ad hoc	**58 000**
Chairman of the audit committee	185 000	4	**213 000**
Member of the audit committee	110 000	4	**120 000**
Subsidiary audit committees	60 000	4	**65 000**
Chairman of remuneration and nomination committee	140 000	4	**161 000**
Member of the remuneration and nomination committee	60 000	4	**64 000**
Chairman of the risk committee	185 000	4	**161 000**
Member of the risk committee	110 000	4	**64 000**
Chairman of the safety, health and environment committee	130 000	4	**139 000**
Member of the safety, health and environment committee	50 000	4	**53 000**
Chairman of the transformation committee	100 000	4	**139 000**
Member of the transformation committee	40 000	4	**53 000**
Chairman of the investment committee	8 000*	Ad hoc	**8 500**
Member of the investment committee	6 000*	Ad hoc	**6 400**
Member of the tender risk committee	5 000*	Ad hoc	**5 500**

** Per meeting attended.*
*** Per meeting attended in excess of the five scheduled meetings per year.*
Note: The fee payable to the Chairman of the board and the chairmen of the board's committees includes the fee for being a member of the board in the case of the Chairman of the board, and the relevant committees, in the case of the committee chairmen.

The fees payable to executive directors are waived.

SHAREHOLDERS

An analysis of shareholders appears on page 245.

6 September 2010

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 (referred to as the Group) 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 except for the adoption of 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.

IAS 1 Revised Presentation of Financial Statements

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 has elected to present one statement.

IAS 23 Borrowing Costs

The standard has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production relating 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 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 adoption of these amendments did not have any impact on the financial position or the performance of the Group.

IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (revised)

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. Changes affect the valuation of non-controlling interest, the accounting of transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combination achieved in stages.

IAS 27R requires that a change in the ownership interest of a subsidiary without a change in control, 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 non-controlling interests.

IFRS 2 Share-Based Payments (amendment)

The IASB published an amendment to *IFRS 2 Share-Based Payments – 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 Group adopted this amendment and did not have an impact on the financial position or performance.

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

IFRS 8 Operating Segments

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. The Group has a non-complex structure of different business activities. Therefore the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. This standard deals with disclosure and will not have a quantitative effect on the Group.

IAS 18 Revenue – Agency Relationship

The amendment gives guidance to determine whether an agency relationship exists or not. This interpretation has had no effect on the Group's financial statements.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (amendment)

The aim of the amendment is to clarify which risks associated with a portion of the cash flows or fair value of a financial instrument an entity is permitted to designate as a hedged item. As the Group does not apply hedge accounting, it will not have an impact on the Group.

Embedded Derivatives (amendments to IFRIC 9 and IAS 39)

The amendment to IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. IAS 39 is also amended to state that, if the fair value of the embedded derivative that would have to be separated on reclassification cannot be reliably measured, the entire hybrid (combined) contract must remain classified as at fair value through profit or loss. An entity shall apply the amendments for annual periods ending on or after 30 June 2009. This interpretation has had no effect on the Group's financial statements.

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

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*. This interpretation has had no impact on the financial position or performance of the Group.

IFRIC 15 Agreements for the Construction of Real Estate

The interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. Such a determination requires judgement with respect to each agreement and IAS 11 is applied when the definition of a construction contract is met. IFRIC 15 becomes effective for financial years beginning on or after 1 January 2009 and is to be applied retrospectively.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the Group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. As the Group does not apply hedge accounting, the interpretation has had no impact on the financial position or performance of the Group as it is to be applied prospectively.

IFRIC 17 Distribution of Non-cash Assets to Owners

This interpretation provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability.

IFRIC 18 Transfers of Assets from Customers

This interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct specific assets. This interpretation only applies to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both.

Improvements to IFRS

In May 2008 the International Accounting Standards Board issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

BASIS OF CONSOLIDATION

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

Subsidiaries or special-purpose entities classified as such in accordance with SIC 12 *Consolidation – Special-Purpose Entities*, are those companies in which the Group has an interest of 50% or more of the voting rights or otherwise has the power to exercise control over the operations and derive the benefits therefrom.

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.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and presented separately in the profit or loss and within equity in the consolidated statement of financial position, separately from the equity attributable to the parent.

Basis of consolidation prior to 1 July 2009

Acquisitions of non-controlling 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.

Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these.

Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

Basis of consolidation from 1 July 2009

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

SUPPLEMENTARY INFORMATION

The Group's presentation currency is South African Rand. The supplementary information provided in US Dollar is translated at the closing rate for the statement of financial position and at the average annual rate for the profit or loss. 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.

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 statement of financial position, 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 profit or loss, profit from associates after tax reflects the share of the operations of the associate and other comprehensive income reflects the Group's share of the associate's other comprehensive income.

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.

Unrealised 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

Prior to 1 July 2009 borrowing costs were written off in the year in which they were incurred.

From 1 July 2009 borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

CONTRACTS IN PROGRESS

Contracts in progress and contract receivables are carried at cost, plus profit recognised, less billings and recognised losses at reporting 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 reporting 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 substantively enacted tax rates at the reporting date.

Deferred tax is charged to profit or loss except to the extent that it relates to a transaction that is recognised outside profit or loss or a business combination that is an acquisition. In this case the deferred tax items are recognised in correlation to the underlying transaction either in profit or loss or directly in equity.

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 recognised in profit or loss or credited directly to equity.

The carrying amount of deferred tax assets is reviewed at each reporting 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 reporting 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.

Defined benefit plans

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% of 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 profit or loss 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 actuarial losses or plus actuarial gains not yet recognised, 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 period and vest at a 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 profit or loss 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.

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 reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

The Group does not apply hedge accounting.

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, ie, the date that the Group commits to purchase or sell the asset. The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss includes financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance cost in profit or loss. The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss. The Group evaluated its financial assets at fair value through profit and loss (held-for-trading) whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held-for-trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. The Group did not have any financial assets at fair value through profit or loss during the years ended 31 December 2008 and 2009.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in finance costs in profit or loss.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in the in finance costs in profit or loss. The Group did not have any held-to-maturity investments during the years ended 31 December 2008 and 2009.

Available-for-sale financial investments
Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised or determined to be impaired. When derecognised or impaired, the cumulative gain or loss is removed from the available-for-sale reserve and recognised through other comprehensive income in other operating income when derecognised, or in finance costs when impaired.

The Group evaluated its available-for-sale financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intent to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss through other comprehensive income over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in the available-for-sale reserve is removed from the available-for-sale reserve and recognised through other comprehensive income into profit or loss.

Derecognition

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. 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.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a Group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them 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 there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets' original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Available-for-sale financial investments
For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a Group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

FINANCIAL LIABILITIES

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held-for-trading are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in profit or loss.

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

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

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's-length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward commodity contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The fair value of commodity contracts that meet the definition of a derivative as defined by IAS 39 but are entered into in accordance with the Group's expected purchase requirements is recognised in the statement of comprehensive income in cost of sales.

Any gains or losses arising from changes in fair value on derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

The Group does not apply hedge accounting.

Current versus non-current classification

Derivative instruments that are not designated and effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (ie, the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

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 financial position date. All differences are taken to profit or loss with the 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 reporting date and, their profit or losses 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 recognised in other comprehensive income and accumulated as 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 through other comprehensive income in profit or loss.

GOODWILL

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration transferred over the attributable fair value of the identifiable assets, liabilities and contingent liabilities at date of acquisition. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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 reporting 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 fair value less cost to sell 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 pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses and reversal of impairment losses are separately disclosed in the profit or loss, 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, includes a proportion of production overheads based on normal operating capacity and the appropriate stage of completion. Borrowing costs are excluded.

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

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

INVESTMENTS IN GROUP COMPANIES

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

JOINT VENTURES

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

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

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

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 statement of financial position. 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 conveys 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 are 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 basis 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.

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 pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

RESEARCH AND DEVELOPMENT COSTS

Research costs are written off as incurred. Development costs are written off as incurred unless there is evidence of the requirements of IAS 38 *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 tax.

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 reporting 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 into 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/her authorised representative, where inclusion of such amount is awaited in the certification process. Revenue is only taken into 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.

OPERATING SEGMENTS

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

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.

TAXATION

The rate of the current tax charge is determined using enacted or substantively enacted rates at the reporting date.

Current tax for current and prior periods is, to the extent that it is 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.

Current tax is charged to profit or loss except to the extent that it relates to a transaction that is recognised outside profit or loss or a business combination that is an acquisition. In this case the deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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 financial position.

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 and the cost price of the shares is deducted from share capital and share premium in the statement of financial position on consolidation. Dividends received on treasury shares are eliminated on consolidation. No profit or loss is recognised in the profit or loss 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 notes 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*.

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 reporting 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 other intangibles
- Notes 3 and 4 – investments
- Note 26 – 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:

Group

IFRS 9 Financial Instruments: Recognition and Measurement. In November 2009 the IASB published IFRS 9 which deals with the classification and measurement of financial assets. This standard is part of the IASB's project to replace IAS 39. This standard addresses the classification and measurement of financial assets. The Group will need to consider its financial assets in light of its business model or managing such assets, as well as the cash flow characteristics of such instruments, in determining the appropriate classification and measurement of these items.

IFRS 9 will be effective for the Group on 1 July 2013.

IAS 24 Related Party Disclosures. IAS 24 was amended to exempt a reporting entity from the normal related party disclosure with a Government that has control, joint control or significant influence over the reporting entity; and another entity that is a related party because the same Government has control, joint control or significant influence over both the reporting entity and the other entity. However, the amendment does require other disclosure to make in this case. This amendment is effective for financial years beginning on of after 1 January 2011 and has to be applied retrospectively.

IAS 32 Classification of Rights Issues (amendment). The amendment alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants (together, here termed rights) as equity instruments. This is applicable if the rights are given pro rata to all the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. By changing the definition of a liability, these rights are no longer considered derivative instruments. Their fair value adjustment will no longer impact profit or loss. This statement is unlikely to have an impact on the Group. The amendment will be effective for the Group from 1 July 2010.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments: The interpretation was issued in November 2009 and shall be applied retrospectively for annual periods beginning on or after 1 April 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish the liability are "consideration paid" in accordance with IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment. Any difference between the carrying amount of the financial liability that is extinguished and the fair value of the equity instruments issued is recognised immediately in profit or loss. The resulting gain or loss is disclosed separately on profit or loss, or the separate income statement (if presented), or in the notes. This standard will have no effect on the bank's financial statements.

Improvements to IFRS standards and IFRIC interpretations not yet effective: In April 2009, the IASB issued the second omnibus of amendments to its standards. There are separate transitional provisions for each standard but the majority of these standards have an effective date of 1 January 2010. These improvements are not expected to have a significant impact on the Group other than additional disclosures.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2010

	Note	2010 Rm	2009 Rm	2010* USDm	2009* USDm
ASSETS					
Non-current assets					
Property, plant and equipment	1	**5 146,1**	5 062,2	**671,6**	650,4
Goodwill and other intangibles	2	**1 085,5**	1 093,0	**141,7**	140,4
Investment in associates and joint ventures	3	**116,8**	107,5	**15,2**	13,7
Available-for-sale investments	4	**94,1**	11,8	**12,3**	1,5
Deferred tax	5	**981,7**	612,2	**128,1**	78,7
		7 424,2	6 886,7	**968,9**	884,7
Current assets					
Inventories	6	**2 027,2**	1 597,7	**264,6**	205,3
Trade and other receivables	7	**6 862,9**	6 320,9	**895,6**	812,1
Cash and cash equivalents	21.8	**7 827,9**	7 909,9	**1 021,5**	1 016,2
		16 718,0	15 828,5	**2 181,7**	2 033,6
TOTAL ASSETS		**24 142,2**	22 715,2	**3 150,6**	2 918,3
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	8	**19,5**	19,5	**2,5**	2,5
Share premium	9	**1 981,0**	1 981,0	**258,5**	254,5
Non-distributable reserves		**(77,0)**	(125,5)	**(10,0)**	(16,1)
Distributable reserves	10	**10 290,9**	8 990,1	**1 343,0**	1 155,0
Total equity attributable to owners of the parent		**12 214,4**	10 865,1	**1 594,0**	1 395,9
Non-controlling interests		**5,4**	21,0	**0,7**	2,7
Total equity		**12 219,8**	10 886,1	**1 594,7**	1 398,6
Non-current liabilities					
Interest-bearing borrowings	11.1	**28,4**	118,5	**3,7**	15,2
Deferred tax	12	**655,1**	239,9	**85,5**	30,8
		683,5	358,4	**89,2**	46,0
Current liabilities					
Trade and other payables	13	**10 720,4**	10 768,3	**1 399,0**	1 383,5
Interest-bearing borrowings	11.1	**338,5**	360,5	**44,2**	46,3
Taxation payable	21.5	**180,0**	341,9	**23,5**	43,9
		11 238,9	11 470,7	**1 466,7**	1 473,7
TOTAL EQUITY AND LIABILITIES		**24 142,2**	22 715,2	**3 150,6**	2 918,3

