Scope of report

CONTENTS

Integrated reporting

This is the Aveng Group's first integrated report. The report provides an overview of the group's commitment to ensure that economic, social and environmental sustainability permeates across the business and helps shape its overall business strategy, philosophy and practice. The report has taken cognisance of the recommendations of the King Report on Governance for South Africa, 2009 (King III), which recognises the need to reflect the impact of economic, social and environmental issues of business performance. Considerable effort has gone toward presenting concise, strategically focused information to our stakeholders in this report. In this respect, a combined Chairman's/CEO's report is provided, offering the reader a shared, integrated, high-level overview of the group's performance and outlook. The report is deliberately more compact, in line with requests from key stakeholder groups. Supplementary, more detailed information has been provided on our website www.aveng.co.za.

Scope of report

The Aveng Group is a leading infrastructure development company, listed on the JSE since 1999. This report provides an overview of the South African and the international operations of the group for the financial year ended 30 June 2011. The Aveng Group consists of Aveng Limited and its subsidiaries. The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act, 71 of 2008, as amended, the Listings Requirements of the JSE Limited and the King Report on Governance for South Africa, 2009 (King III). The sustainability overview has been prepared in accordance with the listing requirements of the JSE SRI Index and King III.

An integrated business approach

The Aveng Group's commitment to an integrated and sustainable business approach is illustrated by:

- Transformation of the group from a silo-based structure to a co-ordinated centre-led, unified group to leverage synergies and ensure economic sustainability
- A corporate vision and mission that articulates the group's commitment to holistic business performance, which furthers social sustainability
- A common DNA and brand architecture which enhances cultural alignment and sustainability
- Deepening management resources in health, safety, environment, transformation and risk, thereby aiding economic, social and environmental sustainability.

This report is also available on **www.aveng.co.za**

AVENG GROUP
Leaders in infrastructure development

The Aveng Group is the largest infrastructure development company in South Africa with a proven track record and presence in key target geographies across the globe.

With its broad exposure across the infrastructure value chain, the Aveng Group has the capacity to deliver multi-disciplinary projects in construction, engineering, mining, water, transportation, rail, steel and manufacturing.

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 positive and lasting legacy of which our stakeholders, their families and future generations will be proud.

Achieved through

- Our ongoing involvement in building iconic structures, landmark buildings, bridges, dams, airports, roads 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 stakeholders.
- Our active contribution to social development and sustainability.

Our values of safety, honesty and accountability underpin the way we expect employees to conduct business and interact with our stakeholders

HOME WITHOUT HARM
EVERYONE EVERYDAY

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

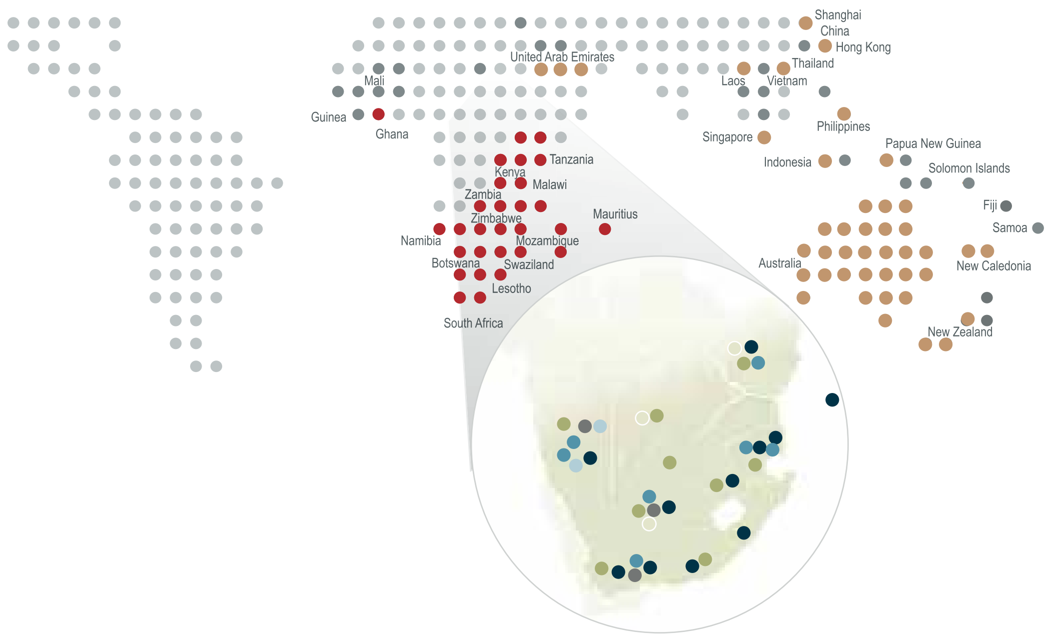
Diverse operational capability

The Aveng Group comprises the following operating groups; leaders in their respective markets:

Note: Aveng (Africa) Limited is an intermediate holding company for five of the operations, namely Aveng Grinaker-LTA, Aveng E+PC, Aveng Water, Aveng Manufacturing and Aveng Moolmans.

Geographic spread and depth of capabilities

In regional terms, the Aveng Group focuses mainly on Africa, Australasia and the Pacific Rim.



Key

● Aveng Grinaker-LTA ● McConnell Dowell ● Aveng E+PC ● Aveng Manufacturing ● Aveng Moolmans ○ Aveng Trident Steel ● Aveng Water ● Aveng Group

The table below sets out the current geographic spread and depth of capabilities.

Country	Key services and expertise	Operating group
Africa		
Mali	Opencast mining services and operations	Aveng Moolmans
Guinea	Opencast mining services and operations	Aveng Moolmans
Ghana	Opencast mining services and operations	Aveng Moolmans
	Engineering, procurement and construction management	Aveng E+PC
	Supply of plate and structural steel products	Aveng Trident Steel
	Supply of mine roof support products	Aveng Manufacturing
Tanzania	Opencast mining services and operations	Aveng Moolmans
	Supply of plate and structural steel products	Aveng Trident Steel
	Supply of mine roof support products	Aveng Manufacturing
Malawi	Engineering, procurement and construction management (EPCM) and plant operations	Aveng E+PC
	Structural steel bridges, EPCM, commissioning of industrial plants and new mine developments. Rehabilitation of motorways	Aveng Grinaker-LTA
	Supply of plate and structural steel products	Aveng Trident Steel
Zambia	Opencast mining services and operations	Aveng Moolmans
	Execution of projects ranging from feasibility studies, front-end engineering design, EPCM to plant commissioning and operations	Aveng E+PC
	Supply of plate and structural steel products	Aveng Trident Steel
	Services in mining and power sectors, shaft sinking, mine development, project management and design work. Building works in the infrastructure and commercial sectors	Aveng Grinaker-LTA
	Supply of mine roof support products. Supply and construction of reinforced steel and mesh and fencing products	Aveng Manufacturing

Country	Key services and expertise	Operating group
Africa (continued)		
Zimbabwe	Operational support	Aveng E+PC
	Supply of plate and structural steel products	Aveng Trident Steel
	Supply of mine roof support products	Aveng Manufacturing
Namibia	Opencast mining services and operations	Aveng Moolmans
	Mine infrastructure, road construction, building works, civil and earthworks and opencast mining, construction and maintenance work	Aveng Grinaker-LTA
	Desalination plant, water treatment design, construction and operation	Aveng Water
	Execution of projects from feasibility studies, front-end engineering design, EPCM to plant commissioning	Aveng E+PC
	Supply of plate and structural steel products	Aveng Trident Steel
	Supply of mine roof support products. Railtrack construction, rehabilitation and mechanised maintenance. Supply and construction of reinforced steel and mesh and fencing products	Aveng Manufacturing
Mozambique	Technology and solution providers for desalination projects	
	Building works, civil engineering and earthworks engineering	Aveng Grinaker-LTA
	Execution of projects from feasibility studies, front-end engineering design, EPCM to plant commissioning	Aveng E+PC
	Supply of plate and structural steel products	Aveng Trident Steel
	Supply of main line railway sleepers, infrastructure and landscape precast products. Rail track construction, rehabilitation and mechanised maintenance	Aveng Manufacturing
Botswana	Opencast mining services and operations	Aveng Moolmans
	Road maintenance, mining and water infrastructure sectors	Aveng Grinaker-LTA
	Supply of plate and structural steel products	Aveng Trident Steel
	Supply of mine roof support products. Supply and construction of reinforced steel and fencing products	Aveng Manufacturing
Swaziland	Civil engineering, earthworks engineering, various railway maintenance and new build services	Aveng Grinaker-LTA
	Supply of main line railway sleepers, infrastructure and landscape precast products. Rail track construction, rehabilitation and mechanised maintenance	Aveng Manufacturing
Lesotho	Supply of infrastructure and landscape precast products. Supply and construction of reinforced steel and mesh fencing products	Aveng Manufacturing
	Water, infrastructure, retail and commercial construction and development services	Aveng Grinaker-LTA
South Africa	Opencast mining services and operations	Aveng Moolmans
	Supply of plate and structural steel products	Aveng Trident Steel
	Road construction, mine infrastructure, mine rehabilitation, multi-disciplinary construction and engineering works, structural, mechanical, electrical, instrumentation, piping, mining, shaft sinking, transport infrastructure, industrial, oil and gas, power and water, retail and commercial construction, project management facades	Aveng Grinaker-LTA
	Water treatment design, construction and operation	Aveng Water
	Execution of several projects from feasibility studies, front-end engineering design, EPCM to plant commissioning and operations	Aveng E+PC
	Mining roof support products. Products and services to the geotechnical, civil engineering and tunnelling industries. Manufacture and supply of concrete main line railway sleepers, turnout sleepers, universal sleepers, mine sleepers, pipes, culverts and landscape products. Rail track construction, rehabilitation and mechanised maintenance. Supply and construction of reinforced steel and mesh fencing products	Aveng Manufacturing

Geographic spread and depth of capabilities continued

Country	Key services and expertise	Operating group
Africa (continued)		
Mauritius	Multidisciplinary construction and engineering works, infrastructure, retail and commercial construction	Aveng Grinaker-LTA
	Supply of plate and structural steel products	Aveng Trident Steel
Kenya	Supply of plate and structural steel products	Aveng Trident Steel
Asia		
United Arab Emirates	Design, construction and maintenance related services that cover civil, building, electrical, mechanical, marine, pipeline, tunnelling and rail in the oil and gas, mining and metals, ports and heavy industrial processing sectors, including a fabrication facility supplying structural steel, piping and precast concrete elements	McConnell Dowell
China	Procurement management and quality control activities for materials being fabricated and purchased in China and exported to other countries for projects	McConnell Dowell
Hong Kong	Design, construction and maintenance-related capabilities that include civil, building, electrical, mechanical, marine, pipeline, tunnelling and rail predominantly in transport, water and other public utilities	McConnell Dowell
Thailand	Design, construction and maintenance-related services that include civil, building, electrical, mechanical, marine, pipeline, tunnelling and rail predominantly in the mining, oil and gas, ports, public utilities, heavy industrial and manufacturing, fabrication facility supplying structural steel, pre-assembled modules and piping	McConnell Dowell
Laos	Design, construction and maintenance-related services in the mining sector	McConnell Dowell
Singapore	Design, construction and maintenance-related services that include civil, building, electrical, mechanical, marine, pipeline, tunnelling and rail in the transport, water, power, ports, mining, oil and gas and petrochemical sectors	McConnell Dowell
Philippines	Design, construction and maintenance-related services that include civil, building, electrical, mechanical, marine, pipeline, tunnelling and rail in the transport, water, power, mining and oil and gas sectors	McConnell Dowell
Indonesia	Design, construction and maintenance-related services that include civil, building, electrical, mechanical, marine, pipeline, tunnelling and rail in the power, mining, ports and oil and gas sectors, fabrication facility supplying structural steel, piping, pre-assembled modules and precast concrete	McConnell Dowell
Australia and surrounds		
Australia	Design, construction and maintenance-related services that include civil, building, electrical, mechanical, marine, pipeline, tunnelling and rail in the transport, water, power, mining, oil and gas, petrochemical, port, pipelines, tunnelling, rail, commercial building and defence sectors	McConnell Dowell
Papua New Guinea	Design, construction and maintenance-related services that include civil, building, electrical, mechanical, marine, pipeline, tunnelling and rail in the mining and oil and gas sectors	McConnell Dowell
New Caledonia	Design, construction and maintenance-related services in mining infrastructure	McConnell Dowell
New Zealand	Design, construction and maintenance-related services that include civil, building, electrical, mechanical, marine, pipeline, tunnelling and rail in the transport, water, power, mining, oil and gas and petrochemical sectors	McConnell Dowell

Key projects across the globe

These projects showcase the broad capabilities within the Aveng Group. For more projects see operational reports (pages 70 to 81) and the website **www.aveng.co.za.**

South Africa
Two Rivers Mining Project

Australia
Adelaide Desalination Plant

South Africa
Medupi Power Station

Guinea
Siguiri Gold Mine

Mozambique
Moma Sands Expansion

Lesotho
Lesotho Referral Hospital

Singapore
Lighter Wharf and Ancillary Facilities

South Africa
Overhead track maintenance vehicle

South Africa
Gauteng Freeway Improvement Project Package C

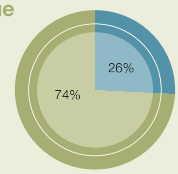
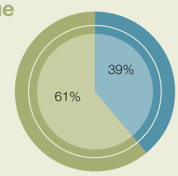
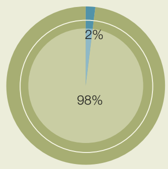
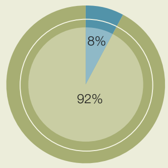
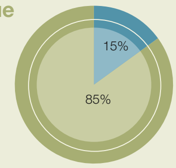
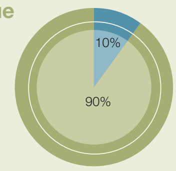
Indonesia
Toka Tindung Mine

Namibia
Trekkopje Uranium Project – Seawater Desalination

South Africa
Blanking press

Group overview

This double page spread is intended to give the reader an overview of the group at a glance. Further information on operating groups is provided in the operational review section of this report (pages 70 to 81).

Operating group	Description	Contribution to group revenue
AVENG GRINAKER-LTA	Aveng Grinaker-LTA is a multi-disciplinary construction and engineering group, anchored in South Africa, with expertise in a number of market sectors: power, mining, infrastructure, commercial and industrial, oil and gas. More information on www.avenggrinaker-lta.co.za	**26% of group revenue** 
McCONNELL DOWELL CREATIVE CONSTRUCTION™	Australian based, McConnell Dowell Corporation Limited operates predominantly in the Eastern Time Zone, and is a major engineering, construction, building and maintenance contractor servicing the building, infrastructure and resources markets with expertise in building, rail, civil, electrical, marine, mechanical pipelines, fabrication, tunnelling and underground services. More information on www.mcconnelldowell.com	**39% of group revenue** 
AVENG epc	Aveng E+PC Engineering & Projects Company offers engineering, design and project delivery services as well as the operation and maintenance of metallurgical processing plants. More information on www.avenge-pc.co.za	**2% of group revenue** 
AVENG MANUFACTURING	Aveng Manufacturing manufactures and supplies a diverse range of steel and concrete products, services and engineered solutions in mining, construction and building sectors and also undertakes rail construction and maintenance projects in the rail sector. More information on www.avengman.com	**8% of group revenue** 
AVENG TRIDENT STEEL	Aveng Trident Steel supplies a wide product range to the steel industry in South Africa as well as internationally from its extensive steel yards, modern and comprehensive steel processing service centres, speciality steel division and tube manufacturing plant. More information on www.avengtridentsteel.co.za	**15% of group revenue** 
AVENG MOOLMANS	Aveng Moolmans owns and operates heavy mining equipment and is a major surface mining contractor in Africa, which offers contract mining services that include short- and medium-term planning, drilling and blasting, selective mining and general waste removal for selected clients. More information on www.avengmoolmans.co.za	**10% of group revenue** 
AVENG WATER	Aveng Water is positioned to play a key role in the delivery of advanced water solutions in southern Africa and Australia. It is driven by a highly qualified team experienced in implementing custom designed, innovative water treatment solutions. More information on www.avengwater.co.za	**Aveng Water will report from the 2012 financial year**

An **integrated** brand

In early 2011, a new brand architecture for the Aveng Group was launched. This followed research conducted in 2009 and 2010 among key stakeholders on the most optimal way to position the brand for growth. The new brand architecture supports the group's growth strategy and commitment to unite teams across all operations. Together the Aveng Group is a united, leading force in the industry.

Revenue (Rm)	Training investment 2011	Safety performance (RIFR)	Employees
2010: 10 001 2011: 8 850	Training: R20 million Bursaries: R4 million	2010: 1,01 2011: 1,06	14 473 (2010: 14 005)
2010: 12 981 2011: 13 281	Training: R10,6 million	2010: 1,71 2011: 1,24	5 221 (2010: 7 586)
2010: 781 2011: 725	Training: R278 885 Bursaries: R217 000	2010: 0,94 2011: 0,65	580 (2010: 490)
2010: 2 486 2011: 2 697	Training: R3 million Bursaries: R674 895	2010: 1,51 2011: 1,81	2 888 (2010: 2 745)
2010: 4 451 2011: 5 110	Training: R5,8 million	2010: 3,95 2011: 3,17	1 865 (2010: 1 907)
2010: 3 261 2011: 3 365	Training: R5 million Bursaries: R108 709	2010: 0,97 2011: 0,95	4 569 (2010: 3 966)

Integrated DNA

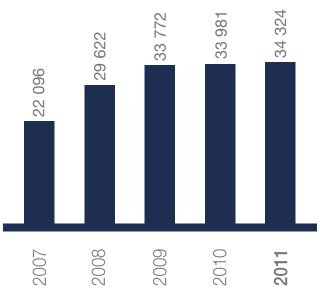
A group-wide DNA will enhance common values, business philosophies and practices across the group

Business **synergies**

The new brand architecture has strengthened group synergies and joint co-operation on key projects

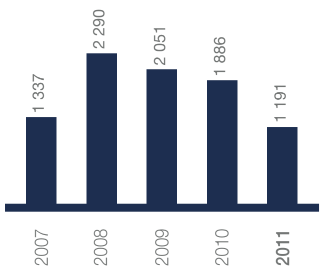
Performance highlights

Revenue
R million



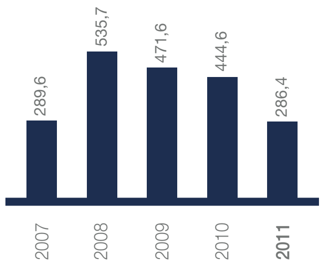
R34,3 billion
1% increase on 2010

Headline earnings
R million



R1,2 billion
36,9% decrease on 2010

Diluted headline earnings per share
Cents



286,6 cents
35,5% decrease on 2010

Summary of key performance highlights

	2011 Rm	2010 Rm	% change	**2011* USDm**	2010* USDm
Financial results					
Revenue	**34 324**	33 981	1	**4 870**	4 458
Operating profit before depreciation and amortisation	**2 615**	3 171	(18)	**371**	416
Operating profit before non-trading items	**1 490**	2 092	(29)	**211**	274
Headline earnings	**1 191**	1 886	(37)	**169**	247
Ordinary share performance (cents per share)					
Headline earnings	**306,4**	483,6	(37)	**43,5**	63,4
Diluted headline earnings	**286,6**	444,4	(35)	**40,7**	58,3
Dividend – Number 13 ordinary	**145,0**	145,0		**20,6**	19,0
Cash flow					
Cash generated by operations	**2 430**	3 199	(24)	**345**	419

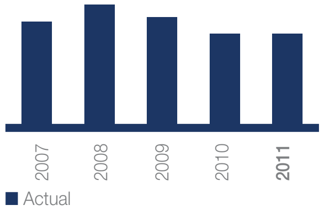
**Provided for information purposes only. The current and comparative US dollar figures do not form part of the statutory financial statements.*

	2011	2010
Exchange rate		
Rand to USD – Closing rate	**6,79**	7,66
– Average rate	**7,05**	7,62
Rand to AUD – Closing rate	**7,28**	6,51
– Average rate	**6,95**	6,67
Environmental		
Energy consumption (electrical) (kWh)	**39 355 819**	
Water consumption (municipal) (kℓ)	**1 334 244**	
Carbon emissions (tCO_2e)	**487 295**	
Social		
Recordable injury frequency rate (RIFR)	**1,22**	1,30
CSI spend (Rm)	**22,6**	20,8
Enterprise development spend (Rm) (Two-year investment)	**60**	
Cultural		
Average training spend per employee (R)	**R3 058**	R2 597
Training investment (Rm)	**46**	42

**assured*

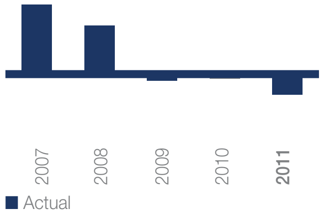
1. Return on average equity (%)

	Average	2007	2008	2009	2010	**2011**
CPI	5,9	5,4	9,3	10,2	5,7	**3,9**
Actual	15,5	18,4	21,3	19,2	16,3	**9,5**



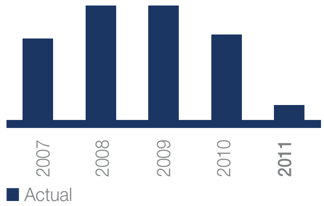
2. Growth in diluted headline earnings per share (%)

	Average	2007	2008	2009	2010	**2011**
CPI	6,2	5,4	9,3	10,2	5,7	**3,9**
Actual	39,9	121,7	85,0	(10,9)	(7,0)	**(35,5)**



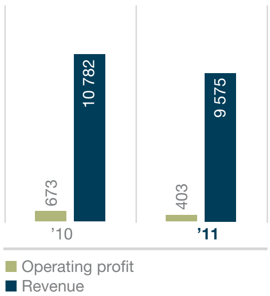
3. Earnings before interest and taxation (EBIT margin) (%)

	Average	2007	2008	2009	2010	**2011**
Actual	4,9	5,9	8,2	6,2	6,2	**4,3**

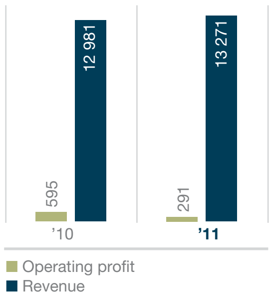


Operating profit and revenue by segment

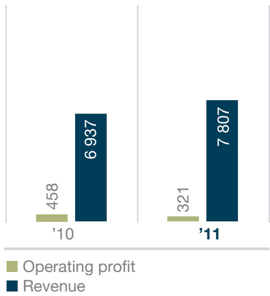
Construction and engineering
South Africa



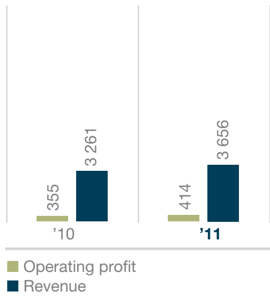
Construction and engineering
Australia



Manufacturing and processing



Opencast mining



A summary of key achievements in the year under review

Financial	People	Safety	Ethics	Corporate governance	Communities	Environment
Maintained strong balance sheet	Training increased to R44,6 million	More visible leadership	Rollout of anti-corruption framework	Revised all committee charters to bring responsibilities in line with King III.	CSI spend up to R22,7 million	Three operating groups achieved ISO14001 certification
Order book strengthened	Emerging talent identified in group-wide succession review	OHSAS 18001 certification for most business	Business code of conduct signed by staff		Third annual staff volunteerism programme in communities	Policy refined
Efficiency improvements	Strengthened management team	6% reduction in RIFR (1,22)	Refresher training on competition law	Appointment of two additional independent non-executive directors	Enterprise spend of R60 million (over two years)	Publicly disclosed the Carbon Disclosure Project (CDP)

Five-year financial review

	Years ended 30 June				
	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
Consolidated statement of financial position					
Property, plant and equipment	**6 021**	5 146	5 062	3 513	2 533
Goodwill and other intangibles	**1 481**	1 085	1 093	823	780
Investments	**223**	211	119	108	173
Deferred tax	**1 019**	982	612	680	477
Inventories and receivables	**10 198**	8 890	7 919	7 393	5 660
Cash and cash equivalents	**5 611**	7 828	7 910	9 491	9 886
Total assets	**24 553**	24 142	22 715	22 008	19 509
Deferred tax	**832**	655	240	324	291
Payables	**10 512**	10 900	11 110	10 552	6 625
Interest-bearing borrowings	**294**	367	479	603	1 604
Total liabilities	**11 638**	11 922	11 829	11 479	8 520
Non-controlling interests	**(3)**	5	21	13	5
Total equity attributable to owners of the parent	**12 915**	12 220	10 886	10 529	10 989
Consolidated statement of comprehensive income					
Revenue	**34 324**	33 981	33 772	29 622	22 093
Operating profit before depreciation	**2 615**	3 171	3 032	3 077	1 754
Depreciation	**1 101**	1 063	936	653	460
Amortisation of intangibles	**24**	17	17		
Operating profit before non-trading items	**1 490**	2 091	2 079	2 424	1 294
Non-trading items	**(14)**	(13)	49	11	6 147
Operating profit	**1 476**	2 078	2 128	2 435	7 441
Share of profits and losses from associates and joint ventures	**(7)**	61	67	19	426
Income from investments	**347**	472	757	946	241
Operating income	**1 816**	2 611	2 952	3 400	8 108
Interest paid	**59**	17	42	80	155
Profit before taxation	**1 757**	2 594	2 910	3 320	7 953
Taxation	**584**	722	809	1 011	468
Profit for the period	**1 173**	1 872	2 101	2 309	7 485
Other comprehensive income/(loss) for the year:					
Exchange differences on translation of foreign operations	**209**	1	(266)		
Total comprehensive income for the year	**1 382**	1 893	1 835	2 309	7 485
Profit for the year attributable to:					
Equity holders of Aveng Limited	**1 177**	1 873	2 091	2 301	7 483
Non-controlling interests	**(4)**	(1)	10	8	2
Profit for the year	**1 173**	1 872	2 101	2 309	7 485
Total comprehensive income attributable to:					
Equity holders of Aveng Limited	**1 386**	1 874	1 827	2 301	7 483
Non-controlling interests	**(4)**	(1)	8	8	2
	1 382	1 873	1 835	2 309	7 485
Determination of headline earnings					
Profit for the year attributable to equity holders of Aveng Limited	**1 177**	1 873	2 091	2 301	7 483
Headline earnings adjustment	**14**	13	(40)	(11)	(6 146)
Headline earnings	**1 191**	1 886	2 051	2 290	1 337
Consolidated statement of cash flows					
Cash available from operating activities	**390**	1 793	2 635	4 970	2 394
Dividends paid	**(565)**	(579)	(1 138)	(331)	(148)
Net cash from operating activities	**(175)**	1 214	1 497	4 639	2 246
Net cash (utilised)/realised in investing activities	**(2 000)**	(1 175)	(2 491)	(1 412)	6 070
Net cash (utilised)/realised from financing activities	**(371)**	(90)	(482)	(3 678)	(150)
Net (decrease)/increase in cash and cash equivalents	**(2 546)**	(51)	(1 476)	(451)	8 166

	Years ended 30 June 2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
Share performance (cents per share)					
Headline earnings	**306,4**	483,6	528,5	591,4	343,5
Diluted headline earnings	**286,6**	444,4	477,6	535,7	289,6
Earnings	**302,9**	480,3	538,8	594,2	1 922,5
Diluted earnings	**283,3**	441,3	487,0	538,3	1 567,1
Cash flow	**230,0**	667,8	1 000,9	1 413,6	738,8
Net asset value	**3 287,0**	3 084,5	2 743,6	2 639,4	2 772,7
Dividend	**145,0**	145,0	145,0	145,0	85,0
Dividend – special				145,0	
Closing share price	**3 580**	3 445	3 500	5 800	4 995
Returns and productivity					
Borrowings – (decrease)/increase in net borrowings (Rm)	**2 144**	(30,0)	1 457	(607,0)	(8 416,0)
Borrowings – net debt to equity (%)	**(41,2)**	(61,1)	(68,3)	(84,4)	(75,4)
CPI (%)	**3,9**	5,7	10,2	9,3	5,4
Current ratio (times)	**1,5**	1,5	1,4	1,5	2,2
Dividend cover (times)	**2,1**	3,3	3,6	4,0	4,0
Effective tax rate before non-trading items and associated companies (%)	**32,8**	28,3	28,9	30,7	33,9
Margin – gross (%)	**15,5**	16,2	16,9	17,3	16,4
– EBIT (%)	**4,3**	6,2	6,2	8,2	5,9
– EBITDA (%)	**7,6**	9,3	9,0	10,4	7,9
Net interest cover (times)	**(5,1)**	(4,7)	(3,1)	(2,8)	(20,1)
Property, plant and equipment – expansion (Rm)	**1 140,5**	925,7	1 695,2	923,6	434,8
– replacement (Rm)	**677,5**	252,8	1 018,8	865,1	556,5
Return on average capital employed (%)	**14,2**	21,9	25,8	28,6	22,0
Return on average equity (%)	**9,5**	16,3	19,2	21,3	18,4
Revenue per employee (R'000)	**1 110,8**	982,2	1 047,0	1 168,0	919,9
Total liabilities as a % of total shareholders' equity (%)	**90,1**	97,6	108,7	109,0	77,5
Total equity to total assets (%)	**52,6**	50,6	47,9	47,8	56,3
Number of permanent employees at year-end	**30 900**	34 597	32 256	25 361	24 018
Number of shares (million)					
In issue	**393,0**	396,0	396,0	398,5	396,1
Weighted average	**388,7**	390,0	388,0	387,3	389,2
Diluted weighted average	**415,5**	424,4	429,4	428,2	481,1
Stock exchange performance (cents per share)					
Market value per share					
– at year-end	**3 580**	3 445	3 500	5 800	4 995
– highest	**4 500**	4 700	6 992	6 830	5 348
– lowest	**3 265**	3 280	2 365	4 567	2 100
– volume weighted average price	**3 812**	3 844	3 807	5 761	3 629
Earnings yield (%)	**11,9**	13,0	19,0	6,9	4,4
Dividend yield (%)	**4,1**	4,2	4,1	1,5	0,8
Market capitalisation at closing prices (Rm)*	**14 115,0**	13 642,0	13 860,2	23 111,8	19 787,5
Price earnings ratio at year-end	**8,4**	7,7	5,3	14,5	22,7
Value of shares traded (Rm)	**12 478,9**	23 769,8	24 561,0	23 695,2	11 033,5
Number of shares traded (million)	**327,3**	618,4	645,2	411,3	304,0
Average price per share traded (cents)	**3 828**	3 837	3 966	5 747	3 568
Percentage of market capitalisation traded (%)	**88,4**	174,2	177,2	102,5	55,8
Liquidity (%)	**86,3**	161,8	169,4	107,8	79,8
Weekly Rand volume (Rm)	**250**	474	491	476	221
Rand to AUD					
Closing	**7,28**	6,51	6,30	7,58	6,03
Average	**6,95**	6,67	6,63	6,56	5,67
Rand to USD					
Closing	**6,79**	7,66	7,78	7,88	7,09
Average	**7,05**	7,62	8,83	6,56	7,20