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

	Note	2010 Rm	2009 Rm	2010* USDm	2009* USDm
Revenue	14	**33 981,1**	33 771,7	**4 457,7**	3 823,5
Cost of sales		**28 462,3**	28 068,9	**3 733,7**	3 177,8
Gross profit		**5 518,8**	5 702,8	**724,0**	645,7
Operating expenses		**2 347,5**	2 671,1	**307,9**	302,4
Operating profit before depreciation and amortisation		**3 171,3**	3 031,7	**416,1**	343,3
Depreciation	1	**1 062,6**	935,4	**139,4**	105,9
Amortisation of intangibles		**17,0**	17,0	**2,2**	1,90
Operating profit before non-trading items		**2 091,7**	2 079,3	**274,5**	235,5
Non-trading items	18	**(13,1)**	48,6	**(1,7)**	5,5
Net operating profit		**2 078,6**	2 127,9	**272,8**	241,0
Share of profits and losses from associates and joint ventures	3	**60,9**	67,2	**8,0**	7,6
Income from investments	16	**471,6**	756,9	**61,9**	85,7
Operating income		**2 611,1**	2 952,0	**342,7**	334,3
Finance cost	17	**17,2**	41,6	**2,3**	4,7
Profit before taxation		**2 593,9**	2 910,4	**340,4**	329,6
Taxation	19	**721,6**	809,0	**94,7**	91,6
Profit for the year		**1 872,3**	2 101,4	**245,7**	238,0
Other comprehensive income/(loss) for the year:					
Exchange differences on translation of foreign operations		**43,3**	(266,2)	**5,7**	(30,1)
Total comprehensive income for the year		**1 915,6**	1 835,2	**251,4**	207,9
Profit for the year attributable to:					
Equity holders of Aveng Limited		**1 872,9**	2 090,9	**245,7**	236,7
Non-controlling interests		**(0,6)**	10,5	**(0,1)**	1,1
Profit for the year		**1 872,3**	2 101,4	**245,6**	237,8
Total comprehensive income attributable to:					
Equity holders of Aveng Limited		**1 916,2**	1 826,8	**251,4**	206,8
Non-controlling interests		**(0,6)**	8,4	**(0,1)**	1,1
		1 915,6	1 835,2	**251,3**	207,9
Determination of headline earnings					
Profit for the year attributable to equity holders of Aveng Limited		**1 872,9**	2 090,9	**245,7**	236,7
Non-trading items net of taxation	20	**13,1**	(40,3)	**1,7**	(4,6)
Headline earnings	20	**1 886,0**	2 050,6	**247,4**	232,1
EARNINGS PER SHARE (cents)					
Earnings	20	**480,3**	538,8	**63,0**	61,0
Headline earnings	20	**483,6**	528,5	**63,4**	59,8
Diluted earnings	20	**441,3**	487,0	**57,9**	55,1
Diluted headline earnings	20	**444,4**	477,6	**58,3**	54,1
DIVIDEND PER SHARE (cents)		**145,0**	145,0	**19,0**	16,4
NUMBER OF SHARES (millions)					
In issue	8	**396,0**	396,0	**396,0**	396,0
Weighted average	20	**390,0**	388,0	**390,0**	388,0
Diluted weighted average	20	**424,4**	429,4	**424,4**	429,4

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2010

	Attributable to equity holders of Aveng Limited								
				Non-distributable reserves					
	Share capital Rm	Share premium Rm	Equity portion of compound instrument Rm	Foreign currency translation Rm	Other non-distributable reserves Rm	Retained income Rm	Total Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 July 2008	19,6	1 895,6	11,2	76,0	44,2	8 469,9	10 516,5	12,6	10 529,1
Profit for the year						2 090,9	2 090,9	10,5	2 101,4
Other comprehensive income/(loss)				(264,1)			(264,1)	(2,1)	(266,2)
Total comprehensive income				(264,1)		2 090,9	1 826,8	8,4	1 835,2
Dividends paid						(1 138,0)	(1 138,0)		(1 138,0)
Corporate bond conversion (note 11)	0,3	74,0					74,3		74,3
Corporate bond equity transfer (note 11)		11,2	(11,2)				—		—
Movement in treasury shares	*	0,2					0,2		0,2
Share repurchase programme	(0,4)					(414,3)	(414,7)		(414,7)
Transfers					18,4	(18,4)	—		—
Balance at 30 June 2009	19,5	1 981,0	—	(188,1)	62,6	8 990,1	10 865,1	21,0	10 886,1
Profit for the year						1 872,9	1 872,9	(0,6)	1 872,3
Other comprehensive income/(loss)				42,5	0,8		43,3		43,3
Total comprehensive income				42,5	0,8	1 872,9	1 916,2	(0,6)	1 915,6
Dividends paid						(566,9)	(566,9)	(12,5)	(579,4)
Acquisition of non-controlling interest							—	(2,5)	(2,5)
Movement in treasury shares		*					*		*
Transfers					5,2	(5,2)	—		—
Balance at 30 June 2010	19,5	1 981,0	—	(145,6)	68,6	10 290,9	12 214,4	5,4	12 219,8

**Amounts less than R100 000.*

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2010

	Note	2010 Rm	2009 Rm	2010* USDm	2009* USDm
Cash retained from operating activities					
Cash retained from operations	21.1	**2 078,6**	2 127,9	**272,7**	240,9
Depreciation and amortisation		**1 079,6**	952,4	**141,6**	107,8
Non-cash and other movements	21.2	**40,6**	(77,8)	**5,3**	(8,8)
Cash generated by operations		**3 198,8**	3 002,5	**419,6**	339,9
Income from investments	16	**471,6**	756,9	**61,9**	85,7
(Increase)/decrease in working capital	21.3	**(1 025,8)**	204,4	**(134,6)**	23,1
Cash generated by operating activities		**2 644,6**	3 963,8	**346,9**	448,7
Finance cost	21.4	**(17,2)**	(41,6)	**(2,3)**	(4,7)
Taxation paid	21.5	**(834,1)**	(1 286,0)	**(109,4)**	(145,6)
Cash available from operating activities		**1 793,3**	2 636,2	**235,2**	298,4
Dividend paid	21.6	**(579,4)**	(1 138,0)	**(76,0)**	(128,8)
		1 213,9	1 498,2	**159,2**	169,6
Investing activities					
Property, plant and equipment purchased – expansion		**(925,7)**	(1 695,2)	**(121,4)**	(191,9)
– replacement		**(252,8)**	(1 018,8)	**(33,2)**	(115,3)
Investments in associate companies	21.7	**46,6**	82,6	**6,1**	9,4
Proceeds on disposal of property, plant and equipment		**61,8**	199,2	**8,1**	22,6
Purchase of subsidiaries		**(23,4)**	(59,3)	**(3,1)**	(6,7)
Purchase of other investments		**(82,3)**	—	**(10,7)**	—
		(1 175,8)	(2 491,5)	**(154,2)**	(281,9)
Financing activities					
Long-term borrowings repaid		**(90,0)**	(67,4)	**(11,8)**	(7,6)
Shares repurchased		**—**	(414,7)	**—**	(47,0)
		(90,0)	(482,1)	**(11,8)**	(54,6)
Net decrease in cash and cash equivalents		**(51,9)**	(1 475,3)	**(6,8)**	(167,1)
Cash and cash equivalents at beginning of year		**7 601,1**	9 206,3	**997,1**	1 042,3
Foreign currency translation reserve movement		**81,4**	(129,9)	**10,7**	(14,6)
Cash and cash equivalents at beginning of year		**7 682,5**	9 076,4	**1 007,8**	1 027,7
Cash and cash equivalents at end of year	21.8	**7 630,6**	7 601,1	**1 001,0**	860,6

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

SEGMENTAL REPORT
for the year ended 30 June 2010

		2010 Rm	%	2009 Rm	%
OPERATIONAL SEGMENTATION					
Revenue	**Construction and Engineering**				
	South Africa and Africa	**10 781,9**	31,7%	10 601,0	31,4%
	Australasia and Pacific	**12 980,9**	38,2%	12 080,8	35,8%
	Total Construction and Engineering	**23 762,8**	69,9%	22 681,8	67,2%
	Opencast mining	**3 261,0**	9,6%	3 016,4	8,9%
	Manufacturing and Processing	**6 937,1**	20,4%	8 008,5	23,7%
	Administration	**20,3**	0,1%	65,0	0,2%
		33 981,1	100,0%	33 771,7	100,0%
Net operating profit	**Construction and Engineering**				
	South Africa and Africa	**672,6**	6,2%	510,6	4,8%
	Australasia and Pacific	**595,4**	4,6%	788,8	6,5%
	Total Construction and Engineering	**1 268,0**	5,3%	1 299,4	5,7%
	Opencast mining	**365,4**	11,2%	314,3	10,4%
	Manufacturing and Processing	**457,9**	6,6%	653,7	8,2%
	Administration	**(12,7)**		(139,5)	
		2 078,6	6,1%	2 127,9	6,3%
Assets	**Construction and Engineering**				
	South Africa and Africa	**3 741,7**	24,7%	3 389,8	24,1%
	Australasia and Pacific	**3 484,8**	23,1%	3 301,2	23,5%
	Total Construction and Engineering	**7 226,5**	47,8%	6 691,0	47,5%
	Opencast mining	**2 786,3**	18,4%	2 925,5	20,8%
	Manufacturing and Processing	**5 043,8**	33,4%	4 372,3	31,1%
	Administration	**65,1**	0,4%	85,0	0,6%
		15 121,7	100,0%	14 073,8	100,0%
Liabilities	**Construction and Engineering**				
	South Africa and Africa	**4 498,3**	42,0%	4 281,1	39,8%
	Australasia and Pacific	**3 845,8**	35,8%	3 660,7	34,0%
	Total Construction and Engineering	**8 344,1**	77,8%	7 941,9	73,8%
	Opencast mining	**995,0**	9,3%	857,8	8,0%
	Manufacturing and Processing	**1 252,6**	11,7%	1 332,9	12,4%
	Administration	**128,6**	1,2%	635,8	5,9%
		10 720,4	100,0%	10 768,3	100,0%
Capital expenditure	**Construction and Engineering**				
	South Africa and Africa	**255,5**	21,7%	352,4	12,9%
	Australasia and Pacific	**342,8**	29,1%	505,9	18,5%
	Total Construction and Engineering	**598,3**	50,8%	858,4	31,3%
	Opencast mining	**213,5**	18,1%	1 578,7	57,6%
	Manufacturing and Processing	**280,3**	23,8%	249,4	9,1%
	Administration	**86,4**	7,3%	53,9	2,0%
		1 178,5	100,0%	2 740,4	100,0%
Depreciation	**Construction and Engineering**				
	South Africa and Africa	**137,2**	12,9%	114,1	12,2%
	Australasia and Pacific	**358,7**	33,8%	388,6	41,5%
	Total Construction and Engineering	**495,9**	46,7%	502,6	53,7%
	Opencast mining	**435,6**	41,0%	314,4	33,6%
	Manufacturing and Processing	**114,3**	10,8%	109,3	11,7%
	Administration	**16,8**	1,5%	9,0	1,0%
		1 062,6	100,0%	935,4	100,0%

		2010 Rm	%	2009 Rm	%
GEOGRAPHICAL SEGMENTATION					
Revenue	Republic of South Africa	**18 000,6**	53,0%	18 341,6	54,3%
	Rest of Africa and Mauritius	**2 972,7**	8,7%	3 331,1	9,9%
	Australasia and Pacific islands	**10 720,3**	31,5%	10 020,7	29,7%
	South-East Asia	**2 271,4**	6,7%	2 060,2	6,1%
	Middle East and Other	**16,2**	0,1%	18,1	0,1%
		33 981,1	100,0%	33 771,7	100,0%
Assets	Republic of South Africa	**9 762,8**	64,6%	8 905,0	63,3%
	Rest of Africa and Mauritius	**1 866,9**	12,3%	1 867,4	13,3%
	Australasia and Pacific islands	**2 569,3**	17,0%	2 194,8	15,6%
	South-East Asia	**922,6**	6,1%	944,9	6,7%
	Middle East and Other			161,7	1,1%
		15 121,7	100,0%	14 073,8	100,0%
Capital expenditure	Republic of South Africa	**750,0**	63,6%	1 450,9	52,9%
	Rest of Africa and Mauritius	**85,7**	7,3%	783,5	28,6%
	Australasia and Pacific islands	**342,8**	29,1%	478,1	17,4%
	South-East Asia			27,9	1,0%
	Middle East and Other				
		1 178,5	100,0%	2 740,4	100,0%
Depreciation	Republic of South Africa	**443,4**	41,7%	382,7	40,9%
	Rest of Africa and Mauritius	**260,5**	24,5%	164,2	17,6%
	Australasia and Pacific islands	**248,8**	23,4%	367,2	39,3%
	South-East Asia	**109,9**	10,3%	21,3	2,3%
	Middle East and Other				
		1 062,6	100,0%	935,4	100,0%

The Group has determined five reportable segments that are largely organised and managed separately according to the nature of products and services provided. These include: Construction and Engineering – South Africa and Africa; Construction and Engineering – Australasia and Pacific; Opencast Mining; Manufacturing and Processing; and Administration segments.

These operating segments are components of the Group:
(a) that engage in business activities from which they earn revenues and incur expenses;
(b) whose operating results are regularly reviewed by the Group's, and segments', chief operating decision maker(s) to make decisions about resources to be allocated to the segments and assess their performance; and
(c) for which discrete financial information is available.

Operating segments have consistently adopted the consolidated basis of accounting and there are no differences in measurement applied.

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as "net operating profit".