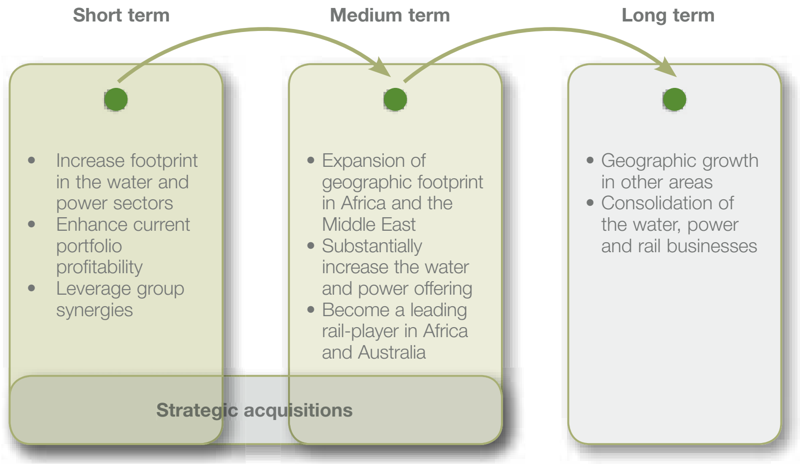
** Market cap based on shares in issue as at 30 June 2011.*

Group strategy

Strategy overview

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 and the rest of Africa
- Consolidating its position as a first-tier participant in Australasia
- Expanding its portfolio by further exploiting the infrastructure value chain internationally to produce value-added services and solutions



1. Optimise, redesign and leverage the current business portfolio to extract greater shareholder value

Rationale

The Aveng Group strives to ensure that the companies within its portfolio become industry leaders based on market share and profitability. Operational performances are therefore reviewed on an ongoing basis and, where performance does not meet the Aveng Group targets, strategic and operational reviews and interventions are initiated to increase shareholder value.

Progress in 2011

As part of its ongoing portfolio review process, the Aveng Group undertook the following interventions in 2011:

- Aveng Grinaker-LTA continued the implementation of the turnaround exercise initiated in 2010 to increase synergies between its business units and to optimise the cost structure of the business.
- Aveng Manufacturing implemented a number of operational improvement initiatives within Aveng Manufacturing Steeledale and Aveng Manufacturing Duraset to improve its cost structure and strategic positioning in the market. Aveng Manufacturing put greater focus on its rail business to capitalise on growth opportunities in the rest of Africa.
- Aveng Trident Steel initiated a number of management interventions to strengthen its position in the market and to improve the profitability of the business by focusing on product portfolio and stock optimisation.
- Aveng Moolmans has continued the turnaround of its South African operations, which was initiated in 2010.
- McConnell Dowell has taken initiatives to improve its project execution capabilities, with a focus on the Pipelines and Mechanical businesses.

Strategic growth focus

Looking ahead, the Aveng Group is embarking on a number of initiatives to drive enhanced shareholder value. These include:

- A focus on driving efficiencies within Aveng Grinaker-LTA, Aveng Manufacturing and Aveng Trident Steel.
- Strengthening commercial and project execution capabilities to reduce and mitigate the risk of loss-making projects within Aveng Grinaker-LTA and McConnell Dowell.
- A review of the group's portfolio to optimise the business model and more effectively realise synergies from cross-sector projects.

2. Build centre-led capabilities

Rationale

The Aveng Group is evolving from its previous silo-orientated structure to a centre-led group with specialist capacity at the corporate office. Its subsidiaries maintain their operational autonomy while operating in a co-ordinated manner to leverage group strengths and opportunities.

Progress in 2011

The focus was on rolling out initiatives started in 2010 to guide the introduction of a more robust capital allocation process, risk management framework, centralised procurement function, talent development plan and succession planning process.

Strategic growth focus

In the coming year, the Aveng Group will continue to implement these initiatives with the objective of achieving operational excellence across each of the operating groups.

- This centre-led group approach ensures uniformity and consistency in philosophy and practice across the group.
- This approach has led to group synergies and cross-group projects.
- Corporate governance across the business has been strengthened as a result of this centre-led operating model.

3. Grow and expand the group's geographical footprint in Africa and the Middle East

Rationale

In line with the Aveng Group's vision to be a leader in infrastructure development in emerging markets, the group is proactively pursuing opportunities outside its core markets while leveraging its strengths and capabilities in home markets.

The Aveng Group seeks to expand its footprint in the rest of Africa, where growth is expected to outpace that of South Africa.

The Aveng Group, which has a presence in the Middle East through McConnell Dowell, has identified this region as a strategic growth area.

Progress in 2011

The Aveng Group has identified steps to further its geographic expansion.

- **Mozambique:** In line with the group strategy, an Aveng Group office has been established in Mozambique to co-ordinate opportunities in construction and manufacturing.
- **Zambia:** Existing mining relationships were leveraged.
- **Middle East and North Africa:** Various expansion strategies are currently being evaluated.
- The Aveng Group growth executive was tasked with focusing on geographic expansion.

Strategic growth focus

The Aveng Group will continue to drive geographic growth through the establishment of regional offices, with a particular focus on the rest of Africa and the Middle East.

- Further to our expansion in Africa and the Middle East, McConnell Dowell continues to expand its footprint in South East Asia.

4. Grow and expand new product areas such as water, power and concessions

Water

Rationale

The Aveng Group has identified water treatment solutions as an area of strategic focus in response to the need to address critical levels of acid mine drainage (AMD) and to meet the demand for high-quality potable water from municipal and industrial users in South Africa and elsewhere.

Progress in 2011

Several significant milestones have been reached in the Aveng Group's strategy to establish the water business as a pillar of growth:

- Aveng Water was launched as an independent operating group within the Aveng Group, which will enable undivided management focus on the Aveng Group's water-related capabilities and opportunities
- Among a list of initial successes, the new operating group delivered its first modular water treatment plant at Kromdraai, executed its first AMD contract in Australia and secured the operations and maintenance contract for Areva's Erongo Desalination plant in Namibia
- The Aveng Group acquired Dynamic Fluid Control (DFC), a leading manufacturer of water and mining valves

Strategic growth focus

Looking forward, Aveng Water will be focusing its energies in the following areas:

- Expand Aveng Water's footprint and strengthen its market leadership position in South Africa, Australia and elsewhere, by investing in innovative means to treat AMD
- Increase the Aveng Group's water footprint within the seawater desalination, waste water and industrial effluent treatment markets in South Africa

It is estimated that R1,2 billion will be required to address AMD from abandoned gold mines in and around Johannesburg

The Aveng Group's mission is to leave a positive and lasting legacy. In this regard, its ability to intervene and offer solutions to socio-economic challenges such as water treatment is crucial to its strategic sustainability objectives, purpose and leadership standing.

Power

Rationale

Economic growth on the African continent can only be sustained if investment in power continues over the long term. The South African government's Integrated Resource Plan has confirmed the new build programme for South Africa until 2030, with a focus on renewable energy and nuclear power.

Progress in 2011

In addition to its activities via McConnell Dowell's Electrix business, the Aveng Group is positioning itself as an important contender in the South African power industry. The current focus has been in the following areas:

- Construction work on the Medupi and Kusile power stations for Eskom.
- Development of renewable energy projects.
- Positioning the Aveng Group as a leading developer of nuclear power projects in South Africa.

Strategic growth focus

In the coming year, the Aveng Group will continue to grow its capabilities with respect to both renewable energy and nuclear power.

The global power infrastructure industry is expected to require investment of over USD10 trillion from 2001 to 2030, approximately USD330 billion annually.

Concessions

Rationale

The Aveng Group has the capacity to differentiate itself in the concessions market based on its strong financial position and ability to design, build and operate infrastructure projects. It is well placed to respond to opportunities in South Africa and Australia.

Progress in 2011

The Aveng Group, through McConnell Dowell, won the Gold Coast Light Rail Project in Australia.

Strategic growth focus

To strengthen its capabilities and capitalise on opportunities, the Aveng Group will centralise its concessions activities within South Africa to focus on investing in water, power and infrastructure projects.

Growth in other key growth sectors

	Market outlook	Where we are	Where we are going
Mining	• Subdued growth of mining in South Africa due to policy uncertainty • Growth of mining activity in Africa driven by strong demand from China and India, and commodity price increases • Largest growth opportunities expected in opencast mining and among junior mining houses	• 40% of the group's revenue is from mining-related activities • Leader in opencast mining in Africa – active in eight African countries • One of only four deep-level shaft-sinking companies worldwide • Provider of products to the mining industry ranging from stand-up support to valves • Provider of Aveng E+PC and O&M services to the mining sector • Providing construction and transport infrastructure to leading mining companies in South Africa, Australasia and Africa	• Strengthen the Aveng Group's capabilities in construction for the mining industry, and expand further into Africa • Deliver deep-level shaft-sinking capabilities where required • Maintain top-tier industry position in opencast mining in Africa
Steel	• South African steel market is expected to continue its recovery • Global steel demand growth (January – June 2010/2011) amounts to 7,5% driven by developing economies • Steel price volatility expected to continue	• Leading provider of steel products and services to the South African market – Merchanting – Automotive – Structural steel – Rebar/mesh – Tubular steel	• Strengthen its position in steel merchanting and processing • Expand product range to offer a complete solution to customers • Growth outside South Africa
Rail	• Opportunities for continued maintenance work on Transnet Freight Rail's network in the local market • Growth opportunities in rail construction, maintenance and products in Africa and Australia	• Provider of a complete range of rail products and services from ballast tamping and track renewal to ultrasonic flaw detection • Secured significant projects in South Africa, Mozambique and Australia • Leading rail sleeper manufacturer in Africa	• Strengthen and expand the Aveng Group's rail products and services in Africa, Australia and the Middle East • Aveng Manufacturing's Lennings Rail Services and McConnell Dowell jointly pursuing projects in the Australian rail sector
Public infrastructure	• Increasing competitiveness and margin pressure • Slow speed of infrastructure spend in South Africa, but significant opportunities in Africa • Australian infrastructure supported by spend in power, resources and transport	• Top tier player in the infrastructure markets in sub-Saharan Africa and Australasia • Ability to provide major integrated projects • Providing a broad range of products to the infrastructure sector	• Increasing the group's presence in target markets • Consolidating the group's position in the South African and Australasian markets by maintaining profitability • Improving efficiencies and project management skills to reduce downward margin pressure and project risks

Capability matrix

The table below shows the Aveng Group's construction and engineering capacity across a broad range of industry sectors.

		Client industry							Manu-factured products
		Transport	Power	Mining	Water and environ-ment	Infra-structure	Commer-cial	Industrial	– Steel – Concrete
The Aveng Group segments	Building	✔	✔	✔	✔	✔	✔	✔	✔
	Civil engineering	✔	✔	✔	✔	✔	✔	✔	✔
	Concessions	✔	✔		✔	✔	✔	✔	
	Concrete and steel manufacturing and processing	✔	✔	✔	✔	✔	✔	✔	✔
	Detailed multi-disciplinary engineering		✔	✔	✔	✔		✔	
	Roads and earth works	✔	✔	✔	✔	✔	✔	✔	
	Marine infrastructure			✔		✔		✔	
	Mechanical and electrical/ fabrication	✔	✔	✔	✔	✔	✔	✔	✔
	Opencast and underground mining			✔					
	Deep shaft mining			✔					
	Plant operations		✔	✔	✔	✔		✔	
	Pipelines		✔	✔	✔	✔		✔	
	Process engineering		✔	✔	✔		✔		
	Project and construction management	✔	✔	✔	✔	✔	✔	✔	✔
	Rail construction and maintenance services	✔	✔	✔		✔		✔	✔
	Tunnelling	✔	✔	✔	✔	✔			✔

Risk management

The management of risk is critically important to the ongoing success of the group. The Aveng Group regards risk as the impact of uncertainty on objectives that could be related to projects and project execution, health and safety, the environment, the economy, commerce, and talent management, among others.

The effective management of risk is closely interwoven into the group's business strategy. The major business risks, which are managed through the group's mature risk management process, are summarised in the table below.

The Aveng Group risk management process provides for both a top-down and bottom-up approach:

- The top-down focus determines the overall strategic risks that could have an adverse impact on the group's strategy. This takes cognisance of input from the board, group executive committee and focused reports from specialists in the appropriate fields.
- The bottom-up business risk analysis is undertaken by line management, each functional level, business unit and operating group to address the key macro and strategic risks pertinent to these business sectors.
- A project risk analysis and report is undertaken by the relevant business unit and/or operating groups by line management to evaluate the project's risk profile, potential mitigation measures and overall alignment to the group's strategic focus.

Table of key risks (this table sets out key risks, in no particular order)

Risk	Description	Mitigating strategies
Highly competitive markets	The global contraction in the sector has resulted in an erosion of margins and highly competitive margins.	Rigorous proactive internal risk management. Strong focus on project execution to entrench position as contractor of choice.
Challenging contract conditions	Increasingly difficult contract terms and conditions required by clients are pushing more risk onto the contractor.	Continue to exercise strict commercial and risk management controls to ensure that all commercial issues are thoroughly understood at the time of the tender, mitigated where appropriate, and controlled and monitored during project execution.
Project delays	Project delays, particularly in the public service sector in South Africa, continue to impact on performance.	Ongoing engagement with relevant clients. Consideration of alternative delivery mechanisms and solutions with clients.
Skills shortage	The sourcing of skilled and professional resources remains a key challenge.	Continue to source, retain and focus on talent development plans, succession planning and skills development.
Project execution risks	Project execution risks remain a priority due to the major impact they have on returns.	Stronger focus on project execution excellence and understanding risk profile.

More on risk committee on page 94

Risk	Description	Mitigating strategies
Cost containment	Costs associated with poor productivity, materials, plant, processing and production are continually escalating.	Smart procurement, production efficiencies and the reduction of general overhead costs, enhanced productivity.
Entry into new markets	Entry into new markets and geographies increase the group's risk profile.	Full analysis of new markets and complete risk assessments to minimise uncertainties associated with venturing into these areas.
Environmental impact	The focus on sustainability and the environment provides both an opportunity and risk.	Integrate environmental sustainability matters into strategic decision-making processes.
Safety and health	The safety and health of our people is of paramount importance. Health and wellness is a core enabler for safety performance.	Continually improve best practice, understanding and quantifying the risks associated with high-risk operations. Integrate health and wellness into strategic business decisions.
Reputational issues	Damage to reputational equity impacts on immediate and longer-term economic sustainability.	Behave in an ethical and fair manner with all stakeholders.
Transformation	Transformation to reflect the imperatives and demographic requirements of the countries in which the group operates is crucial.	Transform management profile through training, mentorship, enterprise development, procurement and focused CSI initiatives in maths, science, skills, and tertiary education.
Change management	Change management in the business can result in uncertainty and distraction.	Clear communication of benefits of change management to staff and stakeholders.

More on full set of risks go to www.aveng.co.za

More on detailed risk matrix go to www.aveng.co.za

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 particular operations or the group as a whole.

The strategic risk register is updated on a continual basis, and is reported to the risk committee and the board.

Business risks are those that may have an impact or consequence on the business objectives of each division, business unit and operating group. These 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 that the group endeavours to mitigate by maintaining a strategic balance between business sectors, markets, currencies, countries and products. This process is dynamic and strives to provide a balance between realising opportunities for gain while minimising adverse impacts.

The process associated with **project risk** comprises five key areas; decision to tender, tender risk review, project start-up, project execution and finally project close-out. The risks associated with projects are potentially the biggest risks faced by the group. In the current market, the construction risk profile has increased dramatically with many large customers attempting to pass significant additional risk onto the contractor. As a result of the market pressures, the risk profile that contractors are expected to take on are significantly more onerous than was the case a few years ago. The tougher contracting environment has led to increased analysis to establish whether any specific tender is aligned with the prevailing strategic focus of the group. Processes used in these evaluations are rigorous and provide for many "hold and witness" points to ensure that only relevant and appropriate projects are tendered for. The risks associated with each project are considered on a project-by-project basis and a specific report, risk register, cash flow and other documents are required to ensure that the conditions linked to each individual project have been properly evaluated and appropriate control measures instituted. The risk system has been upgraded with the introduction of new risk software that enables a continuous learning system to ensure that any positive and negative impacts or learnings that occurred on any project are available and translated into future project risk analysis. Following these analyses the risk contingencies are evaluated and returns reviewed to ensure they are commensurate with the risk assumed. The "Project Risk Framework" includes a commercial best-practice module containing contract terms and conditions. In addition a separate Commercial Framework has been implemented. The objective of these documents is to assist in maintaining an acceptable commercial risk profile on all contracts.

The board has determined appropriate project risk tolerance levels that have been communicated to line management. These 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 levels.

With the introduction of the new risk management tools, the internal audit forms an integral part of the risk management system. This will assist to optimise audits to ensure that relevant key risks are considered during internal audits conducted on these operations.

Looking forward:

Strategic objectives	Desired outcomes
• To continually improve the risk management culture, thinking and effectiveness of risk management within the group	• Visible risk leadership • Demonstrable benefits to the operations
• Ensure full implementation of the tender risk process through all phases of the project and show demonstrable learnings from the knowledge management system	• Visible risk leadership and application of the knowledge data base. Target of zero problem contracts
• Operations to fully implement the updated business risk management and analysis process and knowledge data base	• Visible risk leadership and application of the knowledge data base
• Provide executive management, senior and line management awareness training on the macro principles of risk management and the group Risk Framework	• Improve the understanding and effectiveness of risk management
• Risk Champion and Risk System Users to be trained on the details of the Risk Management Framework and the Risk management tools to effectively fulfil their tasks	• Improve the understanding and effectiveness of risk management
• Continue to develop the risk management organisation within the group	• Improve the understanding and effectiveness of risk management

Engagement with stakeholders

The importance of developing and nurturing positive and stable relationships with our key stakeholders is recognised as a key driver of business success. The value we place on our stakeholders is articulated in our mission statement "prioritising people, equality and fairness in all relationships and partnerships we forge with stakeholders".

Building positive and meaningful relationships with stakeholders is fundamental to creating sustainable value. The viewpoints of stakeholder groups are integrated into overall decision-making process.

The table below sets out key stakeholder groups, nature of engagement, issues raised by stakeholders and the Aveng Group's current status on these issues.

Stakeholder group	Nature of engagement	Issues raised	Current status
Employees	Intranet, training sessions, news updates newsletters, CEO video messages and blog, poster campaigns, toolbox talks at remote sites and factories, handbooks, performance reviews, employee surveys, wellness days, community projects, staff volunteerism campaigns	**Job-related issues** Job security, job advancement, change-management **Safety** Safety awareness, health and wellness	**Job-related issues** Stronger investment in training and talent management Integrated DNA across group **Safety** Ongoing and holistic safety programme Stronger health and wellness focus
Clients	Relationships maintained with key long-term clients through: service and supply contracts, meetings, letters and email updates, events and exhibitions	Project execution, costs, market conditions	Enhanced integrated CRM system
Investors	Annual and interim reports, results presentations, webcast sessions, SENS announcements, annual general meetings, site visits, road shows, internet sites, one-to-one meetings, teleconferences	Market performance, sustainable growth, cost management, reputational issues, safety performance	All these issues are key focus areas for the group and measured regularly
Trade unions	Regular meetings at the relevant levels in South Africa, Australasia and the Pacific Rim with all active trade unions in the operations	Wage negotiations, conditions of employment, engagement on health and wellness issues	**Wage negotiations and conditions of employment** Ongoing focus on labour and employee relations **Wellness issues** Group Health and Wellness Manager developing framework
Major contractors, suppliers and business partners	Contracts and service agreements, meetings, workshops, presentations, training, industry body meetings, events, exhibitions, project steering committees	Project execution, costs, market conditions	These are key focus areas for the group and are measured and monitored regularly
Government, local authorities and regulatory bodies	Formal and informal meetings, consultations and workshops. Conferences, seminars, tender submissions, presentations	Environmental legislation, Competition Commission, skills development and job creation	**Environmental** Group Environmental Manager developing framework **Skills development and job creation** Continued thrust on artisan training and skills development Enterprise development remains a priority **Competition Commission matters** Continued internal programmes on competition law, anti-corruption framework and co-operation with Competition Commission authorities. Staff pledge to code of business conduct
Communities in which the group operates	Ongoing CSI projects in communities, sponsorships and donations	Sustainability of CSI investment	Ongoing focus on key flagship projects with key sustainability and scalability. Impact studies conducted
Industry	Representation on key industry bodies, meetings, correspondence, newsletters, sponsorship	B-BBEE challenges in the construction industry	**B-BBEE challenges** Improved B-BBEE rating

Material issues

Material issues impact either directly or indirectly on the economic, social and environmental sustainability of the group and the value delivered to stakeholders

- In defining its material issues, the Aveng Group has taken the following into account:
  - The group's strategy, vision and mission
  - Key macro-environmental issues that impact on the industry, including regulatory and legal matters
  - Principal issues raised by stakeholder groups
  - The most significant business risks, as identified through the group's risk management process and monitored by the board

	Material issues	Description
Economic sustainability	Growth	• Committed to the delivery of sustainable value for stakeholders
	Liquidity	• Committed to ensuring sufficient liquidity and capital to meet business objectives
	Project execution	• Committed to ensuring efficient delivery of quality projects
Social sustainability	People	• Committed to empowering and upskilling employees for own needs and the industry
	Safety	• Committed to safety as a priority not to be compromised
Environmental sustainability	Environmental impact	• Committed to environmental sustainability

These six material issues are dealt with across this integrated report.

Board of directors

	Position and qualifications	Experience	Aveng board committee
 **Angus Band** (59)	**Independent non-executive Chairman** BA, BAcc, CA(SA)	Angus was appointed to the board in July 2006. He serves on the boards of group companies Aveng (Africa), McConnell Dowell Corporation and Aveng Trident Steel Holdings. Angus joined AVI as an executive director in 1997 and was appointed managing director of National Brands in 1998 and group chief executive officer of AVI in 1999. He was previously chief financial officer of Telkom SA and commercial director of PG Bison. He retired as the chief executive officer of AVI and was appointed non-executive Chairman in October 2005. He serves on the board of Liberty Group Holdings.	*Chairman of the board* *Member of: investment committee; risk committee; remuneration and nomination committee; transformation committee; tender risk committee*
 **Roger Jardine** (45)	**Chief Executive Officer** BSc (Physics), MSc (Radiological Physics)	Roger was appointed to the board as Chief Executive Officer in July 2008. He serves on the board of group companies of Aveng (Africa), McConnell Dowell Corporation and Aveng Trident Steel Holdings. Roger was national co-ordinator of science and technology policy in the department of economic planning of the African National Congress from 1992 to 1995. In 1995, he became director general of the Department of Arts, Culture, Science and Technology. He was chairman of the board of the Council for Scientific and Industrial Research (CSIR) and the Nuclear Energy Corporation between 1999 and 2005. In 1999, he joined Kagiso Media as chief executive officer and in 2006 became the chief operating officer of Kagiso Trust Investments. He serves on the board of FirstRand Limited.	*Chairman of: executive committee* *Member of: risk committee; safety, health and environmental committee (from 1/7/2011); transformation committee (from 1/7/2011)*
 **Peter Erasmus** (58)	**Independent non-executive director** Pr Eng, BSc (Civil) (Hons), BCom (Cum Laude), MSAICE	Peter was appointed to the board on 22 March 2011. Peter has worked on major infrastructural projects in South Africa and the Middle East where, over the last 10 years, he has been involved in a spectrum of private public partnerships projects and dispute resolution. He is a professional engineer and was previously the chief operating officer of Group Five and held managing director and senior management roles at Stewart Scott International, Tolcon, Keeve Steyn Inc and Tolplan Consortium. He is a member of the South African Institution of Civil Engineers and is managing director of KeyQuoin (Pty) Limited.	*Member of: risk committee; tender risk committee*
 **May Hermanus** (51)	**Independent non-executive director** BSc (Geology), MSc (Physical Metallurgy), Takemi Fellow, Harvard University, Fellow SAIMM	May was appointed to the board in September 2009. May has worked in various positions in the private, public and NGO sectors in South Africa. She is a former deputy-director general of the Department of Minerals and Energy for mine safety and health. She is a director of the Centre for Sustainability in Mining and Industry (CSMI) and serves on the boards of the Rail Safety Regulator, Sacred Heart College and is a trustee of Bokamoso Trust.	*Chairman of: safety, health and environmental committee (from 1/7/2011)*
 **Rick Hogben** (65)	**Independent non-executive director** BCom	Rick was appointed to the board in September 2007. Rick worked for the South African Breweries for 24 years, holding senior executive positions in both general and financial management, including the then Shoe Corporation of Africa and the Beer Division of SAB, before being appointed chairman of Appletiser. After joining African Oxygen in 1994, he started a number of greenfields healthcare businesses, before becoming the chief executive officer of Afrox Healthcare, a listed private healthcare group. In 2007, he retired as the chief executive officer of African Oxygen, having been in this position for six years. He has acted as a consultant to British Telecoms on healthcare matters.	*Chairman of: remuneration and nomination committee; safety, health and environmental committee (until 30/6/2011)* *Member of: audit committee safety, health and environmental committee (from 1/7/2011)*
 **Thoko Mokgosi-Mwantembe** (50)	**Independent non-executive director** Dip Education (Swaziland), BSc, (Swaziland) MSc (UK), SEP (Harvard), MCRP (IMD)	Thoko was appointed to the board on 13 December 2010. Thoko is currently the CEO of Kutana Investment Group and is the former CEO of Hewlett-Packard South Africa and Alcatel South Africa. She has worked in senior positions at Siemens Telecommunications, Lucent Technologies and Telkom. She serves as an independent non-executive director on the boards of Vodacom Group, Absa Group, Paracon Holdings and Knorr-Bremse SA.	*Member of: transformation committee; remuneration and nomination committee (from 1/7/2011)*