Segment assets exclude investments in associates and joint ventures, available-for-sale investments, deferred tax assets and cash and cash equivalents.

Segment liabilities comprise trade and other payables.

Information provided about capital expenditures and depreciation comprises property, plant and equipment.

	Land and buildings Rm	Owned plant, equipment and vehicles Rm	Leased plant, equipment and vehicles Rm	**Total Rm**
1. PROPERTY, PLANT AND EQUIPMENT				
2010				
Cost				
At beginning of year – historical cost	616,9	7 707,3	57,6	**8 381,8**
Foreign exchange movements	2,9	40,0	(4,5)	**38,4**
Additions	285,0	834,0	59,5	**1 178,5**
Acquisition/disposal of business		16,6		**16,6**
Disposals		(478,3)	(5,1)	**(483,4)**
Reclassifications	21,8	(19,7)	(2,1)	**—**
At end of year	926,6	8 099,9	105,4	**9 131,9**
Accumulated depreciation				
At beginning of year – historical cost	145,8	3 137,2	36,6	**3 319,6**
Foreign exchange movements	(1,3)	22,5	(2,7)	**18,5**
Current year charge	19,9	1 030,3	12,4	**1 062,6**
Acquisition/disposal of business		10,0		**10,0**
Disposals		(417,8)	(7,1)	**(424,9)**
Reclassifications	1,9	(1,9)		**—**
At end of year	166,3	3 780,3	39,2	**3 985,8**
Net book value at end of year	760,3	4 319,6	66,2	**5 146,1**
2009				
Cost				
At beginning of year – historical cost	557,4	5 541,0	70,2	**6 168,6**
Foreign exchange movements	(3,6)	(36,5)	(1,4)	**(41,5)**
Additions	95,7	2 606,7	11,6	**2 714,0**
Acquisition/disposal of business		26,4		**26,4**
Disposals	(32,6)	(430,3)	(22,8)	**(485,7)**
At end of year	616,9	7 707,3	57,6	**8 381,8**
Accumulated depreciation				
At beginning of year – historical cost	145,8	2 470,2	39,7	**2 655,7**
Foreign exchange movements	0,2	36,7	1,2	**38,1**
Current year charge	17,0	904,5	13,9	**935,4**
Disposals	(17,2)	(274,2)	(18,2)	**(309,6)**
At end of year	145,8	3 137,2	36,6	**3 319,6**
Net book value at end of year	471,1	4 570,1	21,0	**5 062,2**

	2010 Rm	2009 Rm
1. PROPERTY, PLANT AND EQUIPMENT (continued)		
Land and buildings comprise:		
Freehold	**876,0**	577,8
Long leasehold	**50,6**	39,1
	926,6	616,9
Replacement value of assets for insurance purposes	**8 885,3**	7 447,5

Rates and methods of depreciation	Method	2010 Rate	2009 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 value of property, plant and equipment which is temporarily idle	**3,3**	3,3
The carrying value of property, plant and equipment which is retired from active service and not classified as held-for-sale	**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 note 11, secured liabilities.)

	Goodwill Rm	Indefinite useful life trademarks Rm	Brand names Rm	Customer lists Rm	Know-how Rm	**Total Rm**
2. GOODWILL AND OTHER INTANGIBLES						
Balance at 1 July 2008	808,3	15,0	—	—	—	**823,3**
Acquired in business combination	241,7	22,2	6,7	20,2	31,2	**322,0**
Amortisation			(0,7)	(10,1)	(6,2)	**(17,0)**
Foreign exchange movements	(35,3)					**(35,3)**
Balance at 30 June 2009	1 014,7	37,2	6,0	10,1	25,0	**1 093,0**
Acquired in business combination	27,9					**27,9**
Amortisation			(0,7)	(10,1)	(6,2)	**(17,0)**
Goodwill impaired	(12,8)					**(12,8)**
Foreign exchange movements	(6,3)	0,7				**(5,6)**
Balance at 30 June 2010	1 023,5	37,9	5,3	—	18,8	**1 085,5**

Brand names, customer lists and know-how include intangible assets acquired through business combinations (refer to note 22).

These brand names have a useful life of ten years, the customer lists of two years and the know-how of five years.

In addition, certain brand names were considered to have an indefinite life.

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 and trademarks with indefinite lives have been allocated to the cash-generating units below, for impairment testing as follows:

Aveng (Africa) Limited (excluding the newly acquired entities below which were tested separately);

- Keyplan (Pty) Limited;
- Empowa Grinaker-LTA (Pty) Limited;
- CMM Consultants (Pty) Limited;
- Andersen & Hurley (Pty) Limited;

McConnell Dowell Corporation Limited (excluding Built Environs Holdings (Pty) Limited which was tested separately); and

- Built Environs Holdings (Pty) Limited.

The goodwill relating to Empowa Grinaker-LTA (Pty) Limited was impaired in the current year.

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 pre-tax discount rate applied to the cash flow projections is 15,47% (2009: 16,60%). The average growth rate used to extrapolate the cash-generating units beyond the three-year period is 5% (2009: 5%). These calculations indicated that there is no impairment in the carrying value of the goodwill.

2. GOODWILL AND OTHER INTANGIBLES (continued)

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.

Discount rates reflect the current market assessment.

The discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry.

Impairment testing 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 (R15 million) as well as to the acquisition of Built Environs (Pty) Limited in the prior year (R22,2 million).

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.

Both the LTA trademark and the Built Environs brand name are 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.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the goodwill and indefinite life trademarks, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

	2010 Rm	2009 Rm
3. INVESTMENT IN ASSOCIATES AND JOINT VENTURES		
Opening balance	**107,5**	96,6
Disposals	**(10,7)**	(44,2)
Acquisitions		12,7
Dividends received	**(25,7)**	(34,2)
Exchange difference movements	**(5,0)**	1,8
Loans (repaid)/advanced	**(10,2)**	7,6
Share of results before taxation	**64,0**	81,2
Share of taxation	**(3,1)**	(14,0)
At end of year	**116,8**	107,5
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	**261,2**	63,8
Current assets	**30,7**	291,0
	291,9	354,8
Current liabilities	**164,6**	220,9
Interest-bearing debt		16,6
Non-interest-bearing debt	**18,5**	38,9
Equity	**108,8**	78,4
	291,9	354,8
Revenue	**702,5**	1,007,8
Expenses	**641,5**	936,4
Net finance income	**(3,0)**	(9,8)
Income before taxation	**64,0**	81,2
Taxation	**3,1**	14,0
Income after taxation	**60,9**	67,2
Net cash outflow from operating activities	**(41,8)**	(84,1)
Net cash inflow/(outflow) from investing activities	**15,5**	(1,3)
Net cash (outflow)/inflow from financing activities	**(18,1)**	19,5
Net decrease in cash and cash equivalents	**(44,4)**	(65,9)
Cash and cash equivalents at beginning of year	**34,2**	100,1
Cash and cash equivalents at end of year	**(10,2)**	34,2
Loans to the associate companies are unsecured, interest free and have no fixed repayment terms.		
Directors' valuation of unlisted associates	**116,8**	107,5
There are no individually significant associates and joint ventures included in the above carrying value and all operate within the construction and engineering sector.		

		2010 Rm	2009 Rm
4.	**AVAILABLE-FOR-SALE INVESTMENTS**		
	At beginning of year	**11,8**	11,8
	Acquisitions	**82,3**	
	At end of year	**94,1**	11,8
	The investment above includes a 10,92% 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.		
	The newly acquired investment is a 15% unlisted investment in the Goldfields Mall (Pty) Limited. It consists of an equity portion of R4,797 million and a loan to the value of R62,053 million, bearing interest at prime minus 2. The equity portion is reflected at cost due to the limited marketability and valuation methodologies for investments of this nature which create difficulties in reliably measuring fair value.		
	The directors estimate the value of these unlisted investments at not less than their book value.		
	There is no current intention to dispose of this investment		
5.	**DEFERRED TAX ASSET**		
	Balance at beginning of year	**612,2**	680,3
	Transfer from/(to) statement of comprehensive income – current year	**29,7**	(46,4)
	– prior year	**(17,4)**	5,4
	Effect of change in tax rate	**(1,2)**	(6,4)
	Exchange difference movements	**5,2**	(20,7)
	Reclassified from deferred tax liability	**353,2**	
	Balance at end of year	**981,7**	612,2
	Balance at end of year comprises:		
	Accelerated capital allowances	**43,7**	11,9
	Provisions	**478,8**	454,3
	Unrealised foreign exchange loss	**7,4**	1,1
	Other	**393,2**	144,6
	Assessed losses carried forward	**58,6**	0,3
		981,7	612,2
6.	**INVENTORIES**		
	At cost, net of impairment provisions		
	Raw materials	**898,9**	588,6
	Consumable stores	**135,6**	144,3
	Work in progress	**33,6**	55,5
	Finished goods	**956,0**	803,4
	Properties held for development and resale	**3,1**	5,9
		2 027,2	1 597,7
	Inventories expensed during the year	**6 858,5**	7 728,6

	2010 Rm	2009 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	**35 178,5**	29 584,1
Amounts receivable in excess of amounts billed	**(31 063,5)**	(26 019,7)
	4 115,0	3 564,4
Advances receivable in excess of work performed	**(1 476,9)**	(1 485,2)
Gross amounts due on contracts	**2 638,1**	2 079,2
Retentions receivable	**147,0**	144,1
Gross amounts due from customers	**2 785,1**	2 223,3
Allowance for impairment on receivables	**(105,7)**	(80,9)
Net amount due from customers	**2 679,4**	2 142,4
Trade and other receivables		
Gross trade receivables	**1 572,2**	1 355,8
Gross other receivables	**1 827,5**	1 944,9
Prepayments and other	**823,3**	918,4
Gross trade and other receivables	**4 223,0**	4 219,1
Allowance for impairment on receivables	**(39,5)**	(40,6)
Net amount due from customers	**4 183,5**	4 178,5
Total receivables	**6 862,9**	6 320,9
The maximum exposure to credit risk in relation to trade and other receivables	**6 184,8**	5 524,0

The directors consider the carrying value 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 whilst within the terms of the original contract.

As at 30 June, trade receivables and contract debtors with a nominal value of R145,2 million (2009: R121,5 million) were provided for in an allowance account.

7. TRADE AND OTHER RECEIVABLES (continued)

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

	Total Individually Impaired Rm
Balance as at 1 July 2008	**203,4**
Charge for the year	**—**
Utilised during the year	**(81,9)**
Balance as at 30 June 2009	**121,5**
Charge for the year	**23,7**
Utilised during the year	**—**
Balance as at 30 June 2010	**145,2**

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

	Total Rm	Impaired Rm	Neither past due nor impaired Rm	Past due but not impaired < 30 days Rm	30 to 60 days Rm	> 60 days Rm
2010	6 184,8	145,2	5 531,4	265,8	130,6	111,8
2009	5 524,0	121,5	4 941,8	338,4	50,1	72,2

	2010 Rm	2009 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 389 982 186 (2009: 392 418 103) shares of 5 cents each	**19,5**	19,6
Repurchase of nil (2009: 8 066 821) shares of 5 cents each		(0,4)
Movement of 6 000 (2009: 36 500) treasury shares	*****	*
Issue of nil (2009: 5 594 404) shares on conversion corporate bond of 5 cents each		0,3
Closing balance of 389 988 186 (2009: 389 982 186) shares of 5 cents each	**19,5**	19,5

** Amounts less than R100 000.*

	2010 Rm	2009 Rm
8.1 Treasury shares		
Shares held by the Aveng Limited Share Purchase Trust		
– Market value	**210,6**	210,9
– Number of shares	**6 018 386**	6 024 386
8.2 Reconciliation of issued shares		
Number of shares in issue	**396 006 572**	396 006 572
Number of shares held in trust by the Aveng Limited Share Purchase Trust	**(6 018 386)**	(6 024 386)
Net shares issued to the public	**389 988 186**	389 982 186

			2010 Rm	2009 Rm
9.	**SHARE PREMIUM**			
	Balance at the beginning of the year		**1 981,0**	1 895,6
	Premium arising on conversion of corporate bond			74,0
	Corporate bond equity transfer			11,2
	Movement in treasury shares		*	0,2
	Balance at the end of the year		**1 981,0**	1 981,0
	** Amounts less than R100 000.*			
10.	**NON-DISTRIBUTABLE RESERVES**			
	Balance at end of the year comprises:			
	Capital redemption reserve fund		**0,2**	0,7
	Foreign currency translation reserve		**(145,6)**	(188,1)
	Guardrisk Life Fund and other reserves		**68,4**	61,9
			(77,0)	(125,5)
11.	**INTEREST-BEARING BORROWINGS**			
	11.1 Non-current and current borrowings			
	Summary of interest-bearing borrowings by maturity			
	2010			51,7
	2011		**141,2**	55,5
	2012		**28,4**	29,9
	2013		**–**	3,6
	2014		**–**	4,8
	2015		**–**	24,7
	2016 onwards		**–**	
	Total borrowings	Note 11.2	**169,6**	170,2
	Current portion included in short-term borrowings (includes a restructure of a finance lease liability)		**(141,2)**	(51,7)
			28,4	118,5
	Current interest-bearing borrowings			
	Overdrafts		**197,3**	308,8
	Current portion of non-current borrowings		**141,2**	51,7
			338,5	360,5
	Total interest-bearing borrowings		**366,9**	479,0