	Position and qualifications	Experience	Aveng board committee
 **Myles Ruck** (56)	**Independent non-executive director** B Bus Sc (Actuarial Science), PMD (Harvard)	Myles was appointed to the board in August 2006. Myles joined Standard Merchant Bank in 1985 and was appointed deputy managing director of Standard Corporate and Merchant Bank in 1996 and managing director in 1998. In 2002, he was appointed to Standard Bank Group as deputy chief executive. He was appointed chief executive of the Liberty Group in 2003 and retired from that position in 2006. He serves on the boards of Mr Price Group, Standard Bank Group, The Standard Bank of South Africa, Standard Bank Argentina SA and Thesele Group.	*Chairman of: investment committee* *Member of: audit committee*
 **Keith Rumble** (57)	**Independent non-executive director** BSc, MSc (Geochemistry)	Keith was appointed to the board in September 2009. 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 and Rio Tinto Iron and Titanium Inc. He began his career at Richards Bay Minerals in 1980 and held various management positions until becoming chief executive officer in 1996. He serves on the board of BHP Billiton and is a trustee of the World Wildlife Trust and Governor of Rhodes University.	*Chairman of: risk committee* *Member of: investment committee; safety, health and environmental committee; tender risk committee*
 **Nkululeko Sowazi** (48)	Non-executive director BA, MA (UCLA)	Nkululeko was appointed to the board in March 2007. He serves on the board of Aveng (Africa) and served on the board of Aveng Trident Steel until 29 June 2011. Nkululeko is chairman of Kagiso Tiso Holdings, an investment holding company with interests in media, infrastructure, power, resources and financial services sectors. He is also chairman of Eris Property Group (previously RMB Properties), Idwala Holdings, The Housing Development Agency and The Home Loan Guarantee Company. He was previously an executive director of African Bank Investments and, prior to that, managing director of the Mortgage Indemnity Fund. He serves on the boards of Exxaro Resources, Emira Property Fund as well as Actom SA.	*Chairman of: transformation committee* *Member of: remuneration and nomination committee; investment committee*
 **Peter Ward** (58)	**Independent non-executive director** BCom, CA(SA)	Peter was appointed to the board in July 2007. Peter joined Deloitte & Touche in 1973, was appointed an audit partner in 1983 and a group leader audit in 1993. He was appointed business unit leader of Deloitte Forensic and Dispute Services Division in 1999 and retired from Deloitte in May 2007. He serves as an independent non-executive director of Hollard Holdings and The Hollard Insurance Company.	*Chairman of: audit committee* *Member of: risk committee; tender risk committee*
 **Juba Mashaba** (45)	**Group Human Resources Director** BA, LLB (Swaziland), Human Resources Executive Programme (University of Michigan Business School)	Juba was appointed to the board in October 2007. He serves on the boards of group companies Aveng (Africa) and Aveng Trident Steel Holdings. Juba's HR career started in 1995 with Eskom as a group HR manager. In 1997, he was appointed human resources director of Simba, which role was expanded in 2004 to include the PepsiCo businesses in sub-Saharan Africa. In 2004, he was appointed to the board of ArcelorMittal (South Africa) as executive director, HR. He further served on the human resources and nomination committee, the transformation committee, as well as the safety, health and environmental committee of ArcelorMittal (South Africa).	*Member of: executive committee*
 **David Robinson** (57)	**Chief Executive Officer of McConnell Dowell Corporation Limited** BE (Civil), MIE Aust, CP Eng, FAICD	David was appointed to the board in January 2005. He serves as a director of McConnell Dowell Corporation and all group operating and holding subsidiary companies in Australia, New Zealand, South-East Asia, the Middle East and the United Kingdom. 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. He was appointed to the position of chief executive officer for McConnell Dowell Corporation Limited in October 2000. He is a member of the Institution of Engineers, Australia, of Certified Practising Engineers and a Fellow of the Australian Institute of Company Directors.	*Member of: executive committee*
 **Kobus Verster** (45)	**Financial Director** BCom (Hons), MBL, EMP	Kobus was appointed to the board on 1 September 2010 and was appointed Financial Director with effect from 27 September 2010. Kobus joined ArcelorMittal (South Africa) in 1990 and was appointed general manager, corporate finance and treasury in 2003 and then general manager, corporate treasury at MittalSteel Company N.V. in 2004. In February 2006, he was appointed executive director, finance at ArcelorMittal.	*Member of: executive committee; tender risk committee*

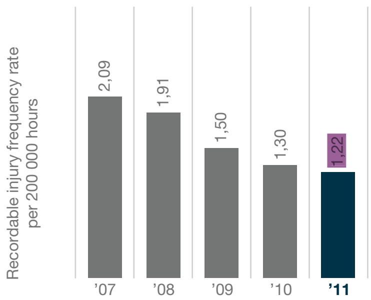
** Details as at 30 September 2011.*

Joint Chairman's and Chief Executive Officer's review

Angus Band
Chairman

Roger Jardine
Chief Executive Officer

This report will cover the following material issues:
→ Growth
→ Liquidity
→ Project execution
→ People
→ Safety
→ Environmental impact



SAFETY – RECORDABLE INJURY FREQUENCY RATE
Recordable injury frequency rate (RIFR) improved by 6%

Salient features
→ Revenue up 1%
→ Headline earnings and headline earnings per share down 37%
→ Negative cash flow of R2,1 billion
→ Strong growth in two-year order book up 19% to R37 billion
→ Strong balance sheet with net cash of R5,4 billion
→ Dividend maintained at 145 cents per share

**assured*

Approach

Stakeholders will notice some important differences in this year's integrated report, which is aimed at bringing the Aveng Group in line with King III's code of corporate governance guidelines for integrated reporting. In an attempt to eliminate duplication and provide the reader with a crisp overview of how the Aveng Group is integrating sustainable development into everything we do, we have combined the Chairman's and CEO's reviews. Although this is a joint review the roles of Chairman and CEO are separate and operate under their own board-approved mandate. We have provided cross references and information, outlining both the challenges and successes in executing our strategic goals. These are just the first steps in our journey to report back on how we are positioning the Aveng Group for sustainable growth.

Safety overview

Safety is a core value and integral to the way we do business. However inculcating a safety culture across all operations is a long term process requiring relentless focus and attention to detail. During the period under review, the group improved its recordable injury frequency rate (RIFR) by 6% from 1,30 to 1,22 and it is pleasing to see that the increased safety vigilance is reflected in an improvement in most of our key safety performance indicators.

It is with deep regret that we have to report that our operations recorded eight fatalities this year of which four were subcontractors. This has further highlighted the need to intensify our safety training and procedures not only for our employees but also subcontractors and suppliers on our sites. The Aveng Group remains committed to making our safety vision of **"Home Without Harm Everyone Everyday"** a way of life.

The board extends its sincere condolences to the families and friends of our deceased colleagues.

Financial performance

Difficult trading conditions in the South African construction and infrastructure environment, project execution challenges in Australia and the settlement of administrative penalties in respect of Competition Commission matters resulted in a challenging year for the group.

The National Planning Commission of South Africa has indicated that public sector infrastructure spending has declined by 30% since 2008. This is concerning in light of South Africa being the Aveng Group's largest earnings contributor. The group's two year South African construction and engineering order book is now weighted 80:20 in favour of the private sector, despite that sector not having materially lifted its spending. Aveng Grinaker-LTA reported a sharp decline in both revenue and operating profit as market conditions deteriorated over the year.

Construction and Engineering: Australasia and the Pacific Rim's McConnell Dowell operated in a very competitive market. This was despite large private sector investments in the mining and gas sectors. Massive flooding in Australia affected the Australian government's infrastructure projects roll-out plans, with the focus shifting to immediate flood relief projects. The floods caused delays on a number of McConnell Dowell's large projects. While reconstructive work supported revenue, this impacted profit recognition. This was compounded by a strong currency and provisions taken on some technically challenging contracts.

The Manufacturing and Processing segment recorded higher revenue for the year, mostly as a result of the acquisition of Dynamic Fluid Control (DFC) and a recovery in steel volumes, particularly in the second half of the financial year. However, steel price volatility, the constrained infrastructure environment and the settlement of a R129 million Competition Commission administrative penalty placed pressure on the overall operating performance.

Although Aveng Moolmans won a number of new contracts, the impact of a strong Rand and two difficult contracts adversely affected its operating performance. The successful settlement of the Marikana dispute resulted in R87,5 million being included in the current year's results.

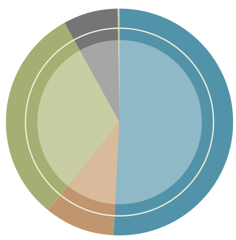
The combined impact of these factors was that although the group reported marginally increased revenue of R34,3 billion for the year, operating profit decreased by 29% to R1,5 billion. The operating profit margin dropped to 4,3% compared with 6,2% in 2010.

The group's headline earnings dropped 36,9% from R1,9 billion to R1,2 billion as a result of the reduced operating profit and lower investment income due to the lower interest rates and reduced cash balances. Accordingly, headline earnings per share declined to 306,4 cents from 483,6 cents in 2010.

Cash generated by operations was down by 24,0% to R2,4 billion as a result of the lower profitability. Capital expenditure of R1,8 billion (2010: R1,2 billion) and acquisitions of R387,1 million, together with a large working capital investment in current projects, resulted in a reduction in net cash on hand from R7,6 billion to R5,4 billion in 2011.

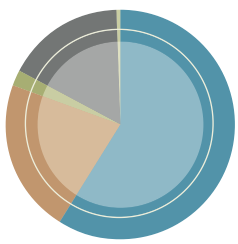
The two-year order book grew by 19% since 30 June 2010 and now stands at a record R37 billion. The total project opportunity pipeline remains stable at R112 billion. The geographic mix of the work has changed with McConnell Dowell now comprising 51% of the order book compared to 43% a year ago. The South African order book has largely been driven by the private sector, with ongoing delays in public sector spending. In McConnell Dowell the private sector now comprises 69% of the order book compared with 52% a year ago. This has largely been driven by the commodity price boom, which is underpinned by strong growth in Asia.

Though the Aveng Group's dividend practice remains to declare 25% of headline earnings as an annual dividend, after consideration of the group's cash and working capital requirements, the board, on 5 September 2011, declared a final dividend of 145 cents per share in respect of the financial year ended 30 June 2011.



Revenue by geography

- 51% South Africa (common monetary area)
- 10% Rest of Africa and Mauritius
- 31% Australasia and the Pacific Islands
- 7,8% South East Asia
- 0,2% Middle East and Other



Profit by geography

- 59% South Africa (common monetary area)
- 21,7% Rest of Africa and Mauritius
- 2,3% Australasia and the Pacific Islands
- 16,7% South East Asia
- 0,3% Middle East and Other

The number of shares in issue reduced by just over 3 million to 393 million. The 30 June 2011 revaluation of contingently issuable shares in respect of the Qakazana empowerment transaction and share repurchases, resulted in the diluted weighted average number of shares in issue reducing by almost 9 million to 416 million.

Macro environment

As indicated by the strong order book, there are signs of economic recovery, with the key markets in which the Aveng Group operates enjoying modest GDP growth during the period under review. However, the global economic climate remains fragile and by August 2011 there were indications that the positive momentum could falter. Fears of a new global downturn on the back of the US losing its triple AAA debt status and the sovereign debt crises in the Euro zone, resulted in economists warning of potentially slowing global growth rates.

South Africa

Despite infrastructure activity having fallen sharply post the 2010 FIFA World Cup™ and continuing delays in the South African government's infrastructure investment plans, we remain encouraged that South Africa provides opportunities for future growth but are concerned about continued delays in the awarding of work, which places employment at risk.

With GDP growth of 2,8% during 2010, Business Unity South Africa revised the economic growth forecast for 2011 to 3,1% from 3,4%. According to the South African Federation of Civil Engineering Contractors (Safcec), the turning point for the civil engineering industry was reached during the third quarter of 2010. This was supported by the First National Bank/Bureau of Economic Research civil construction index, which showed continuing increases in civil construction confidence in the first half of 2011. Research from Nedbank was also promising, showing a rebound in fixed investment with 33 new projects, worth nearly R51 billion, driven by the private sector, mainly in mining and manufacturing, during the first half.

Market conditions

- **Economic uncertainty on the back of US and Euro-zone debt crisis**
- **Difficult trading conditions in SA construction and infrastructure environment, mainly in the public sector**
- **30% decline in SA public sector spend since 2008**
- **Strong currencies in SA and Australia**
- **Strong demand in mining sector**
- **Australia maintained a positive growth trajectory**
- **Competition Commission probe into construction sector**

However, there were signs of the recovery faltering. Statistics SA reported that in the second quarter of 2011 the economy grew slower than expected at 1,3% on the back of a sharp contraction in manufacturing and mining output, with the two sectors shedding nearly 100 000 jobs. Adding to these concerns was the South African Chamber of Commerce and Industry (Sacci)'s report of a sharp slump in business confidence in June 2011 following the strike season, above inflation wage increases, fears of increasing unemployment and rising costs for fuel and other utilities. Furthermore, South Africa remains vulnerable to high administered prices, the negative impacts of a possible spike in the oil price and a weakening Rand which could lift inflation.

South Africa's Finance Minister Pravin Gordhan remained cautiously optimistic, commenting in media reports that what was needed is the right partnership between the private sector and government to inspire confidence for investors, which in turn would lead to growth and jobs. In the South African national newspaper *Business Day*, he was noted as saying: Politicians and political systems need to create confidence. Once you have confidence, people invest and once you invest, you create growth and once you create growth, you create jobs, and once you do that the economy begins to move into a different cycle.

The Aveng Group's board wholeheartedly endorses these sentiments. While the current economic recovery has been modest, we believe that South Africa should concentrate on factors it can control and, in particular, push ahead with infrastructure spending plans which will create jobs, as well as build the capacity needed to grow key sectors of the economy such as mining and transport.

We are encouraged to note that the South African government has put measures in place to unblock bottlenecks, which are holding back infrastructure investments that are at the heart of its growth and job creation objectives. Faster roll out of large projects by the state-owned enterprises (SOEs), as well as by national and provincial governments, will go a long way to buoy economic growth and create sustainable employment.

We remain of the view that public private partnerships (PPPs) that leverage private sector expertise are an effective approach to help fast-track public infrastructure initiatives. The private sector's project management expertise would help overcome inadequate project planning and costly scope creep. We also urge government and the SOEs to consider negotiating contracts based on sharing risks and rewards. Such risk-reward systems have been successfully used elsewhere and have proved successful in aligning the interest of the contractor and client.

While not official government policy, calls for nationalisation are of concern, as are continued media reports of corrupt and irregular tender processes. These issues are detrimental to business confidence and could seriously undermine South Africa's outlook as an investment destination. Both the private and public sectors must adhere to the same stringent governance practices and be held accountable for any irregular practices.

The widespread violence around this year's strike season and double digit wage settlements are also concerning. In low margin industries increases well above inflation will hinder the ability to create employment and, in fact, are likely to result in the further destruction of employment as local businesses struggle to remain competitive. If South Africa is to address the unemployment challenge, the economy needs to sustain at least double the current economic growth rates and we believe that infrastructure development should be a driver in helping achieve this required economic growth.

The lack of relevant skills remains a perpetual challenge across the whole industry. The need for apprenticeship and skills development programmes, as well as for university training for engineers, has never been higher and as such this is a key area of focus for the Aveng Group's skills development, bursary and CSI programmes.

Africa

Prospects for the rest of the continent remain exciting, with sub-Saharan Africa's GDP growth rates second only to developing Asia, according to the International Monetary Fund. Last year the World Bank concluded that "Africa could be on the brink of an economic takeoff", much like China was 30 years ago and India 20 years ago. Others too have noted Africa's vast untapped potential and significant investments continue to be made into, not only, minerals and energy resources, but also infrastructure development. The Aveng Group is well poised to leverage off these trends, having continued to strengthen its footprint in Africa by establishing regional offices in Tanzania, Mozambique and Ghana.

Australasia, Pacific and South East Asia

Australia dealt with the global financial and economic crisis relatively well. It avoided recession and maintained a positive growth trajectory with a healthy balance of trade. The economy has continued to benefit from strong growth in Asia, with high commodity prices providing a significant boost to GDP. The Australasian and South East Asian region as a whole continues to provide good opportunities in power, mining, oil and gas. However, should the Chinese economy slow down, this will negatively impact the region as whole and the resources sector in particular.

According to the OECD, economic growth is set to reach 3% in 2011 and 4,5% in 2012 as the country recovers from the natural disasters that plagued early 2011. That said, in August 2011 the Reserve Bank of Australia downgraded its growth projections for the year from 4,25% to 3,25%, blaming a slowdown in domestic demand and lackluster consumer confidence in spite of the stellar performance of the resources sector.

It also pointed to considerable variation in the construction industry with firms servicing the mining industry better placed than those with an over exposure to public investment. The value of private sector non-residential building improved slightly from 2009 lows, but remained at levels last seen in the early 1990s and 2000s.

The massive flooding in Queensland, Australia, resulted in access problems and project delays and also resulted in the Australian government diverting a portion of its public infrastructure spend to more immediate flood relief projects.

Though industry analysts forecast flat line or declining growth in Australian power, water and road projects for the next three financial years, they anticipate positive growth in the oil, liquefied natural gas (LNG), mining and rail sectors. PPPs are becoming more prevalent across the region, with the Australian government leading the charge by partnering the private sector to develop and operate major public transportation systems. McConnell Dowell is well positioned in these growth sectors. The New Zealand economy faces some uncertainty going forward. In spite of record balance of trade and a significant policy stimulus, recovery stalled in 2010 hurt by private sector efforts to reduce debt and the effects of two damaging earthquakes. Overall, New Zealand continues to show promise, with infrastructure building, mining and geothermal prospects and the reconstruction work following the earthquakes expected to stimulate construction. The construction sector in most Asian countries is forecast to continue to grow in 2011 as a result of continued investment driven by the need to overcome capacity constraints and to build infrastructure. This trend is particularly strong in Indonesia, Malaysia, the Philippines, Singapore and Thailand, China, India and Japan, reflecting the post-earthquake reconstruction.

Delivering on the growth strategy

The Aveng Group's strategy, laid out on pages 14 to 17, is being progressively implemented. The group continues to drive its goals of being the leader within the infrastructure value chain in Southern Africa and consolidating its position as a first tier player in McConnell Dowell's markets. The Aveng Group has continued to expand into higher growth developing markets, as well as sectors with strong growth potential such as water, power, transportation and mining.

New markets

With consumer and industrial demands continuing to put strain on the limited supply of water resources and the environmental threats of acid mine drainage (AMD), the Aveng Group has continued to develop its innovative water treatment capabilities. In order to consolidate the group's expertise in mine and waste water treatment and sea water desalination, Aveng Water was launched as an independent operating group, with the appointment of a new MD during the year. The focus now is to not only partner with the mines and industry, but also municipalities in overcoming ever increasing water challenges. The acquisition of leading water and mining valve manufacturer DFC during the year also opens up new opportunities for the group.

Joint Chairman's and Chief Executive Officer's review continued

With increasing global demand for power and a move towards more environmentally friendly energy solutions, the power sector has also been identified as a strategic focus area for the Aveng Group. During 2011 the group was involved in construction work at Eskom's Medupi and Kusile power stations and the Te Mihi geothermal power station in New Zealand, as well as the development of renewable energy projects. In South Africa, the government has confirmed its new "build programme" for the country until 2030, with renewable and nuclear power an important component of the overall energy mix and we believe that the Aveng Group is well placed for the South African government's new tender processes. Through its Electrix business, McConnell Dowell is also positioning itself as a leading player in the power maintenance and services sector in New Zealand and Australia.

The group stands to benefit from the ongoing commodities boom, driven largely by Chinese and Indian demand for resources. Our underground and surface mining capabilities, as well as our civil marine experience, positions the Aveng Group well to respond to the demand from the world's major mining companies in our chosen markets. Transportation infrastructure backlogs also provide significant growth prospects, particularly in the upgrade and expansion of transport infrastructure in Africa, as well as in mining-related investment to transport natural resources in Africa and Australia.

People and structure – strategic enablers

The group remains focused on improving its operational efficiencies and managing costs. Initiatives implemented include re-organising some business units, rationalising factories and a greater focus on group procurement.

During the past year, operating businesses continued to be consolidated under the Aveng Group brand umbrella. An integrated service offering across our full value chain is expected to enhance delivery to customers, staff and shareholders. There have already been pleasing synergies, with business units increasingly cooperating and leveraging off each other's capabilities on major contracts and new initiatives across geographies.

Representative offices were opened in Ghana, Tanzania, Chile, Hong Kong and Mozambique. McConnell Dowell opened a sourcing office in Shanghai and reopened an office in Hong Kong.

Specialist capacity at the corporate office was strengthened with the appointment of financial director Kobus Verster, group executive for growth Pieter du Plessis and group executive for new business development Excel Shikwane. Increased coordination across the group was also reaping benefits through more robust capital allocation, as well as improved focus on risk management, treasury, information technology, and procurement.

Operating management was also strengthened at key operations, with the appointment of new MDs with extensive sector-specific and international experience. Hercu Aucamp joined as MD of Aveng Trident Steel, Khungeka Njobe became the founding MD of Aveng Water and, with effect from 1 August 2011, Grahame McCaig became the MD of Aveng Grinaker-LTA. We are confident that this new team is well placed to take the Aveng Group to the next level of performance. We also thank Eugene Erasmus for his steady hand in driving Aveng Grinaker-LTA's turnaround programme.

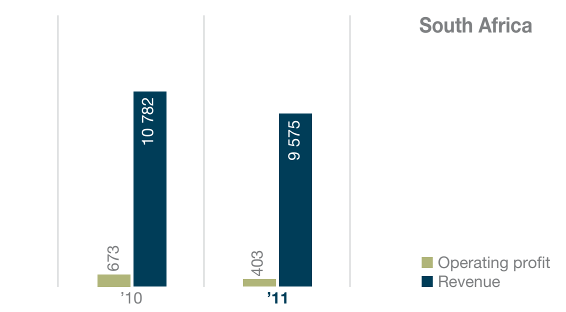
During the year there continued to be a strong focus on human capital, with the attraction, development and retention of skills an ongoing challenge across all operations. Our progress with regard to embedding common values (defined in the Aveng DNA), as well as our training and development and safety, health and wellness programmes are outlined in the sustainability report.

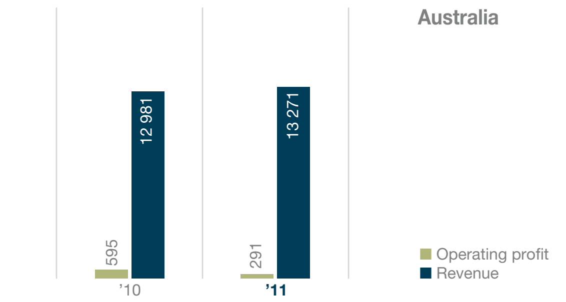
Operational overview

Management's key focus over the past year has been on managing execution risks and growing the order book at sustainable margins in an increasingly competitive environment, and one in which trading terms became increasingly risky as clients endeavoured to transfer as much risk as possible to the contractor. This has required a focus on containing costs and managing cash flows, as well as implementing efficiency and continuous improvement programmes. Ensuring the right number of relevant skills for complex projects was a persistent problem across all territories.

Construction and engineering

The construction and engineering segment comprises Aveng Grinaker-LTA, Aveng E+PC, Aveng Water and McConnell Dowell. Difficult operating conditions and project execution challenges resulted in a revenue decline of 3,8% to R22,9 billion and an operating profit margin of 3,2% compared with 5,3% in 2010. The South African region delivered R9,6 billion in revenue and operating profit of R443 million, down 11,2% and 34,1%, respectively. Australia and Pacific revenues grew 2,3% to R13,3 billion but operating profit declined by 51,1% to R291,1 million.





Aveng Grinaker-LTA's performance was affected by the slowdown in infrastructure spending and by project commencement dates being delayed on certain projects, resulting in revenue decreasing by 11,5% to R8,9 billion. Profitability was impacted by unresolved project claims and variations within the Civil Engineering and Mechanical & Electrical divisions, which limited profit recognition, as well as two loss making contracts in Mining Services. The final close out of the stadiums as well as the successful delivery of our package of the Gauteng Freeway Improvement Project (GFIP) mitigated some of this impact. Aveng Grinaker-LTA is involved in several high profile contracts, including Eskom's Medupi and Kusile power stations and is now one of four recognised deep shaft sinkers, having recently executed a deep shaft project at Konkola Mine in Zambia. The business is focusing on improving efficiencies and project execution and retaining resources, while limiting low margin work and it continues to focus on expanding its geographic footprint and on value chain enhancements. The two year order book has increased by 5% to R10,2 billion. The appointment of Grahame McCaig as managing director completes the restructuring of the executive management which we are confident now has the experience and energy to develop this business to its full potential.

Despite challenging economic conditions, **McConnell Dowell** closed the year with a record R18,9 billion of work on hand, having won significant infrastructure projects in Queensland and West Australia. Over the course of the year revenue grew 2,3% to R13,3 billion but margins were negatively impacted by the strong Australian dollar, project delays caused by the Australian floods and some loss making projects. Consequently operating profit decreased by 51,1% to R291 million for the period. The impact of the project delays on profit recognition and a conservative approach to provisioning on some challenging contracts in Australia offset a very good performance from McConnell Dowell's offshore operations. Overall, McConnell Dowell continues to see substantial opportunities, in mining, oil and gas, power and transport sectors across its geographic territories.

Aveng E+PC was restructured with its water business transferred into the newly created Aveng Water operating group. Aveng Water will focus on growing the group's position in acid mine drainage and desalination water treatment solutions. Successes for Aveng Water during the year included delivering the first modular water treatment plant in Gauteng, executing its first acid mine water purification contract in Australia, and significant extensions to water operations and management contracts at the desalination plant in Erongo, Namibia and the eMalahleni water treatment facility where acid mine water is converted into high quality potable water. Aveng E+PC expanded its minerals processing and related business into Africa and is well placed to participate in South Africa's renewable energy market.

Opencast Mining

Aveng Moolmans increased revenue by 12,1% to R3,7 billion. Operating profit increased to R414 million inclusive of the Marikana settlement of R87,5 million. Two difficult contracts, which are now complete, offset a much improved South African performance, while the strength of the Rand continued to adversely impact the conversion of foreign earnings. Aveng Moolmans currently operates in eight different countries in Africa and has secured new contracts at the Chimiwungo Mine in Zambia and the Star & Comet Pit in Tanzania. The business unit's two-year order book of over R7,3 billion, together with its geographical diversification places this business in a strong position for the future.

Manufacturing and processing

Revenue grew by 12,5% to R7,8 billion and operating profit dropped 29,9% to R321 million, after the cost of the Competition Commission administrative penalty of R129 million. Operating profit was negatively impacted by erratic steel supply and price volatility, falling demand due to project delays, and the Competition Commission administrative penalty. By the second half of 2011, Aveng Manufacturing and Processing businesses were starting to show signs of a turnaround mainly due to efficiency and cost reduction programmes and higher steel demand.

Aveng Manufacturing's revenue growth of 8,5% to R2,7 billion was driven by the inclusion of the results of DFC and a solid performance by the rail businesses in the public and private sectors. Going forward, this business segment is anticipated to show continued growth stemming from an internal restructuring exercise and growth initiatives, particularly in rail in Southern Africa.

Aveng Trident Steel's key challenges remained the management of erratic steel supplies and the impact of volatile steel prices. Revenue rose 14,8% to R5,1 billion supported by 19% higher volumes year-on-year. The refitted 6mm slitting line at Roodekop allows for increased tubing volumes to be supplied to the manufacturing sector and the new 630 ton Schuler blanking press line in Port Elizabeth is expected to result in efficiency benefits and increased volumes to the local motor manufacturing industry.

Sustainability

Sustainable development is a business imperative and is encapsulated in our corporate mission of leaving a "positive and lasting legacy." The board and executive leadership team remain committed to building a sustainable business that takes into account the economic, social and environmental impacts on the communities in which we operate. The Aveng Group's commitment to sustainable development is driven at a group level, endorsed and measured by the board, and implemented across all our operating groups. The Chairman and directors, through their involvement on various board committees, are accountable for group sustainability performance. Details are outlined on page 44.

Environmental responsibility

The Aveng Group is committed to conducting its operational activities in an environmentally responsible and sustainable manner. The group has been a part of the JSE's Socially Responsible Investment Index since its inception in 2004 and has frequently been recognised as the top performer in the high environmental impact category. We continue to participate in the Carbon Disclosure Project survey. Progress with regard to monitoring and mitigating the impact of our operations on the environment is detailed on pages 53 to 55. Here we have outlined our top five environmental impacts and how we are doing with regards to climate change, energy efficiency audits, "green building" practices, sustainable use of water and other resources, and the prevention and mitigation of environmental pollution through minimising waste sent to landfills and reduced greenhouse gas emissions. The Aveng Group's environmental strategic objectives are developed and monitored at group level, with the operations responsible for implementing these strategies and identifying areas for continuous improvement.

Transformation

The board is pleased to advise the successful conclusion of negotiations with the Qakazana empowerment group, led by Kagiso Tiso Holdings and which subject to shareholder and regulatory approval to the extent required, will facilitate an extension of the current empowerment relationship to 2014. The current agreements, which were to have terminated by October 2011, have been of significant benefit to both parties.

CSI

The Aveng Group committed R22,7 million during the year to CSI initiatives with the aim of making positive, lasting impacts in the communities in which we operate. With a key focus on education and skills development, our overarching aim is to develop and empower people so that they can gainfully contribute to economic growth.

Governance

In this integrated report we have outlined how the group is progressing on its journey of applying the principles set out in the King Report on Governance for South Africa, 2009. The Aveng Group complies with the Companies Act 71 of 2008, as amended.

Competition matters

In early 2009, the Competition Commission announced that it was investigating the construction industry. Prior to that, the Aveng Group had already embarked on a thorough internal compliance investigation, with the assistance of external advisors, aimed at uncovering any and all evidence of anti-competitive conduct. These internal investigations led to a number of leniency applications in terms of which the Aveng Group has been granted immunity from prosecution in return for its co-operation with the Competition Commission as well as the conclusion of settlements in respect of certain conduct by Aveng Manufacturing's Infraset, Steeledale and Duraset divisions.

On 1 February 2011, the Competition Commission published details of its "fast track settlement process" inviting construction firms to come forward with information pertaining to any collusive conduct in which they had been involved. In return, the Competition Commission undertook to engage in comprehensive settlement negotiations with such firms on financially advantageous terms. To this end, the Aveng Group submitted a comprehensive application to the Competition Commission in terms of its fast track settlement process. We anticipate that, through constructive engagement and continued co-operation with the Competition Commission, we will reach an acceptable settlement. At this stage it is premature to speculate on the quantum of any settlement and accordingly no provision has been recognised in the results for the 2011 year.