11. INTEREST-BEARING BORROWINGS (continued)

11.2 Analysis of total non-current and current borrowings

	Final repayment date	Rate of interest per year (payable half-yearly) 2010 %	2009 %	2010 Rm	2009 Rm
Unsecured loans					
There were no unsecured borrowings in the current or prior year.					
Secured loans*					
	2010	**6,1 – 15**	6,1 – 15		51,7
	2011	**6,1 – 15**	6,1 – 15	**141,2**	55,5
	2012	**6,1 – 15**	6,1 – 15	**28,4**	29,9
	2013	**12 – 13**	12 – 13	**—**	3,6
	2014	**12 – 13**	12 – 13	**—**	4,8
	2015	**12 – 13**	12 – 13	**—**	24,7
	2016 onwards	**12 – 13**	12 – 13	**—**	
				169,6	170,2
Total non-current and current interest-bearing borrowings			Note 11,1	**169,6**	170,2

** The Company and its subsidiaries have entered into cross-suretyships in respect of current and future financial obligations to FirstRand Bank Limited amounting to R37,2 million (2009: R67,1 million). These amounts are included above. Net debt to equity and interest cover covenants have been complied with.*

11.3 Borrowings and cash analysis

	2010 Rm	%	2009 Rm	%
Gross borrowings – geographic				
South Africa	**109,8**	64,7	79,5	46,7
Foreign	**59,8**	35,3	90,7	53,3
	169,6	100,0	170,2	100,0
Cash – geographic				
South Africa	**4 624,3**	59,1	5 197,5	65,7
Foreign	**3 203,6**	40,9	2 712,4	34,3
	7 827,9	100,0	7 909,9	100,0

	2010 Gross Rm	2010 Cash Rm	2010 Net Rm	2010 %
Fixed and variable (interest rates)				
Fixed – long term	**28,4**		**28,4**	**(0,4)**
– short term	**141,2**		**141,2**	**(1,9)**
Variable	**197,3**	**(7 827,9)**	**(7 630,6)**	**102,3**
	366,9	**(7 827,9)**	**(7 461,0)**	**100,0**

11. INTEREST-BEARING BORROWINGS (continued)

11.3 Borrowings and cash analysis (continued)

	2009			
	Gross Rm	Cash Rm	Net Rm	%
Fixed and variable (Interest rates)				
Fixed – long term	118,5		118,5	(1,6)
– short term	51,7		51,7	(0,7)
Variable	308,8	(7 909,9)	(7 601,1)	102,3
	479,0	(7 909,9)	(7 430,9)	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.

	2010 Rm	2009 Rm
Total variable borrowings	**197,3**	308,8
Effect on profit before tax – plus 50 basis points	**(1,0)**	(1,5)
– minus 50 basis points	**1,0**	1,5

12. DEFERRED TAX LIABILITY

	2010 Rm	2009 Rm
At beginning of year	**239,9**	324,4
Transfer from/(to) statement of comprehensive income – current year	**57,8**	(77,1)
– prior year	**2,7**	(9,0)
Exchange difference movements	**0,9**	1,6
Effect of change in foreign tax rate	**0,1**	
Acquisition of business	**0,5**	
Reclassified to deferred tax asset	**353,2**	
At end of year	**655,1**	239,9
Balance at end of year comprises:		
Accelerated capital allowances	**562,1**	211,3
Other	**63,0**	2,2
Foreign tax differential		26,4
Withholdings tax on future dividends	**30,0**	
	655,1	239,9

13. TRADE AND OTHER PAYABLES

	2010 Rm	2009 Rm
Trade	**2 171,5**	2 108,7
Contracts in progress due to customers	**2 947,0**	3 504,1
Cheques not presented	**266,8**	320,3
Due to subcontractors	**332,1**	432,3
Accrued expenses	**3 335,2**	2 780,3
	9 052,6	9 145,7
IFRS 2 share-based payment provision	**35,5**	71,2
Other employment-related provisions	**1 632,3**	1 551,4
	10 720,4	10 768,3

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.

13. TRADE AND OTHER PAYABLES (continued)

Other employment-related provisions consist of the following:

	Employee entitlements Rm	Leave pay benefits Rm	**Total Rm**
Balance as at 1 July 2008	1 175,7	111,6	**1 287,3**
Charge for the year	932,3	75,1	**1 007,4**
Utilised during the year	(666,8)	(59,4)	**(726,2)**
Currency adjustment	(13,0)	(4,1)	**(17,1)**
Balance as at 30 June 2009	1 428,2	123,2	**1 551,4**
Charge for the year	629,4	117,1	**746,5**
Utilised during the year	(472,2)	(98,4)	**(570,6)**
Transfers to trade and other payables	(93,9)		**(93,9)**
Currency adjustment	(2,1)	1,0	**(1,1)**
Balance as at 30 June 2010	1 489,4	142,9	**1 632,3**

– Employee entitlements are provisions raised for the various employee incentive schemes in operation 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.

	2010 Rm	2009 Rm
14. REVENUE		
Sale of goods	**6 937,0**	8 008,5
Construction contract revenue	**25 810,4**	24 463,7
Operating lease revenue	**452,7**	462,9
Rendering of services	**781,0**	836,6
Revenue	**33 981,1**	33 771,7

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.

			2010 Rm	2009 Rm
15.	**OPERATING PROFIT DISCLOSURES**			
	In arriving at operating profit the following items have been taken into account:			
	Income			
	(Loss)/profit on disposal of property, plant and equipment		**(0,3)**	24,1
	Profit on disposal of investments			24,5
	Expenses			
	Auditor's remuneration	– fees for audit	**29,0**	24,3
		– fees for other services	**1,3**	1,6
		– expenses	**1,7**	0,7
	Depreciation	– land and buildings	**19,9**	17,0
		– plant, equipment and vehicles	**1 042,7**	918,4
	Amortisation of intangibles	– brand names	**0,7**	0,7
		– customer lists	**10,1**	10,1
		– know-how	**6,2**	6,2
	Foreign exchange (gains)/losses		**(104,2)**	47,9
	Impairment of goodwill		**12,8**	
	Impairment charges on receivables		**23,7**	
	Operating leases	– land and buildings	**103,1**	79,1
		– plant, equipment and vehicles	**4,1**	7,4
	Professional fees	– managerial, legal, financial and technical	**9,4**	5,8
	Staff costs	– salaries and wages	**7 891,3**	7 659,2
		– contributions to defined contribution funds	**188,7**	166,1
		– contributions to medical funds	**111,5**	99,1
		– share-based payment expenses	**32,7**	166,3
16.	**INCOME FROM INVESTMENTS**			
	Dividends – unlisted			59,4
	Interest – external cash investments at amortised cost		**471,6**	697,5
			471,6	756,9
	Interest has been earned at prevailing market rates in South Africa (5% to 11%).			
	Rates are applicable for 2010 and 2009.			
17.	**FINANCE COST**			
	Interest expense on financial liabilities		**17,2**	41,6
	No borrowing costs have been capitalised during the year (2009: Nil).			
	Interest has been charged at prevailing market rates in South Africa (10% to 20%) with the exception of the convertible bonds which attracted a fixed interest rate of 6,125% in 2009.			
	Rates are applicable for 2010 and 2009.			
18.	**NON-TRADING ITEMS**			
	Loss/(profit) on disposal of property, plant and equipment	Note 21	**0,3**	(24,1)
	Profit on disposal of investments	Note 21		(24,5)
	Impairment of goodwill		**12,8**	
			13,1	(48,6)

	2010 Rm	2009 Rm
19. TAXATION		
South African normal taxation – current	**257,8**	425,6
South African normal taxation – prior		6,9
Foreign normal taxation – current	**350,4**	415,5
Foreign normal taxation – prior	**35,4**	(0,8)
Taxation – STC	**28,6**	0,5
Deferred tax – current	**28,1**	(30,7)
Deferred tax – prior	**20,1**	(14,4)
Deferred tax – foreign rate change	**1,2**	6,4
	721,6	809,0
Reconciliation of rate of taxation (%)	**%**	%
Standard rate of company taxation	**28,0**	28,0
Adjusted for:		
Assessed loss utilised	**(1,3)**	(0,2)
Current year's tax losses not utilised	**1,7**	0,5
Disallowable expenditure	**0,5**	1,3
Exempt income	**(0,3)**	(0,6)
Foreign tax adjustment	**(0,2)**	0,1
Income from associates	**(0,1)**	(0,6)
Other	**(0,8)**	(0,9)
Capital gains tax	*****	(0,1)
Prior years	**0,3**	0,1
Change in tax rate	**0,1**	0,1
Effective taxation rate	**27,9**	27,7
Effective rate of taxation for the year before non-trading items and associated companies	**28,3**	28,9

The estimated losses which are available for the reduction of future taxable income, which have been recognised as deferred taxation, is R3,5 billion (2009: R1 million).

The Group has estimated STC credits amounting to 10% of Rnil (2009: R342,1 million).

South African income tax is calculated at 28% (2009: 28%) of the assessable profit for the year. Taxation in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

** Amounts less than 0,05%.*

	2010 Rm	2009 Rm
20. EARNINGS AND HEADLINE EARNINGS PER SHARE		
Weighted average number of shares:		
Weighted average number of shares in issue by Company	**396 006 572**	394 076 109
Less: Weighted average number of treasury shares	**(6 023 482)**	(6 037 715)
Weighted average number of shares in issue	**389 983 090**	388 038 394
Add: Contingently issuable shares	**34 432 532**	41 330 596
Diluted weighted average number of shares in issue	**424 415 622**	429 368 990
Determination of headline earnings:		
Profit for the year attributable to equity holders of Aveng	**1 872,9**	2 090,9
Loss/(profit) on disposal of property, plant and equipment (refer to note 18)	**0,3**	(24,1)
Profit on disposal of investments (refer to note 18)		(24,5)
Impairment of goodwill (refer to note 18)	**12,8**	
Tax effect of headline earnings adjustment		8,3
Headline earnings	**1 886,0**	2 050,6
Determination of diluted earnings:		
Profit for the year attributable to equity holders of Aveng	**1 872,9**	2 090,9
Diluted earnings	**1 872,9**	2 090,9
Determination of diluted headline earnings:		
Headline earnings	**1 886,0**	2 050,6
Diluted headline earnings	**1 886,0**	2 050,6
Earnings per share (cents)	**480,3**	538,8
Earnings per share – diluted (cents)	**441,3**	487,0
Headline earnings per share (cents)	**483,6**	528,5
Headline earnings per share – diluted (cents)	**444,4**	477,6

		2010 Rm	2009 Rm
21. NOTES TO THE STATEMENT OF CASH FLOWS			
21.1 Cash retained from operations			
Profit before tax		**2 593,9**	2 910,4
Adjusted for:			
Income from associates and joint ventures		**(60,9)**	(67,2)
Income from investments		**(471,6)**	(756,9)
Interest paid		**17,2**	41,6
		2 078,6	2 127,9
21.2 Non-cash and other movements			
Profit on disposal of property, plant and equipment		**(3,3)**	(24,1)
Surplus on disposals of investments			(24,5)
Impairment of investments		**12,8**	
Realised exchange losses		**17,1**	
Other non-cash items		**14,0**	(29,2)
		40,6	(77,8)
21.3 Working capital movements			
(Increase)/decrease in inventories		**(409,6)**	469,0
(Decrease)/increase in trade and other payables		**(105,4)**	357,7
Increase in trade and other receivables		**(510,8)**	(622,3)
		(1 025,8)	204,4
21.4 Interest paid			
Interest paid as per statement of comprehensive income		**17,2**	41,6
21.5 Normal taxation paid			
Amounts unpaid at beginning of year		**341,9**	780,2
Amounts charged to the statement of comprehensive income		**672,2**	847,7
Amounts unpaid at end of year		**(180,0)**	(341,9)
		834,1	1 286,0
21.6 Dividends paid			
Amounts charged to equity		**579,4**	1 138,0
21.7 Associated companies and joint ventures			
Disposal of associates and joint ventures		**10,7**	44,2
Dividends received		**25,7**	34,2
Proceeds on disposal of investments			24,5
Acquisition of associates and joint ventures			(12,7)
Net loans repaid/(advanced)		**10,2**	(7,6)
		46,6	82,6
21.8 Cash and cash equivalents			
Deposits and cash	Note 11.3	**7 827,9**	7 909,9
Overdrafts	Note 11.1	**(197,3)**	(308,8)
		7 630,6	7 601,1

22. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

Acquisitions during the year ended 30 June 2010:

There have been a number of investments made by subsidiary company Aveng (Africa) Limited during the course of the year. These have been assessed in terms of the appropriate accounting standards applicable to subsidiaries, associates and investments. The description, applicable holding and value of the material investments are shown in the table below. All goodwill and other intangibles raised on these investments and the Keyplan investment made in the prior year (below) have been assessed for impairment and no impairment was considered necessary. (Refer to note 2.)

Entity	% holding	Acquisition value of investment Rm
Empowa Grinaker-LTA (Pty) Limited	100	9,2
Vexicom (Pty) Limited	90	–
Andersen & Hurley Instruments (S.A.) (Pty) Limited	100	16,5
CMM Consultants (Pty) Limited	100	5,5
		31,2

Acquisitions during the year ended 30 June 2009:

Acquisition of Built Environs Holdings (Pty) Limited

On 1 July 2008, McConnell Dowell Holdings (Pty) Limited acquired 75% of the voting shares of Built Environs Holdings (Pty) Limited (BEH).

The remaining 25% to be acquired over a period concluding with the completion of the audited accounts for the year ended 30 June 2010.

The sole subsidiary of BEH, Built Environs (Pty) Limited (BEPL) is a construction company in the commercial, civil and mechanical segments.

The companies operate mainly in South Australia but also have operations in West Australia and Queensland.

The price for the remaining 25% will be determined in accordance with an earn-out formula based on earnings.

The amount payable for the remaining 25% of BEH is recorded as a liability in the consolidated financial statements.

Any changes to the fair value of the liability will be recognised as a charge to goodwill.

Acquisition of Keyplan (Pty) Limited

On 1 July 2008, The Aveng Group acquired 100% of the issued share capital of Keyplan (Pty) Limited, a company which provides engineering services within the water management market in South Africa.

The aggregated fair value of the identifiable assets and liabilities of the Group's investments and acquisitions as at the date of acquisition were:

	2010 Rm	2009 Rm
Cash and cash equivalents	**7,8**	254,0
Trade and other receivables	**31,2**	353,0
Inventories	**19,9**	19,6
Total current assets	**58,9**	626,6
Plant and equipment	**6,5**	26,4
Deferred tax assets		21,0
Intangible assets		80,3
Total non-current assets	**6,5**	127,7
Trade and other payables	**61,1**	640,8
Total current liabilities	**61,1**	640,8

	2010 Rm	2009 Rm
22. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS (continued)		
Deferred tax liability	**0,5**	16,7
Long-term borrowings	**0,5**	6,5
Total non-current liabilities	**1,0**	23,2
Fair value of identifiable net assets	**3,3**	90,3
Amounts written off	**12,8**	
Goodwill arising on consolidation	**15,1**	241,7
Investment in subsidiary	**31,2**	332,0
Cost of the combination		
Cash paid	**31,2**	306,7
Directly attributable costs		6,6
Estimated payment to come		18,7
	31,2	332,0
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	**7,8**	254,0
Cash paid	**(31,2)**	(313,3)
Net consolidated cash outflow	**(23,4)**	(59,3)
23. COMMITMENTS		
Capital commitments		
Capital expenditure authorised – contracted for	**525,1**	319,3
– not contracted for	**541,1**	225,4
	1 066,2	544,7
It is anticipated that this expenditure will be in respect of capital equipment which will be financed from existing cash or borrowing facilities.		
Operating lease commitments		
The future minimum lease payments under non-cancellable operating leases are as follows:		
– less than one year	**152,4**	99,6
– more than one year and less than five years	**315,6**	151,7
– more than five years	**64,6**	28,1

	2010 Rm	2009 Rm
24. CONTINGENT LIABILITIES		
Contingent liabilities at reporting date, not otherwise provided for in the annual financial statements, arising from:		
– performance guarantees	**1 054,8**	1 448,7
– performance bonds	**2 118,0**	2 260,7
– contractual claims – Gabon housing project	**142,1**	142,1
– contractual claims – Marikana mining project	**—**	963,0
– other contract claims	**5,2**	21,7
– letters of credit	**91,8**	—
	3 411,9	4 836,2

Contract performance guarantees issued by the parent company on behalf of their Group companies 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 amounts received as 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 Group and contracting assignments are not reported as contingent liabilities, since they do not involve any increase liability compared to the contracting commitment.

Included in contingent liabilities are the following:

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 (R142,1 million), due to an alleged default by the government of Gabon. Proceedings are in progress.

	Foreign amount millions		Rand millions	
Foreign currency payables and receivables	**2010**	2009	**2010**	2009
25. FOREIGN EXCHANGE EXPOSURE				
Forward exchange contracts on imports				
Swedish Krona	**2,8**	0,4	**2,7**	0,4
Euro	**29,3**	15,3	**301,2**	184,1
UK Pound	**2,6**	0,1	**28,9**	1,9
US Dollar	**12,0**	2,0	**94,8**	17,6
			427,6	204,0
Forward exchange contracts on exports				
US Dollar	**0,8**	0,4	**6,6**	4,0
			6,6	4,0

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

25. FOREIGN EXCHANGE EXPOSURE (continued)

Foreign currency payables and receivables	Foreign amount millions 2010	Foreign amount millions 2009	Rand millions 2010	Rand millions 2009
Payables				
Australian Dollars	**252,2**	364,2	**1 324,8**	2 296,5
Botswana Pula	**133,2**	165,2	**141,8**	186,3
Euro	**0,6**	4,0	**5,7**	43,5
Fiji Dollars	**0,1**		**0,3**	
Indonesian Rupiah	**3 317,0**		**2,8**	
Mozambican Metical	**39,9**	0,8	**9,1**	0,2
New Zealand Dollars	**42,4**	51,0	**224,6**	258,1
Papua New Guinea Kina	**18,7**		**50,9**	
Philippine Peso	**50,4**	678,4	**8,3**	110,6
Saudi Riyal	*****		*****	
Singapore Dollars	**84,1**	86,2	**459,0**	467,1
Solomon Island Dollars	**12,5**		**11,5**	
Tanzanian Shilling	**9,3**	938,7	**0,1**	5,6
Thai Baht	**784,4**		**183,9**	
UK Pound	**4,0**	2,2	**46,4**	27,9
US Dollar	**52,4**	26,1	**401,9**	202,9
Zambian Kwacha		19 714,7		29,1
Zimbabwe Dollar	*****	*	**0,1**	*
			2 871,2	3 627,8
Receivables				
Australian Dollars	**478,0**	203,7	**2 458,2**	1 284,4
Botswana Pula	**110,7**	117,2	**117,8**	132,1
Brunei Dollars	*****		*****	
Euro	**2,8**		**26,4**	
Indonesian Rupiah	**3 887,2**		**3,2**	
Malaysian Ringgit		0,9		1,9
Mozambican Metical	**84,5**	1,9	**19,3**	0,6
New Zealand Dollars	**46,1**	31,0	**244,1**	157,1
Papua New Guinea Kina	**51,1**		**138,5**	
Philippine Peso	**608,8**		**99,9**	
Saudi Riyal	**0,2**		**0,4**	
Singapore Dollars	**56,5**	103,9	**308,5**	563,3
Solomon Island Dollars	**7,0**		**6,5**	
Tanzanian Shilling	**5 183,8**	5 851,1	**27,6**	35,2
Thai Baht	**593,1**	19,2	**139,0**	4,5
UK Pounds	**3,5**	3,4	**40,9**	43,4
United Arab Emirates Dirhams		5,0		10,6
US Dollars	**30,2**	36,7	**231,9**	285,7
Zambian Kwacha		51 526,8		76,2
			3 862,2	2 595,0

** Amounts less than R100 000.*

Foreign currency payables and receivables	2010 Closing	2010 Average	2009 Closing	2009 Average
25. FOREIGN EXCHANGE EXPOSURE (continued)				
Australian Dollars	**6,51**	6,67	**6,30**	6,63
Euro	**9,39**	10,54	**10,93**	12,19
UK Pounds	**11,50**	12,04	**12,90**	14,30
US Dollars	**7,66**	7,62	**7,78**	8,83

A sensitivity analysis of the Group's exposure to these exchange rates has been presented in note 28.

26. EMPLOYEE BENEFITS

26.1 Post-retirement benefits

The Group has a number of retirement benefit plans for its eligible employees. These plans comprise both defined contribution and 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.

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

The overall expected rate of return on assets is determined based on market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

	2010	2009
The principal Group funds are:		
Number of members		
Grinaker-LTA Limited Retirement Plan	**13 986**	10 901
McConnell Dowell Corporation Limited Plan	**8 121**	6 468
Trident Steel Retirement Fund	**435**	427
	22 542	17 796
Total number of employees	**34 597**	32 256
Cover ratio	**65%**	55%

The Group's retirement expense was R188,7 million (2009: R166,1 million).

26. EMPLOYEE BENEFITS (continued)

26.2 *Defined benefit plan*

	2010 Rm	2009 Rm
Valuation method:		
Projected unit credit method	**Yes**	Yes
Principal assumptions:		
Discount rate (%)	**9,00**	9,25
Expected return on assets (%)	**9,00**	9,25
General inflation (%)	**6,00**	6,50
Pension increase allowance	**6,00**	6,50
Real discount rate (%)	**2,83**	2,58
Present value of obligation:		
Opening balance at 1 July	**235,4**	228,2
Interest cost on opening balance	**20,9**	24,2
Actuarial (loss)/gain	**(19,9)**	(0,5)
Benefits paid	**(18,2)**	(16,5)
Closing balance at 30 June	**218,2**	235,4
Surplus apportionment	**66,7**	105,5
Total liabilities	**284,9**	340,9
Fair value of plan assets:		
Opening balance at 1 July	**338,4**	320,4
Prior year adjustment	**(0,4)**	
Expected return on fund assets	**29,3**	34,4
Actuarial (loss)/gain	**(21,5)**	0,1
Benefits paid	**(64,1)**	(16,5)
Sanlam demutualisation shares	**0,8**	
Closing balance at 30 June	**282,5**	338,4
Actual return on plan assets	**7,8**	34,5
Net benefit income not recognised:		
Interest cost on opening balance	**(29,6)**	(24,2)
Actuarial (gain)/loss	**(2,4)**	0,6
Expected return on fund assets	**29,3**	34,4
Net benefit income not recognised	**(2,7)**	10,8
Funded status	**64,3**	103,0
Actuarial loss	**2,4**	2,5
Surplus apportionment	**66,7**	105,5

	2010 %	2009 %
26. EMPLOYEE BENEFITS (continued)		
***26.2 Defined benefit plan** (continued)*		
Money market	**77,2**	70,0
Insured policy (Momentum)	**22,8**	30,0

Amounts for current and previous four periods are as follows:

	2010 Rm	2009 Rm	2008 Rm	2007 Rm	2006 Rm
Fair value of assets	**282,5**	338,4	320,4	290,5	279,5
Employer's accrued liability	**(218,2)**	(235,4)	(228,2)	(206,3)	(215,8)
Funded status	**64,3**	103,0	92,2	84,2	63,7

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

26.3 Executive share incentive scheme

In terms of the Aveng Limited Share Incentive Scheme, full-time employees of the Company and any of its subsidiaries, including directors holding full-time salaried employment or office, are entitled under the scheme to hold 5% (presently 19 800 329 shares) of the issued share capital. No one participant may acquire shares in excess of 2% (presently 7 920 131 shares) of the issued share capital of the Company.

	Weighted average exercise price 2010 R	Number of options 2010 R	Weighted average exercise price 2009 R	Number of options 2009 R
The movements during the year under review were as follows:				
Balance at the beginning of the year	**32,30**	**5 397 226**	22,16	5 429 809
Options granted	**40,30**	**976 180**	43,81	1 580 967
Options exercised	**9,57**	**(942 000)**	9,45	(1 615 550)
Options reinstated			5,80	2 000
Options forfeited	**31,99**	**(435 560)**		
Balance at the end of the year	**38,17**	**4 995 846**	32,30	5 397 226
Options exercisable at year-end	**28,57**	**1 969 670**	12,80	2 171 196

		2010 R	2009 R
Range of market price at dates of exercising option or taking delivery	Cost	**8,64**	9,47
	Low	**35,00**	24,15
	High	**47,00**	69,92
	Weighted average	**46,12**	66,34

26. EMPLOYEE BENEFITS (continued)

26.3 Executive share incentive scheme (continued)

	Subscription price	**Number of options 2010**	Number of options 2009
The options outstanding at 30 June 2009 become unconditional between the following dates:			
25 May 2002 and 25 May 2010	6,10		117 500
29 November 2002 and 29 November 2010	5,80	**451 125**	814 625
23 October 2004 and 23 October 2012	9,11		
23 March 2005 and 23 March 2013	8,61	**318 875**	669 750
1 October 2005 and 1 October 2013	8,55		
1 October 2005 and 1 October 2013	7,20	**95 000**	95 000
1 September 2005 and 1 September 2013	8,70	**6 250**	10 000
14 September 2007 and 14 September 2015	16,40	**287 500**	550 000
1 October 2007 and 1 October 2015	53,16	**934 612**	1 072 760
2 November 2007 and 2 November 2015	54,84	**155 000**	155 000
6 December 2007 and 6 December 2015	61,80	**73 367**	73 367
10 March 2008 and 10 March 2016	62,50	**53 797**	53 797
10 March 2010 and 10 March 2018	52,00	**204 460**	204 460
7 July 2010 and 7 July 2018	53,65	**279 590**	279 590
7 October 2010 and 24 October 2018	42,80	**1 139 463**	1 212 572
2 December 2010 and 2 December 2018	24,15		28 237
2 January 2011 and 2 January 2019	30,52	**19 659**	19 659
30 January 2011 and 30 January 2019	26,40	**40 909**	40 909
	40,30	**936 239**	
		4 995 846	5 397 226

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 6 018 386 ordinary shares at 30 June 2010 (2009: 6 024 386 ordinary shares).

The trust's financials 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.