We have taken a proactive stance in rooting out any anti-competitive behaviour and remain committed to doing business in an ethical manner. The group has put in place intensive, multi-faceted programmes to ensure good corporate governance across all operations. These include anti-corruption and competition law compliance programmes and anonymous tip-off hotlines.

Board of directors

Vincent Mntambo retired from the board on 22 October 2010 having served for three terms. The board thanks Mr Mntambo for his contribution to the group during his tenure. During the period under review, the board was strengthened with the appointment of Peter Erasmus and Thoko Mokgosi-

Mwantembe as independent non-executive directors. Simon Scott resigned as Financial Director. Kobus Verster joined the board as executive director, and was appointed as Financial Director with effect from 27 September 2010. Together, the new appointees bring extensive industry, commercial and board experience to the group.

The 13 member Aveng board now comprises four executive and nine non-executive directors, of whom eight are independent directors. With one international director, two female directors and four black directors, the board is now more representative of the societies in which we operate.

Outlook and prospects

The Aveng Group anticipates that infrastructure investment by the public sector over the next two years will remain under pressure given the current environment of global economic uncertainty. Private sector growth will continue to be driven primarily by the demand for commodities and energy fuelled largely by China. The Australasian infrastructure market continues to maintain its resilience in the global economic slowdown, supported by its ongoing growth in both public and private sector spend.

The 19% growth in the two year order book to R37 billion reflects a good outlook over the short to medium term for our construction segment. However, delays in the public sector spend in South Africa are evident in the two year order book of Aveng Grinaker-LTA, which has increased by 5% compared to McConnell Dowell's 41% increase. The total project opportunity pipeline remains stable at R112 billion.

Steel price volatility and supply constraints are anticipated and will continue to present challenges for our Manufacturing and Processing segment. We will remain focused on driving efficiency improvements, reducing costs and providing higher value added products and services for our customers during this period and anticipate an improved performance from this operating group in the short to medium term.

Through the renewal of existing contracts and a strong commodity market, Aveng Moolmans was able to increase its two year order book to approximately R10 billion and having completed its problematic projects is well placed to deliver a much improved performance. The division's outlook is strongly tied to the fortunes of the increasing demand in a wide range of commodities and the growing market segments on the African continent.

The Aveng Group has a well balanced portfolio, geographic diversity and multi-disciplinary capabilities across the infrastructure value chain. All group operations have been focused on business improvement initiatives during the year, with a specific focus on project execution capabilities, which should have a favourable impact in the new year. These management initiatives, together with the completion of some challenging projects and a solid order book, should position the group well in, what we believe, will remain a difficult trading environment.

Appreciation

We extend our gratitude to our board for their sound guidance and to the executive team for their relentless focus on delivering on the full potential of the group. We also thank all our employees for their commitment to deliver extraordinary projects to clients despite challenging conditions. Without their talent and dedication and the continued support of our clients, suppliers and partners, we would cease to exist. We are confident that the Aveng Group will continue to deliver on our vision of being the leaders in infrastructure development in our markets.

Angus Band
Chairman

Roger Jardine
Chief Executive Officer

Financial director’s review

Kobus Verster
Financial director

The 19% growth in the two-year order book to R37 billion reflects a favourable outlook for Aveng construction businesses, with the two-year order books of Aveng Grinaker-LTA and McConnell Dowell having increased by 5% and 41%, respectively. The total project opportunity pipeline remains stable at R112 billion.

Material issues covered in this report:
- → Growth
- → Liquidity
- → Transformation

Performance overview

Despite the difficult operating environment, the group’s revenue increased by 1% to R34,3 billion for the comparable period.

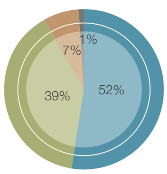
Profitability was adversely affected by a combination of the impact of poor performing contracts, the Competition Commission administrative penalty of R129 million and the increased competitive trading conditions in the South African infrastructure and manufacturing environment, resulting in a decline in operating profit by 29% to R1,5 billion.

Lower investment income by R166 million from lower interest rates in both South Africa and Australia, and the tax charge of R584 million resulted in headline earnings of R1,2 billion and headline earnings per share of 306,4 cents being down by 37%.

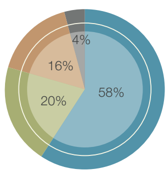
The net cash position of R5,4 billion was below the previous year’s R7,5 billion mainly due to lower cash generated by operations, a net investment in working capital of R1,9 billion and capital expenditure of R1,8 billion.

The ROE for the group reduced to 9,5% for the 2011 financial year compared to the 16,3% achieved in the previous year.

PIPELINE BY OPERATING GROUP



PIPELINE BY BUSINESS SECTOR



Share performance

Headline earnings were 36,9% lower than the previous financial year, net of provision for Competition Commission penalties of R129 million. Headline earnings per share of 306,4 cents for the period was 36,6% lower than the previous year’s 483,6 cents per share. Headline earnings per share are down by 30,9% against the previous year before the provision for the Manufacturing group penalties.

As a result of the reduction of R700 million in headline earnings from 2010 to 2011, the earnings and diluted earnings per share were lower by 36,9% and 35,8%, respectively, compared to the previous financial year, (net of provision for Competition Commission penalties).

Following the announcement of the share-repurchase programme, the number of shares in issue was reduced by slightly more than 3 million. The number of diluted weighted average shares in issue was reduced by almost 9 million year-on-year following the 30 June 2011 revaluation of the contingently issuable shares in respect of the empowerment transaction.

Statement of comprehensive income

The group recorded revenue of R34,3 billion for the year, which was 1% or R0,3 billion higher than last year:

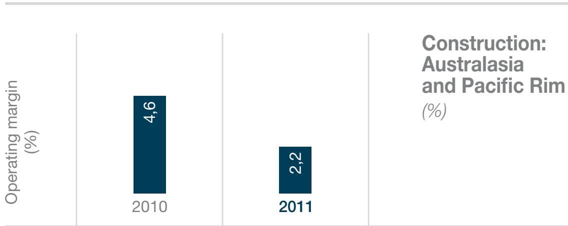
- Construction and Engineering: South Africa Segment, Aveng Grinaker-LTA reported a 11,5% decline in revenue to R8,9 billion, while Aveng E+PC showed a decline of 7,2% to R724,5 million. The lower revenue recorded in Aveng Grinaker-LTA was mainly due to building project delays and lower revenue generated by Earthworks Engineering as a result of delays in infrastructure projects from both the mining sector and government infrastructure projects. Mechanical & Electrical returned lower profitability as a result of reduced production levels in DSE due to the high volume of variations and holds on a major contract.
- Construction and Engineering: Australia and Pacific Rim recorded a 2,3% growth in revenue to R13,3 billion. This was on the back of strong growth in the offshore construction and electrical businesses of the Australian operations which

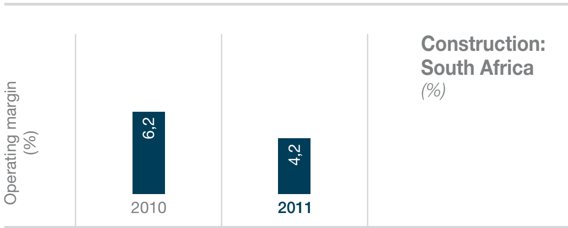
recorded top-line growth of 34,2% and 11,7%, respectively. Construction Australia, which comprises 49% of McConnell Dowell's revenue in 2011, increased by 3% while Pipelines and Tunnel and Underground decreased by 3,2% and 6,3%, respectively.

- Aveng Manufacturing and Processing recorded a 13% improvement in revenue to R7,8 billion with improved top-line performance by Aveng Lennings Rail Services, Aveng Duraset and Aveng Trident Steel. This was further impacted by the consolidation of Dynamic Fluid Control (Pty) Limited from October 2010.
- The revenue in the Opencast Mining segment grew by 12,1% to R3,7 billion which included the successful conclusion of the Marikana settlement.

Despite the marginal increase in revenue, operating profit of R1,4 billion declined by 29% for the same period last year.

- Operating profit in the South African and African Construction segment was down by 34% following a combination of lower revenue, poor performing contracts in, especially, the Mining Services and Mechanical & Electrical side of the business and delayed revenue recognition.
- The operating profit at McConnell Dowell was adversely affected by the impact of losses and loss provisioning on problematic contracts, the stronger Australian dollar and project delays due to adverse weather conditions.
- Notwithstanding revenue growth and improved steel demand, Aveng Manufacturing and Processing showed a decline in operating income by 29,9% after accounting for the Competition Commission settlement.
- The increase in the Opencast Mining segmental operating profit of 13%, includes the impact of the Marikana (Aquarius) settlement of R87,5 million.





Taxation

The tax rate for the Aveng Group of 32% (June 2010: 27,8%) includes a R57 million Secondary Tax on Companies (STC) payment arising from the October 2010 dividend. The higher effective tax rate is mainly as a result of non-tax-deductible expense (primarily the Competition Commission penalty), assessed losses arising from the reversal of a deferred tax asset and a foreign tax rate differential.

Statement of financial position

The Aveng Group balance sheet remains strong despite a challenging financial year with weaker headline earnings and deterioration in the cash and cash equivalents position by R2,2 billion. Capital expenditure increased to R1,8 billion for the year (2010: R1,2 billion). An ongoing initiative to manage capital expenditure within current profitability and cash constraints is being maintained.

The balance sheet was also strengthened following the acquisition of Dynamic Fluid Control (Pty) Limited (DFC) and the Perth Building Company in Australia at a combined cost to the group of R387,1 million. Acquired debt associated with the acquisitions in the amount of R110 million was settled in full.

The effect of long-term, and, in some instances troublesome, contracts and the more difficult trading environment is reflected in the increased receivables, which has deteriorated by R1,3 billion, being the single largest cash outflow for the year.

Property, plant and equipment

Capital expenditure of R1,8 billion for the year was mainly within McConnell Dowell, Aveng Moolmans, Aveng Grinaker-LTA and Aveng Trident Steel, with R678 million having been expended to maintain current capacity and R1,1 billion on capacity expansion.

Aveng Moolmans' capital expenditure for the year was R711 million to maintain current equipment and to equip two new projects in Zambia and Tanzania. With some minor exceptions, all assets are currently employed on the respective operations with acceptable levels of utilisation and availability. McConnell Dowell acquired net capital items for project activities in the amount of AUD61,4 million (R473 million) for the year to 2011. Aveng Trident Steel invested in a Schuler blanking press, which was acquired to enhance capacity within the automotive market. Aveng Grinaker-LTA's net capital expenditure was curtailed to R204 million including the acquisition of the Jet Park complex. Capital spend was also deferred to the latter part of the financial year due to the current delay in project awards.

Goodwill and intangible assets

Goodwill and other intangibles of R1,5 billion at 30 June 2011, reflect an increase of R396 million from 30 June 2010 due primarily to the acquisition of the Perth Building Company and DFC. Both acquisitions are subject to a profit-based earnout settlement which have been provided for during 2011.

A comprehensive impairment test was conducted during the year on all group investments, resulting in an impairment of R14,9 million on one small South African investment. Goodwill is tested for impairment annually.

Working capital

Net working capital days of negative 18 have deteriorated against that achieved for 2010 (June 2010: negative 38). The planned increase in stock levels at year-end within Manufacturing and Processing businesses and the increase in debtors' days within the Construction and Engineering businesses of Australasia and the Pacific Rim have contributed to this increased investment in working capital.

Inventory at year-end amounted to R2,1 billion against R2,0 billion at the last year-end. This marginal increase is attributable to the group's acquisition of DFC and its decision to increase stock holding at year-end so as to mitigate against the risk of industrial action and shortage of raw materials. There have been no significant stock write downs during the period under review. Stock days (measured at a group level) were 26, which is consistent with that recorded for 2010. A provision for obsolescence is maintained on slow-moving stock items.

Accounts receivable of R8,1 billion at 30 June 2011 (2010: R6,9 billion) include trade receivables and prepayments of R4,7 billion compared with the last year-end of R4,2 billion. The provision for impairment is in line with that of the last financial year. The increase in accounts receivable to 86 days (2010: 74 days) is attributable to increased amounts due from customers in the Construction and Engineering businesses of Australasia and the Pacific Rim.

Accounts receivable within the group's Manufacturing and Processing business have deteriorated with slower payments being indicative of current market conditions.

Aveng Moolmans receivables are all current, apart from a compounding VAT refund due to the group in Ghana. Discussions continue with the Revenue authorities in Ghana with a view to expediting refunds which are impacting negatively on regional cash flow.

Group accounts payable was 130 days as measured at year-end, which is slightly lower than the 137 days recorded at the end of the previous financial year. An increase in accounts payable within the Construction and Engineering businesses of Australasia and the Pacific Rim served to offset the increase in receivables within the region. Reduced business activity and project underclaims within the construction businesses also contribute to the overall reduction in payables.

The total Aveng Group provisions of R1,2 billion (2010: R1,7 billion) were slightly lower than the previous financial year following the settlement of staff incentives during the year which were provided for during 2010.

Cash and cash equivalents

The cash and cash equivalent position of R5,4 billion was below that recorded at June 2010 of R7,6 billion. Cash reserves deteriorated as a consequence of lower than anticipated cash generated from operations, the dividend payment, the acquisition of DFC and Perth Building Company, the share repurchase programme and lower investment income.

Statement of cash flows

Operating margin pressures and lower investment income resulted in lower cash generation in 2011 in relation to the 2010 year. Cash outflow for the year to June 2011 was R2,2 billion.

Aveng empowerment transaction

The board is pleased to advise that it has successfully concluded negotiations with Kagiso Tiso Holdings which, subject to shareholder and regulatory approval where required, will facilitate an extension of the current empowerment relationship, which has been of significance to both parties, to 2014. Full detail pertaining to this transaction will be distributed to shareholders in a separate circular.

Shareholders' analysis

Aveng Limited shares continued to be actively traded during the 2011 financial year with liquidity at 86,3% Approximately 327,3 million shares were traded during the period, representing a value traded of R12,5 billion, at a volume weighted average price of R38,12 per share.

	2011	2010
Weighted average number of shares in issue by the Company	**394 697 457**	396 006 572
Less: Weighted average number of treasury shares	**(6 018 386)**	(6 023 482)
Weighted average number of shares in issue	**388 679 071**	389 983 090
Add: Contingently issuable shares	**26 833 103**	34 432 532
Diluted weighted average number of shares in issue	**415 512 174**	424 415 622

Dividend declaration

The group's dividend practice remains to declare 25% of headline earnings as an annual dividend. After consideration of the group's cash and working capital requirements and order book, the board has declared a final dividend of 145 cents per share in respect of the financial year ended 30 June 2011. This constitutes a dividend payment ratio of 47% of the group's headline earnings per share for the period.