The following assumptions were used in valuing the various options at year-end:

	2010	2009
Expected volatility	**34,7%**	63,0%
Risk-free interest rate	**6,0%**	7,4%
Expected dividend yield	**4,2%**	4,0%

27. BORROWING CAPACITY

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

28. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

The Group utilises the following financial instruments:

	Loans and receivables Rm	Financial liabilities at amortised cost Rm	Available-for-sale financial assets Rm
2010			
Available-for-sale investments**			**94,1**
Trade and other receivables**	**6 039,6**		
Cash and cash equivalents*	**7 827,9**		
Trade and other payables**		**9 052,6**	
Interest-bearing borrowings*		**366,9**	
2009			
Available-for-sale investments**			11,8
Trade and other receivables**	5 402,5		
Cash and cash equivalents*	7 909,9		
Trade and other payables**		9 145,7	
Interest-bearing borrowings*		479,0	

* *Fair value level 2. Fair value is based on normal market rates.*

** *Fair value level 3. Fair value is not based on observable market data.*

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 2010, 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.

28. FINANCIAL INSTRUMENT AND RISK MANAGEMENT (continued)

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 is denominated in currencies other than the functional currency of the operating unit making the sale, whilst the majority of 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 relate 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.

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, on 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%
2010					
Australian Dollars	**6,51**	**6,83**	**6,18**	**73,5**	**(73,5)**
New Zealand Dollars	**5,29**	**5,56**	**5,03**	**1,0**	**(1,0)**
US Dollar	**7,66**	**8,05**	**7,28**	**(8,5)**	**8,5**
Euro	**9,39**	**9,85**	**8,92**	**1,0**	**(1,0)**
Botswana Pula	**1,06**	**1,12**	**1,01**	**(1,2)**	**1,2**
2009					
Australian Dollars	6,30	6,62	5,99	(50,6)	50,6
New Zealand Dollars	5,06	5,32	4,81	(5,1)	5,1
US Dollar	7,78	8,17	7,39	5,0	(5,0)
Euro	10,93	11,47	10,38	7,0	(7,0)
Botswana Pula	1,13	1,18	1,07	(2,7)	2,7

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 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.

28. FINANCIAL INSTRUMENT AND RISK MANAGEMENT (continued)

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 that ended 30 June 2010 and 30 June 2009.

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 equity attributable to the equity holders of the parent of R12 214 million (2009: R10 865 million).

29. RELATED PARTIES

During the year the Company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. Those transactions occurred under terms that are no less favourable than those arranged with third parties.

There were no related party transactions with directors or entities in which the directors have a material interest.

		2010 Rm	2009 Rm
Key management and directors	Short-term employee benefits	**267,2**	273,8
	Post-retirement benefits	**18,6**	17,4
	Termination benefits	**25,1**	16,6
	Share-based payments	**15,5**	84,1
		326,4	391,9

30. DIRECTORS' REMUNERATION AND INTERESTS

Directors' remuneration

	Salary R'000	Retirement fund R'000	Other benefits R'000	Bonus payable R'000	Medium-term incentive* R'000	Total R'000
Executive directors						
For the year ended 30 June 2010						
DR Gammie (retired 31 March 2010)	**1 842**	**182**	**211**			**2 235**
JJA Mashaba	**2 621**	**167**		**667**	**667**	**4 122**
RW Jardine	**3 403**	**218**		**1 251**	**1 501**	**6 373**
SJ Scott (appointed 1 August 2009)	**2 218**	**219**		**729**		**3 166**
DG Robinson	**6 337**	**947**	**4 456**	**4 476**		**16 216**
	16 421	**1 733**	**4 667**	**7 123**	**2 168**	**32 112**
Executive directors						
For the year ended 30 June 2009						
AW Band (acting CEO to 31 July 2008)	300					300
DR Gammie	2 228	341		642		3 211
JJA Mashaba	2 354	270		577		3 201
RW Jardine	2 950	338		822		4 110
DG Robinson	6 031	905	536	3 404		10 876
	13 863	1 854	536	5 445	—	21 698

**Payable in equal instalments over three years.*

	Fees as director R'000	Chairman fees R'000	Attendance subsidiary boards R'000	Sub-committee fees R'000	Other consulting fees R'000	Total R'000
30. DIRECTORS' REMUNERATION AND INTERESTS (continued)						
Non-executive directors						
For the year ended 30 June 2010						
AW Band	**203**	**428**	**716**	**337**	**210**	**1 894**
K Rumble (appointed 1 September 2009)	**169**	**20**		**77**		**266**
M Hermanus (appointed 1 September 2009)	**169**			**25**		**194**
MJD Ruck	**203**	**24**		**148**		**375**
PK Ward	**203**	**66**		**250**	**97**	**616**
RL Hogben	**203**	**72**		**229**		**504**
VZ Mntambo	**203**	**53**		**40**		**296**
	1 353	**663**	**716**	**1 106**	**307**	**4 145**
Non-executive directors						
For the year ended 30 June 2009						
AW Band	134	333	704	77	100	1 348
JR Hersov (retired 24 October 2008)	31			23		54
MJD Ruck	134			121		255
PK Ward	134	32		220	68	454
RL Hogben	134	41		63		238
VZ Mntambo	134	21		67		222
	701	427	704	571	168	2 571

30. DIRECTORS' REMUNERATION AND INTERESTS (continued)

Interest of directors of the Company in share capital	Ordinary shares 2010	Ordinary shares 2009
Executive directors		
DR Gammie (retired 31 March 2010)		88
	–	88
Non-executive directors		
RL Hogben	**16 770**	16 770
PK Ward	**2 000**	2 000
	18 770	18 770
Total	**18 770**	18 858
% of issued securities	**0%**	0%

Securities are beneficially held.

Securities held by Mr RL Hogben are partially directly beneficial and partially indirectly beneficial.

The Company has not been advised of any changes in the above interests during the period 1 July 2010 to the date of this report.

Executive share options exercised

No executive share options exercised in the current year.

	Date from which exercisable	Date on which expires	Strike price	Number entitled to at 1 July 2008	Number granted during the year	Number redeemed or taken up during the year	Number entitled to at 30 June 2009
Executive share incentive scheme entitlement							
WR Jardine	Oct 2010	Oct 2018	42,80	69 897			69 897
	Oct 2011	Oct 2019	42,80	69 897			69 897
	Oct 2012	Oct 2020	42,80	69 897			69 897
	Oct 2013	Oct 2021	42,80	69 899			69 899
	Sep 2011	Sep 2019	40,30		40 794		40 794
	Sep 2012	Sep 2020	40,30		40 794		40 794
	Sep 2013	Sep 2021	40,30		40 794		40 794
	Sep 2014	Sep 2022	40,30		40 794		40 794
				279 590	163 176		442 766
DR Gammie	Sep 2009	Sep 2017	53,16	28 217			28 217
(Retired 31 March 2010)	Sep 2010	Sep 2018	53,16	28 217			28 217
	Sep 2011	Sep 2019	53,16	28 217			28 217
	Sep 2012	Sep 2020	53,16	28 219			28 219
	Oct 2010	Oct 2018	42,80	48 627			48 627
	Oct 2011	Oct 2019	42,80	48 627			48 627
	Oct 2012	Oct 2020	42,80	48 627			48 627
	Oct 2013	Oct 2021	42,80	48 628			48 628

	Date from which exercisable	Date on which expires	Strike price	Number entitled to at 1 July 2008	Number granted during the year	Number redeemed or taken up during the year	Number entitled to at 30 June 2009
30. DIRECTORS' REMUNERATION AND INTERESTS (continued)							
Executive share incentive scheme entitlement							
DR Gammie	Sep 2011	Sep 2019	40,30		21 225		21 225
(Retired 31 March 2010)	Sep 2012	Sep 2020	40,30		21 225		21 225
(continued)	Sep 2013	Sep 2021	40,30		21 225		21 225
	Sep 2014	Sep 2022	40,30		21 228		21 228
				307 379	84 903		392 282
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
	Oct 2010	Oct 2018	42,80	39 816			39 816
	Oct 2011	Oct 2019	42,80	39 816			39 816
	Oct 2012	Oct 2020	42,80	39 816			39 816
	Oct 2013	Oct 2021	42,80	39 816			39 816
	Sep 2011	Sep 2019	40,30		17 314		17 314
	Sep 2012	Sep 2020	40,30		17 314		17 314
	Sep 2013	Sep 2021	40,30		17 314		17 314
	Sep 2014	Sep 2022	40,30		17 316		17 316
				314 264	69 258		383 522
DG Robinson	Nov 2009	Nov 2017	61,80	18 341			18 341
	Nov 2010	Nov 2018	61,80	18 341			18 341
	Nov 2011	Nov 2019	61,80	18 341			18 341
	Nov 2012	Nov 2020	61,80	18 344			18 344
	Oct 2010	Oct 2018	42,80	21 593			21 593
	Oct 2011	Oct 2019	42,80	21 593			21 593
	Oct 2012	Oct 2020	42,80	21 593			21 593
	Oct 2013	Oct 2021	42,80	21 593			21 593
	Sep 2011	Sep 2019	40,30		11 029		11 029
	Sep 2012	Sep 2020	40,30		11 029		11 029
	Sep 2013	Sep 2021	40,30		11 029		11 029
	Sep 2014	Sep 2022	40,30		11 030		11 030
				159 739	44 117		203 856
S Scott	Sep 2011	Sep 2019	40,30		54 039		54 039
	Sep 2012	Sep 2020	40,30		54 039		54 039
	Sep 2013	Sep 2021	40,30		54 039		54 039
	Sep 2014	Sep 2022	40,30		54 039		54 039
					216 156		216 156

31. SUBSEQUENT EVENTS

On 4 August 2010, a Share Purchase Agreement was signed for the acquisition of the entire issued share capital of Dynamic Fluid Control (Pty) Limited, a company involved in the manufacture of a range of valves for the water treatment and mining industries. The transaction is subject to Competition Commission approval.

Aquarius Platinum (South Africa) (Pty) Limited withdrew its R963,8 million damages claim against Aveng (Africa) Limited and Moolmans' managing director Mr Brian Wilmot early in August 2010. Moolmans and Aquarius subsequently entered into an agreement of settlement, which was made an order of court on 20 August 2010 and in terms of which Aquarius paid an amount of R100,1 million inclusive of VAT to Moolmans in respect of its counterclaims on 31 August 2010. As this amount relates to events that occurred after the end of the financial year, the amount received will be brought to account in the 2011 financial year.

The settlement agreement constituted a full and final settlement of all claims and counterclaims including Aquarius' claim for rescission of its contract with Moolmans. The board considers this a favourable outcome to the matter given the alternative of prolonged litigation.

Following discussions with the Competition Commission, Aveng (Africa) Limited entered into an agreement with the commission in August 2010 to settle the complaint of historical anti-competitive practices within the Roof Bolt division of Duraset, which agreement was confirmed by the Competition Tribunal on 25 August 2010. Duraset is a business unit in Aveng Manufacturing, which is in turn a division of Aveng (Africa) Limited. Aveng (Africa) Limited agreed to pay an administrative penalty in the amount of R21,9 million, representing 5% of Duraset's annual turnover for the financial year ending 2008.

COMPANY STATEMENT OF FINANCIAL POSITION

at 30 June 2010

	Note	2010 Rm	2009 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	1	**2,1**	2,0
Investment in subsidiary companies	2	**2 342,2**	2 342,2
Deferred tax	10	**7,6**	13,7
		2 351,9	2 357,9
Current assets			
Other receivables		**27,5**	35,6
Amounts owing by subsidiaries		**1 247,1**	732,6
Cash and cash equivalents	3	**3 585,2**	4 256,2
	10.3	**4 859,8**	5 024,4
TOTAL ASSETS		**7 211,7**	7 382,3
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	4	**19,8**	19,8
Share premium	5	**1 986,0**	1 986,0
Non-distributable reserves		**(53,9)**	(53,9)
Distributable reserves		**4 102,9**	4 262,3
Total equity		**6 054,8**	6 214,2
Current liabilities			
Trade and other payables	6	**38,4**	56,6
Amounts owing to subsidiaries	3	**1 108,3**	1 099,7
Taxation		**10,2**	11,8
		1 156,9	1 168,1
TOTAL EQUITY AND LIABILITIES		**7 211,7**	7 382,3

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

	Note	2010 Rm	2009 Rm
Revenue	7	**598,7**	1 003,4
Operating expenses		**64,2**	59,7
Operating profit	8	**534,5**	943,7
Finance cost		**—**	4,4
Profit before taxation		**534,5**	939,3
Taxation	9	**119,7**	158,9
Profit and total comprehensive income for the year		**414,8**	780,4
Profit and total comprehensive income attributable to:			
Equity holders of Aveng Limited		**414,8**	780,4
Non-controlling interests		**—**	—
Profit and total comprehensive income for the year		**414,8**	780,4

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2010

	Share capital Rm	Share premium Rm	Non-distributable reserves Rm	Equity portion of compound instrument Rm	Distributable reserves Rm	Total Rm
Balance at 30 June 2008	19,9	1 900,8	(53,9)	11,2	5 051,8	6 929,8
Profit and total comprehensive income for the year 2009					780,4	780,4
Corporate bond conversion	0,3	74,0				74,3
Corporate bond equity adjustment on conversion		11,2		(11,2)		
Repurchase programme	(0,4)				(414,3)	(414,7)
Dividends paid					(1 155,6)	(1 155,6)
Balance at 30 June 2009	19,8	1 986,0	(53,9)	—	4 262,3	6 214,2
Profit and total comprehensive income for the year 2010					414,8	414,8
Dividends paid					(574,2)	(574,2)
Balance at 30 June 2010	19,8	1 986,0	(53,9)	—	4 102,9	6 054,8

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

	Note	2010 Rm	2009 Rm
Cash retained from operating activities		**(670,2)**	(1 085,8)
Cash generated by operations	10.1	**156,9**	117,3
Income from investments		**476,3**	946,6
Increase in working capital	10.2	**(614,0)**	(677,4)
Cash generated by operating activities		**19,2**	386,5
Interest paid		**–**	(3,3)
Taxation paid	10.4	**(115,2)**	(313,4)
Cash available from operating activities		**(96,0)**	69,8
Dividends paid		**(574,2)**	(1 155,6)
Investing activities			
Investment in property, plant and equipment	1	**(0,8)**	(0,5)
		(0,8)	(0,5)
Financing activities			
Share repurchase		**–**	(414,7)
		–	(414,7)
Net decrease in cash and cash equivalents		**(671,0)**	(1 501,0)
Cash and cash equivalents at beginning of year		**4 256,2**	5 757,2
Cash and cash equivalents at end of year	10.3	**3 585,2**	4 256,2

	2010 Rm	2009 Rm
1. PROPERTY, PLANT AND EQUIPMENT		
Owned plant, equipment and vehicles		
Beginning of the year		
– Cost	**4,4**	3,9
– Accumulated depreciation	**(2,4)**	(1,8)
Net book value	**2,0**	2,1
Current year movements		
– Additions	**0,8**	0,5
– Disposals	**—**	—
– Depreciation	**(0,7)**	(0,6)
Net book value at end of year	**2,1**	2,0
Made up as follows:		
– Cost	**5,2**	4,4
– Accumulated depreciation	**(3,1)**	(2,4)
Net book value at end of year	**2,1**	2,0
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		
Balance at beginning of year	**732,6**	194,2
Current year movements	**514,5**	538,4
Balance at end of year	**1 247,1**	732,6
Comprising:		
– Interest-bearing	**1 240,1**	714,4
– Non-interest-bearing	**7,0**	18,2
	1 247,1	732,6
AMOUNTS OWING TO SUBSIDIARIES		
Balance at beginning of year	**1 099,7**	1 033,9
Current year movements	**8,6**	65,8
Balance at end of year	**1 108,3**	1 099,7
Comprising:		
– Non-interest-bearing	**1 108,3**	1 099,7
	1 108,3	1 099,7
Total net indebtedness	**(138,8)**	367,1

Interest is charged at normal rates. These loans have no fixed terms of repayment.

No amounts were written off during the year.

		2010 Rm	2009 Rm
4.	**SHARE CAPITAL**		
	Authorised		
	Ordinary share capital		
	882 034 263 ordinary shares of 5 cents each	**44,1**	44,1
	Issued		
	Ordinary share capital		
	Balance at beginning of year		
	Opening balance 396 006 572 (2008: 396 145 908) ordinary shares of 5 cents each	**19,8**	19,9
	Repurchase of nil (2009: 8 066 821) shares of 5 cents each		(0,4)
	Issue of nil (2009: 5 594 404) shares on conversion of corporate bonds of 5 cents each		0,3
	Closing balance of 396 006 572 (2009: 396 006 572) shares of 5 cents each	**19,8**	19,8
5.	**SHARE PREMIUM**		
	Balance at beginning of year	**1 986,0**	1 900,8
	Corporate bond conversion		85,2
	Balance at end of year	**1 986,0**	1 986,0
6.	**TRADE PAYABLES AND PROVISIONS**		
	Other payables	**26,8**	33,8
	IFRS 2 share-based payment provision	**11,6**	22,8
		38,4	56,6
7.	**REVENUE**		
	Turnover	**87,8**	56,8
	Dividends – unlisted	**93,8**	262,5
	Dividends – preference	**98,0**	119,6
	Interest – investments	**284,5**	487,4
	Interest – subsidiary companies	**34,6**	77,1
	Income from investments	**510,9**	946,6
	Total revenue	**598,7**	1 003,4
8.	**OPERATING INCOME DISCLOSURES**		
	In arriving at operating income the following items have been taken into account:		
	Auditors' remuneration		
	– fees for audit	**1,5**	2,0
	Depreciation	**0,7**	0,6
	Operating lease expenses	**4,0**	1,5
	Professional fees – managerial, legal, financial and technical	**8,7**	3,9
	Contributions to retirement contribution funds	**3,1**	1,5

	2010 Rm	2009 Rm
9. TAXATION		
South African – taxation normal	**113,6**	137,4
South African – taxation deferred	**6,1**	21,5
	119,7	158,9
Reconciliation of rate of taxation (%)		
Standard rate	**28,0**	28,0
Exempt income	**(10,0)**	(11,1)
Disallowable expenditure	**0,1**	
Secondary tax on companies	**4,3**	
Effective rate of taxation for the year	**22,4**	16,9
Deferred taxation		
At the beginning of the year	**13,7**	35,2
Transfer from statement of comprehensive income – current year	**(6,1)**	(21,5)
At the end of the year	**7,6**	13,7
Comprising:		
Provisions and accruals	**7,6**	13,7
	7,6	13,7
10. NOTES TO THE STATEMENT OF CASH FLOWS		
10.1 Cash generated from operations		
Income before interest paid and taxation	**534,5**	943,7
Adjusted for:		
– depreciation	**0,7**	0,6
– income from investments	**(476,3)**	(946,6)
– non-cash preference dividend receivable	**98,0**	119,6
	156,9	117,3
10.2 Decrease/(increase) in net current assets		
Decrease/(increase) in trade and other receivables	**8,1**	(15,2)
Decrease in trade and other payables	**(18,2)**	(70,0)
Movements in amounts owing to/from subsidiaries	**(603,9)**	(592,2)
	(614,0)	(677,4)
10.3 Cash and cash equivalents		
Deposits and cash at bank	**3 585,2**	4 256,2
	3 585,2	4 256,2
10.4 Taxation paid		
Opening balance	**11,8**	187,8
Current year's charge	**113,6**	137,4
Closing balance	**(10,2)**	(11,8)
Paid during the year	**115,2**	313,4

DIRECT SUBSIDIARIES AND INVESTMENTS IN JOINT VENTURES

	Issued share capital		% held		Investment value		Net indebtedness due by/(to) companies	
	2010 Rm	2009 Rm	**2010**	2009	**2010 Rm**	2009 Rm	**2010 Rm**	2009 Rm
Aveng Australia Holdings Pty Limited	**730,9**	730,9	**100**	100	**768,8**	768,8		
Aveng Management Company (Pty) Limited (dormant)			**100**	100			**(101,9)**	(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	**659,4**	521,9
Qakazana Investment Holdings (Pty) Limited	**0,1**	0,1			**496,0**	496,0	**271,1**	204,4
Richtrau No 191 (Pty) Limited			**100**	100			**6,1**	6,1
Steelmetals (Pty) Limited	**1,6**	1,6	**100**	100	**3,9**	3,9	**(47,3)**	(47,7)
Trident Steel Holdings (Pty) Limited			**75**	75	**0,4**	0,4	**(599,9)**	(910,0)
Aveng Limited Share Purchase Trust							**(48,8)**	(39,8)
					2 342,2	2 342,2	**138,7**	(367,1)

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.

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.

GROUP OPERATING ENTITIES

Registration number	Company	Country of incorporation or registration (if not RSA)	Group effective % holding at Aveng level
2004/021489/07	Andersen & Hurley (SA) (Pty) Limited		75,0
1931/003300/06	Aveng (Africa) Limited		75,0
8376	Aveng (Pty) Limited	Malawi	75,0
198/68	Aveng Zimbabwe (Private) Limited	Zimbabwe	75,0
ABN74008125111	Built Environs Pty Limited	Australia	87,5
	Built Environs Qld Pty Limited	Australia	87,5
2004/020845/07	CCM Consultants (Pty) Limited		75,0
44646	Dutco McConnell Dowell Middle East LLC	UAE	49,0
	Dutco McConnell Dowell Qatar LLC	Qatar	100,0
AK/52181	Electrix Limited	New Zealand	100,0
ACN067232393	Electrix Pty Limited	Australia	100,0
2001/018197/07	Empowa Grinaker-LTA (Pty) Limited		75,0
1964/009785/06	E+PC Engineering and Projects Company Limited		75,0
2002/020961/07	Ensimbini Reinforcing (Pty) Limited		15,0
2004/003554/07	Fraser & Chalmers Siyakha (Pty) Limited		67,5
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
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 Moçambique Limitada	Mozambique	75,0
1178	Grinaker-LTA (Namibia) (Pty) Limited	Namibia	75,0
2001/000387/07	Grinaker-LTA Properties (Pty) Limited		100,0
631/1994	Infraset Swazi (Pty) Limited	Swaziland	75,0
9666	Infraset Zambia Limited	Zambia	67,5
2006/024815/07	JSG Developments (Pty) Limited		25,0
80/148	Karibib Mining and Construction Company (Namibia) Limited	Namibia	75,0
1989/006995/07	Keyplan (Pty) Limited		75,0
2007/0435	Keyplan Water Treatment (Pty) Limited	Namibia	75,0
1979/003513/07	KZN Reinforcing and Fixing Services (Pty) Limited		25,0
2003/016205/07	Lennings Rail Services (Pty) Limited		75,0
2002/003353/07	Lesedi Tracks (Pty) Limited		18,8

Registration number	Company	Country of incorporation or registration (if not RSA)	Group effective % holding at Aveng level
77/129	Lesotho Reinforcing (Pty) Limited	Lesotho	75,0
18316	LTA Mali SA	Mali	75,0
C-02492	McConnell Dowell (American Samoa) Limited	American Samoa	100,0
ACN008444880	McConnell Dowell Corporation Limited	Australia	100,0
ACN002929017	McConnell Dowell Constructors (Aust.) Pty Limited	Australia	100,0
	McConnell Dowell Constructors Lao Company Limited	Laos	100,0
AK/78238	McConnell Dowell Constructors Limited	New Zealand	100,0
108454822312	McConnell Dowell Constructors Thai Limited	Thailand	100,0
993	McConnell Dowell (Fiji) Limited	Fiji	100,0
ACN003207270	McConnell Dowell Holdings Pty Limited	Australia	100,0
	McConnell Dowell International Limited	Hong Kong	100,0
A199608206	McConnell Dowell Philippines Inc.	Philippines	100,0
	McConnell Dowell (PNG) Limited	Papua New Guinea	100,0
	McConnell Dowell Pty Limited	Australia	100,0
308/1971	McConnell Dowell South-East Asia Pte Limited	Singapore	100,0
2002/029255/07	Misa Scaffolding (Pty) Limited		75,0
2002/742	Moolman Mining Botswana (Pty) Limited	Botswana	75,0
CA-51210	Moolman Mining Ghana Limited	Ghana	75,0
97-A-500	Moolman Mining Guinea SA	Guinea	75,0
78962	Moolman Mining Zambia Limited	Zambia	75,0
	PT. McConnell Dowell Indonesia	Indonesia	94,0
113/I/PMA/2000	PT. McConnell Dowell Services	Indonesia	100,0
9745	Rehm Grinaker Construction Company Limited	Mauritius	32,3
1966/005453/07	Reinforcing Fixing Services (Pty) Limited		75,0
1978/003880/07	RPP Developments (Pty) Limited		7,5
2007/033907/07	RPP JV Properties (Pty) Limited		30,0
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
1972/006101/07	Trident Steel (Pty) Limited		75,0
2000/024996/07	Trident Steel Intellectual Property (Pty) Limited		75,0
	Tweed River Entrance Sand Bypassing Company Pty Limited	Australia	100,0
2001/017592/07	Wedelin Investments 46 (Pty) Limited		30,0

SHAREHOLDERS' DIARY

Financial year end	30 June
Annual general meeting	22 October 2010
Publication of results –	
• Half year ended 31 December 2010	14 March 2011
• Year ended 30 June 2011	5 September 2011

DIVIDEND

Dividend number	12
SA cents per share	145
Date declared	Monday, 6 September 2010
Last date to trade cum dividend	Friday, 8 October 2010
Trading ex dividend commences	Monday, 11 October 2010
Record date to receive dividend	Friday, 15 October 2010
Payment date	Monday, 18 October 2010

	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 1 000 shares	3 226	52,52	1 378 610	0,35
1 001 – 10 000 shares	1 936	31,52	6 287 005	1,59
10 001 – 50 000 shares	470	7,65	10 935 763	2,76
50 001 – 500 000 shares	383	6,24	64 199 934	16,21
500 001 – 1 000 000 shares	65	1,06	45 823 505	11,57
1 000 001 shares and over	62	1,01	267 381 755	67,52
Totals	6 142	100,00	396 006 572	100,00

	Number of shareholders	%	Number of shares	%
Distribution of shareholders				
Banks	138	2,24	121 361 972	30,65
Close corporations	70	1,14	129 817	0,03
Endowment funds	60	0,98	1 367 788	0,35
Individuals	4 137	67,35	7 579 180	1,91
Insurance companies	61	0,99	48 309 196	12,20
Investment companies	54	0,88	17 283 118	4,36
Medical aid schemes	22	0,36	562 879	0,14
Mutual funds	318	5,18	85 333 196	21,55
Nominees and trusts	817	13,30	3 989 280	1,01
Other corporations	35	0,57	47 152	0,01
Private companies	141	2,30	1 580 924	0,40
Public companies	9	0,15	72 965	0,02
Retirement funds	279	4,54	102 370 719	25,85
Share trust	1	0,02	6 018 386	1,52
Totals	6 142	100,00	396 006 572	100,00

	Number of shareholders	%	Number of shares	%
Public/non-public shareholders				
Non-public shareholders	4	0,07	6 037 156	1,52
Directors and associates	3	0,05	18 770	0,00
Share trust	1	0,02	6 018 386	1,52
Public shareholders	6 138	99,93	389 969 416	98,48
Totals	6 142	100,00	396 006 572	100,00

	Number of shares	%
Beneficial shareholders holding 3% or more		
Government Employees Pension Fund	56 818 486	14,35
Old Mutual	33 873 227	8,55
Liberty Group	13 769 739	3,48
Metal and Engineering Industries	13 128 827	3,32
Momentum	12 712 817	3,20
Totals	130 303 096	32,90
Foreign custodians in excess of 3%		
State Street Bank & Trust Co (custodian)	29 233 422	7,38
Northern Trust (custodian)	26 506 917	6,69
JP Morgan (custodian)	24 599 139	6,22
Totals	80 339 478	20,29

	Number of shareholders	%	Number of shares	%
Geographical holdings by owner				
South Africa	5 719	93,11	238 455 951	60,21
United States	116	1,89	96 610 463	24,40
United Kingdom	130	2,12	41 182 538	10,40
Other	177	2,88	19 757 620	4,99
Totals	6 142	100,00	396 006 572	100,00

Notice is hereby given that the sixty-sixth annual general meeting of Aveng Limited (registration number 1944/0181191/06) ("the Company") will be held in the boardroom of the Company, 204 Rivonia Road, Morningside on Friday, 22 October 2010 at 10:00.

The meeting will deal with the following business:

ORDINARY BUSINESS

Ordinary resolution number 1

To receive and adopt the annual financial statements of the Company and the consolidated annual financial statements of the Company and its subsidiaries for the year ended 30 June 2010, including the reports of the directors and auditors.

Ordinary resolution number 2

To re-appoint Ernst & Young Inc. as the auditors of the Company until the next annual general meeting and that Mr WK Kinnear be appointed as the individual registered auditor who undertakes the audit of the Company for that period.

Ordinary resolution number 3

To re-elect as a director of the Company, Mr WR Jardine who retires by rotation in terms of the Company's articles of association and being eligible, offers himself for re-election.

Ordinary resolution number 4

To re-elect as a director of the Company, Mr JJA Mashaba who retires by rotation in terms of the Company's articles of association and being eligible, offers himself for re-election.

Ordinary resolution number 5

To re-elect as a director of the Company, Mr MJD Ruck who retires by rotation in terms of the Company's articles of association and being eligible, offers himself for re-election.

Ordinary resolution number 6

To re-elect as a director of the Company, Mr PK Ward who retires by rotation in terms of the Company's articles of association and being eligible, offers himself for re-election.

Ordinary resolution number 7

To re-elect as a director of the Company, Prof MA Hermanus, who was appointed as a non-executive director of the Company on 9 September 2009 and who, in terms of the Company's articles of association, retires at this annual general meeting and being eligible, offers herself for re-election.

Ordinary resolution number 8

To re-elect as a director of the Company, Mr KC Rumble, who was appointed as a non-executive director of the Company on 9 September 2009 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.

Ordinary resolution number 9

To re-elect as a director of the Company, Mr HJ Verster, who was appointed as an executive director of the Company on 1 September 2010 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.

The profiles of directors standing for re-election appear on pages 24 and 25 of the annual report of which this notice forms part.

Ordinary resolution number 10

To approve that following a benchmarking exercise using external advisors, the proposed fees be payable to non-executive directors with effect from 1 October 2010, as follows:

Board/committee	Current fees R	Number of formal meetings per annum	**Total proposed fee R**
Non-executive Chairman	685 000	5	**726 000**
Non-executive directors	225 000	5	**239 000**
Ad hoc meetings	20 000[2]	Ad hoc	**21 000[2]**
Subsidiary boards	120 000	4	**127 000**
McConnell Dowell travel allowance	55 000[1]	Ad hoc	**58 000[1]**
Chairman of the audit committee	185 000	4	**213 000**
Member of the audit committee	110 000	4	**120 000**
Subsidiary board audit committees	60 000	4	**65 000**
Chairman of remuneration and nomination committee	140 000	4	**161 000**
Member of the remuneration and nomination committee	60 000	4	**64 000**
Chairman of the risk committee	n/a	4	**161 000**
Member of the risk committee	n/a	4	**64 000**
Chairman of the safety, health and environment committee	130 000	4	**139 000**
Member of the safety, health and environment committee	50 000	4	**53 000**
Chairman of the transformation committee	100 000	4	**139 000**
Member of the transformation committee	40 000	4	**53 000**
Chairman of the investment committee	8 000[1]	Ad hoc	**8 500[1]**
Member of the investment committee	6 000[1]	Ad hoc	**6 400[1]**
Member of the tender risk committee	5 000[1]	Ad hoc	**5 500[1]**

1 = per meeting attended.
2 = per meeting in excess of the five scheduled meetings a year.

Note: The fee payable to the Chairman of the board and the Chairmen of the board's committees includes the fee for being a member of the board in the case of the Chairman of the board, and the relevant committees, in the case of the committee chairmen.

Advisory resolution

To adopt the Remuneration Policy of the Company by way of a non-binding advisory vote.

The Remuneration Policy is set out on pages 158 and 159 of the annual report.

SPECIAL BUSINESS

Special resolution number 1

"Resolved as a special resolution that the acquisition 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 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 share capital of the Company 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 in the share capital of the Company 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 earlier;
- any repurchase of the ordinary shares of the Company in terms of this authority 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 repurchase is effected;
- at any point in time, the Company may only appoint one agent to effect any repurchases on behalf of the Company;
- 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 in the share capital of the Company during a prohibited period as defined in the Listings Requirements of the JSE unless the Company has a repurchase programme in place 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 on SENS containing details of such repurchases should be made; and
- upon entering the market to proceed with the repurchase, the Company's sponsor has confirmed the adequacy of the Company and its subsidiaries' working capital for the purposes of undertaking a repurchase of shares, in accordance with the Listings Requirements of the JSE."

The reason for this special resolution is to authorise the directors, if they deem it appropriate and in the interests of the Company, to procure that the Company or subsidiaries of the Company acquire or purchase ordinary shares issued by the Company subject to the restrictions contained in the above resolution.

The effect of this special resolution will be to authorise the directors of the Company to procure that the Company or subsidiaries of the Company acquire or purchase shares issued by the Company on the JSE in terms of the JSE Listings Requirements.

The general authority granted by this resolution will lapse on the earlier of the date of the next annual general meeting of the Company or the date 15 months after the date on which this resolution was passed.

The directors, after considering the effect of a repurchase up to 20% of the Company's ordinary shares, must be of the opinion that if such repurchase is implemented:

(i) the Company and its subsidiaries will be able to pay their debts in the ordinary course of business for a period of 12 months after the date of this notice;
(ii) recognised and measured in accordance with the accounting policies used in the latest audited annual Group financial statements, the assets of the Company and its subsidiaries will exceed the liabilities of the Company and its subsidiaries for a period of 12 months after the date of this notice;
(iii) the ordinary capital and reserves of the Company and its subsidiaries will be adequate for the purposes of the business of the Company and its subsidiaries for the period of 12 months after the date of this notice; and
(iv) the working capital of the Company and its subsidiaries will be adequate for the purposes of the business of the Company and its subsidiaries for the period of 12 months after the date of this notice.

The directors consider that such general authority should be put in place in order to permit a repurchase by the Company or its subsidiaries of the ordinary shares of the Company should an opportunity to do so, which is in the best interests of the Company and its shareholders, present itself during the year.

The Company will ensure that its sponsor will provide the necessary letter on the adequacy of the working capital in terms of the JSE Listings Requirements, prior to the commencement of any purchase of the Company's shares on the open market.

In terms of the JSE Listings Requirements for special resolution number 1, the following general information is included in the annual report:

(i) Directors (pages 24 and 25).
(ii) Major shareholders (page 245).
(iii) There have been no material changes since 30 June 2009 (page 174).
(iv) Directors' interests in securities (page 231).
(v) Share capital of the Company (page 209).
(vi) Material litigation (pages 41 and 220).

VOTING AND PROXIES

On a show of hands every member present in person or represented in terms of section 188 of the Companies Act shall have one vote, and on a poll every member present in person or by proxy or so represented shall have one vote for every share held by such member.

A member entitled to attend, speak and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in place of that member. A proxy need not be a member of the Company.

Registered holders of certificated Aveng Limited shares and holders of dematerialised Aveng Limited shares in their own name, and who are unable to attend the annual general meeting and who wish to be represented at the meeting, must complete and return the attached form of proxy in accordance with the instructions contained in the form of proxy so as to be received by the share registrar, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by no later than 12:00 on Wednesday, 20 October 2010.

Holders of Aveng Limited shares (whether certificated or dematerialised) through a nominee, should timeously make the necessary arrangements with that nominee or, if applicable, Central Securities Depository Participant (CSDP) or broker to enable them to attend and vote at the annual general meeting or to enable their vote in respect of their Aveng Limited shares to be cast at the annual general meeting by that nominee or a proxy or a representative.

The directors whose names appear on pages 24 and 25 of the annual report collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the notice of the annual general meeting contains all information required by law and the JSE Listings Requirements.

By order of the board

KE ROBINSON
Company Secretary

6 September 2010

Aveng Limited
204 Rivonia Road
Morningside
2057
Republic of South Africa

THE AVENG GROUP

AVENG LIMITED
Incorporated in the Republic of South Africa (Registration number 1944/018119/06), ("Aveng" or "Company")

For use by the registered holders of certificated Aveng shares and the holders of dematerialised Aveng shares in their own name at the annual general meeting of the Company to be held in the boardroom of the Company, 204 Rivonia Road, Morningside on Friday, 22 October 2010 at 10:00.

Holders of Aveng Limited shares (whether certificated or dematerialised) through a nominee must not complete this form of proxy, but should timeously make the necessary arrangements with that nominee or, if applicable, Central Securities Depository Participant or broker, to enable them to attend and vote at the annual general meeting or to enable their votes in respect of their Aveng Limited shares to be cast at the annual general meeting by that nominee or a proxy or a representative.

I/We

of

telephone (work) (home)

being the holders of ordinary shares in the Company, hereby appoint (see note 1):

or failing him/her

or failing him/her

the Chairman of the annual general meeting, as my/our proxy to vote on my/our behalf at the annual general meeting, which will be held for the purpose of considering and, if deemed fit, passing with or without modification the special and ordinary resolutions to be proposed at the annual general meeting and at each adjournment of the annual general meeting and to vote for or against the special and ordinary resolutions or to abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name/s, in accordance with the following instructions (see note 2):

	Proposed resolutions	For	Against	Abstain
1.	Approval of the annual financial statements			
2.	Re-appointment of Ernst & Young Inc. as the Company's auditors			
3.	To re-elect Mr WR Jardine as a director of the Company			
4.	To re-elect Mr JJA Mashaba as a director of the Company			
5.	To re-elect Mr MJD Ruck as a director of the Company			
6.	To re-elect Mr PK Ward as a director of the Company			
7.	To re-elect Prof MA Hermanus as a director of the Company			
8.	To re-elect Mr KC Rumble as a director of the Company			
9.	To re-elect Mr HJ Verster as a director of the Company			
10.	Approval of fees payable to non-executive directors of the Company			
11.	To adopt the Remuneration Policy of the Company			
12.	Special resolution: general authority to repurchase shares			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you wish to vote (see note 2).

Signed at on 2010

Signature

Assisted by me (where applicable)

Each member is entitled to appoint one or more proxies (who need not be a member of the Company) to attend, speak and vote in place of that member at the annual general meeting.

Please read the notes on the reverse side hereof.

NOTES TO THE PROXY

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the Chairman of the annual general meeting", but any such deletion must be initialled by the member. The person whose name appears first on the form of proxy 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 in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit. A member may instruct the proxy to vote fewer than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A member who fails to do so will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the member's votes exercisable at the annual general meeting.

3. Forms of proxy must be lodged with or posted to the Company's share registrar, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received by no later than 12:00 on Wednesday, 20 October 2010.

4. The completion and lodging of this form of proxy will not preclude the member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointment in terms thereof, should each member wish to do so.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (eg for a company, close corporation, trust, pension fund, deceased estate, etc), must be attached to this form of proxy unless previously recorded by the Company's share registrar or waived by the Chairman of the annual general meeting.

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

7. A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the share registrar of the Company.

8. Where there are joint holders of shares in the Company, any one of such persons may, alone, sign this form of proxy in respect of such shares as if such person was the sole holder; but if more than one of such joint holders submits a form of proxy, the form of proxy, if accepted by the Chairman of the annual general meeting, submitted by the holder whose name appears first in the Company's share register, will be accepted to the exclusion of any other forms of proxy submitted by any other joint holder(s).

9. The Chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these notes if the Chairman of the annual general meeting is satisfied as to the manner in which the member wishes to vote.

SECRETARY
KE Robinson

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FirstRand Bank Limited
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Nedbank Limited
The Hong Kong and Shanghai Banking Corporation Limited
The Standard Bank of South Africa Limited

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