See detail on the dividend payment on page 184.

Kobus Verster
Financial Director

Independent assurance report to the directors of the Aveng Group for the period ended 30 June 2011

Scope of our engagement

We have completed our independent limited assurance engagement to enable us to express our limited assurance conclusions on whether anything has come to our attention that causes us to believe that the Aveng Group's Sustainability Overview 2011 (the report) for the period ended 30 June 2011, has not been prepared, in all material respects, in accordance with the principles and listing requirements of the Johannesburg Stock Exchange's Socially Responsible Investment (JSE SRI) for a High Impact business, and whether the following key performance indicators (specified KPIs) contained in the report have not been fairly stated:

- Recordable Injury Frequency Rate (RIFR) for the 12 months ended 30 June 2011 as disclosed on pages 10, 28, 45 and 49;
- Lost-time injury frequency rate (LTIFR) for the 12 months ended 30 June 2011 as disclosed on page 48;
- Carbon footprint (Scope 1 – diesel) for the 12 months ended 30 June 2011 as disclosed on page 54;
- CSI trust payments for the 12 months ended 30 June 2011 as disclosed on page 64;
- Number of employees who underwent HIV/Aids prevention training for the 12 months ended 30 June 2011 as disclosed on page 52; and
- Investment in training (Rand) for the 12 months ended 30 June 2011 as disclosed on page 10.

The specified KPIs noted above have been highlighted in purple in the report for identification purposes.

Our responsibility in performing our independent limited assurance engagement is to the Aveng Group only and in accordance with the terms of reference for this engagement (including the release letter dated 14 September 2011 as agreed with them. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Aveng Group for our work, for this report, or for the conclusions we have reached.

The Aveng Group has elected to prepare the report in accordance with the principles and listing requirements for a High Impact business which are published by the JSE SRI, a full copy of which can be obtained from the JSE's website.

Directors' responsibility

The directors are responsible for implementing a stakeholder engagement process to identify all relevant stakeholders, to identify key issues, to respond appropriately to key issues identified, to determine those key performance indicators which may be relevant and material to the identified stakeholders, and to design and apply appropriate sustainability reporting policies. The directors are also responsible for the preparation and presentation of the report, the information and assessments contained in the report and for such internal control as the directors determine is necessary to ensure that the information and data reported meet the requirements of the relevant criteria, and contain all relevant disclosures that could materially affect any of the conclusions drawn.

Assurance provider's responsibility

Our responsibility is to express our limited assurance conclusion on the report and the specified KPI based on our independent limited assurance engagement. Our independent limited assurance engagement was performed in accordance with the International Federation of Accountants' (IFACs) International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. This standard requires us to comply with ethical requirements and to plan and perform our engagement to obtain the assurance as required by the scope of our engagement, as expressed in this report.

Basis of work and limitations

The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the subject matter and the purpose of our engagement. In making these assessments, we have considered internal control relevant to the entity's preparation and presentation of the report and the information contained therein, in order to design procedures appropriate for gathering sufficient appropriate assurance evidence to determine that the information in the report is not materially misstated or misleading as set out in the summary of work performed below. Our assessment of relevant internal control is not for the purpose of expressing a conclusion on the effectiveness of the entity's internal controls.

We planned and performed our work to obtain all the information and explanations that we considered necessary to provide a basis for our limited assurance conclusions pertaining to the report and the specified KPIs, expressed below.

Where a limited assurance conclusion is expressed, our evidence gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

Summary of work performed

Set out below is a summary of the procedures performed pertaining to the report and the specified KPIs which were included in the scope of our limited assurance engagement.

- We obtained an understanding of:
  - The entity and its environment;
  - The stakeholder engagement process;
  - The selection and application of sustainability reporting policies;
  - How management has applied the principle of materiality in preparing the report and the specified KPIs; and
  - The significant reporting processes including how information is initiated, recorded, processed, reported and incorrect information is corrected, as well as the policies and procedures within the reporting processes.
- We made such enquiries of management, employees and those responsible for the preparation of the report and the specified KPIs, as we considered necessary.
- We inspected relevant supporting documentation and obtained such external confirmations and management representations as we considered necessary for the purposes of our engagement.
- We performed analytical procedures and limited tests of detail responsive to our risk assessment and the level of assurance required, including comparison of judgementally selected information to the underlying source documentation from which the information has been derived.

We believe that the evidence obtained as part of our limited assurance engagement, is sufficient and appropriate to provide a basis for our findings and our limited assurance conclusion expressed below.

Conclusion

Based on the work performed and subject to the limitations described above, nothing has come to our attention that causes us to believe that:

- The report for the period ended 30 June 2011 has not been prepared, in all material respects, in accordance with the principles and listing requirements of the JSE SRI for a High Impact business; and
- The specified KPIs contained in the report have not been fairly stated.

Other matters

The maintenance and integrity of the Aveng Group's website is the responsibility of the Aveng Group's management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the Aveng Group's 2011 Sustainability report or our assurance report that may have occurred since the initial date of presentation on the Aveng Group's website.

Ernst & Young Inc.

Ernst & Young Inc
Director – Jeremy Grist
Registered Auditor
Chartered Accountant (SA)

52 Corlett Drive
Johannesburg
14 September 2011

Approach to sustainability

As the Aveng Group continues to create shareholder value, it remains committed to ensuring the wellbeing of the communities in which it operates and is respectful towards precious environmental resources.

The Aveng Group's commitment to sustainable development is encapsulated in our corporate mission which is to leave a "positive and lasting legacy"

The group recognises that it has a responsibility to the wellbeing of the communities in which it operates, especially in the face of limited natural resources and socio-economic challenges.

The group's commitment to sustainable development is driven at a group level, endorsed and measured by the board and implemented across all operating groups.

Sustainability is encouraged across all facets of the business

Participation at board level	Responsible use of natural resources	Ensuring long-term sustainability
Directors, through their involvement on board committees, are accountable for group sustainability performance. **Angus Band** – investment committee, risk committee, tender risk committee, transformation committee *(economic sustainability)* **Roger Jardine** – risk committee, executive committee, safety, health and environmental committee, transformation committee *(economic and social sustainability)* **Peter Erasmus** – risk committee, tender risk committee *(economic sustainability)* **May Hermanus** – safety, health and environmental committee, *(environmental and social sustainability)* **Rick Hogben** – safety, health and environmental committee, audit committee *(environmental and social sustainability)* **Thoko Mokgosi-Mwantembe** – transformation committee, *(social sustainability)* **Myles Ruck** – investment committee, audit committee *(economic sustainability)* **Keith Rumble** – investment committee, tender risk committee, safety, health and environmental committee, risk committee *(economic, social and environmental sustainability)* **Nkululeko Sowazi** – transformation committee, investment committee *(social and economic sustainability)* **Peter Ward** – risk committee, audit committee, tender risk committee *(economic sustainability)* **Juba Mashaba** – executive committee *(social and economic sustainability)* **Kobus Verster** – tender risk committee, executive committee *(social and economic sustainability)* **David Robinson** – executive committee *(social and economic sustainability)*	The Aveng Group recognises its responsibility to society, economically, socially and environmentally. The group has committed to monitor its usage of natural resources, and limit its impact on the environment. A safety committee was established in 2009. The mandate was extended to include health and environmental issues in 2010 and a joint safety, health and environmental board committee was formed. This reflects the board's commitment to a holistic and responsible sustainability journey See environmental report on page 53	Long-term sustainability is critical to the Aveng Group's ability to deliver ongoing value to its shareholders. The group's focus on ensuring long-term sustainability centres around: **Efficiency improvements and cost management** For more on this, see Joint Chairman's/CEO's review and operational reports **Growth** – broadening the group's geographic and industry footprint, synergy optimisation across the group and customer optimisation **Sustainability management** Strong risk, safety, health wellness, environmental and human capital management at the highest level

Sustainability journey

Key area	Our commitment to sustainable development	2010 Achievements	2011 Achievements	Future objectives	More info
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	Revenue of R34,3 billion, total value added of R11,3 billion	Continued focus on creating sustainable value for all stakeholders	Pages 28 to 39
Transformation	To achieve substantial transformation in the group's South African operations	Aveng (Africa) and Aveng Trident Steel rated as Level 4 and Level 6 B-BBEE contributors, respectively, in terms of the Construction Sector Charter	Aveng (Africa) and Aveng Trident Steel rated as Level 3 (138%) and Level 5 (80%) B-BBEE contributors respectively, in terms of the Construction Sector Charter	Minimum rating of Level 3 B-BBEE contributor in terms of the Construction Sector Charter	See transformation report on page 60

Sustainability journey

Key area	Our commitment to sustainable development	2010 Achievements	2011 Achievements	Future objectives	More info
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. One operating group achieved ISO 14001: 2004 certification.	Two additional operating groups achieved ISO 14001: 2004 certification	ISO 14001: 2004 certification across all operations	See environmental report as well as operational reports for progress on key environmental measures
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 indicators including power, water and fuel utilisation	The group responded to the CDP, reduction of waste streams such as waste oils and scrap metal, and measurement of fuel consumption	Measure and manage the group's carbon and water footprints with plans to increase the measurement of Scope 1 and Scope 2 greenhouse gas emissions	See environmental report as well as operational reports for progress on key environmental measures
Employee satisfaction	To prioritise people and provide a great place to work for all	More than R40 million invested in training in South Africa alone	More than 30 000 people employed across globe. Over R40 million invested in training in SA	Raise the performance bar of talented employees, including emerging leadership talent	See HR report on page 56
Safety	To encourage behaviour and practices that entrench the Aveng Group's safety vision	41% decrease in Lost-Time Injury Frequency Rate to 0,26. 50% of the operating groups OHSAS 18001 certified	15% deterioration in Lost time injury frequency rate (0,3) but improvement in recordable injury frequency rate of 6% to 1,22. More than 95% of operations OHSAS 18001 certified	Achieve a world-class safety culture and behaviour across all operations with zero fatalities	See specific operational safety statistics on page 49 and pages 70 – 81
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	R22,7 million CSI spend Active staff volunteerism programmes Ongoing focus on skills development	Contribute to community and skills development to make a real contribution to socio-economic progress in the areas in which we operate	More on page 64

Key milestones in our sustainability journey

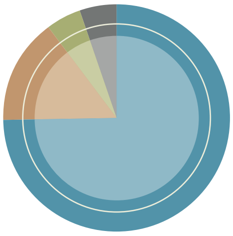
- In 2007 the group embarked on its sustainability journey by working with the JSE on the JSE Sustainability Reporting Initiative (SRI). This initiative is conducted in conjunction with EIRIS in the United Kingdom.
- In 2008 a process was put into place to measure various additional areas through to 2010 in a focused manner. This took cognisance of the intent of the group to provide data to and be included in the Carbon Disclosure Project in 2009.
- Initial submissions were made in 2009 and 2010 and in 2011 an open submission was made to the CDP. This involvement in both the JSE SRI Index and EIRIS programme will now be enhanced with the group's involvement in the CDP programme that the JSE has commencing in 2010.
- The group was a founder signatory to the World Economic Forum Programme Against Corruption Initiative (PACI). This has formed the basis of the group's Anti-Corruption Programme that was initially rolled out in 2008. The group is a member of the PACI task group and is currently involved with a working group undertaking an evaluation of the development of a due diligence tool for the selection of partners, suppliers etc to ensure they comply with the PACI requirements.
- The group determined in 2009 that it would look at the JSE SRI Index, EIRIS, CDP and PACI initiatives closely to ensure that it applied the necessary systematic focus and attention to these initiatives to ensure that best practice was achieved in these areas prior to adding any additional focus areas to the group's reporting structure. This has proved to be the correct approach and the necessary benefits are being seen in the current initiatives. It is anticipated that once full maturity has been achieved in these areas we will extend this to include the GRI reporting requirements. It is anticipated that this will be adopted at in early 2013.

**assured*

Economic sustainability

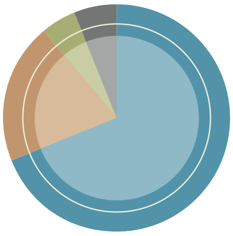
The Aveng Group has a heritage extending more than a century and the current board and leadership team are committed to ensuring that the Aveng Group remains the leader in infrastructure development in its target markets well into the future.

Total value applied by stakeholder group



2011 Total: R11 274,0m

- 75% Employee costs
- 15% Retained for growth
- 5% Capital providers
- 5% Taxation



2010 Total: R11 914,9m

- 69% Employee costs
- 20% Retained for growth
- 5% Capital providers
- 6% Taxation

Despite a difficult financial year, the Aveng Group continued to contribute positively to a sustainable economy, delivering a marginal increase in revenue to R34,3 billion in the year under review.

Total value added by the group's diverse activities to the cost of raw materials, products and services purchased amounted to R11,3 billion. The group's suppliers benefited from expenditure of R23,4 billion on products and services from suppliers.

The Aveng Group maintained its dividend at 145,0 cents per share for 2011 (2010: 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, so as 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 endeavours to improve its financial performance year-on-year to achieve solid growth and to create value for its stakeholders and the communities in which it operates. The group strives to contribute positively to the development of society and economies in operating territories.

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 2011

	2011 Rm	2010 Rm
Revenue	**34 323,6**	33 981,1
Net cost of products and services	**23 396,5**	22 537,8
Value added by operations	**10 927,1**	11 443,3
Income from investments and interest	**346,9**	471,6
Total value added	**11 274,0**	11 914,9
Applied as follows to:		
Employees as salaries, wages and other benefits	**8 333,3**	8 224,2
Providers of capital – financing costs	**58,5**	17,2
– dividends	**565,1**	579,4
The state as direct taxes	**583,7**	721,6
Total value distributed	**9 540,7**	9 542,4
Reinvested in the group – amortisation of depreciation	**1 125,1**	1 079,6
– reserves retained	**608,3**	1 292,9
Total value added	**11 274,0**	11 914,9

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:

- Expenditure on products and services to suppliers amounted to R23,4 billion which, in turn, created opportunities for the group's suppliers to employ staff in order to keep pace with its demands;
- During the year R8,3 billion was paid as salaries, wages and other benefits to its 30 000 employees, 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, water treatment, the building of port infrastructure to increase import and export capabilities and the construction and maintenance of roads and airport runways to improve transportation services. Current and recently completed projects include the Medupi and Kusile power station projects for Eskom and the Gauteng Freeway Improvement Projects in South Africa, the Komo Airport in Papua New Guinea and the QCLNG pipeline and marine crossing in Queensland Australia. Operations also included 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.
- 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 continually 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 are 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.

Safety report

Safety policy

The Aveng Group is committed to its responsibilities in every respect of safety, which are integral to the way it does business.

In building a legacy that every employee, their families and future generations can be fiercely proud of, the group develops, implements and maintains management systems for safety that are consistent with internationally recognised standards and:

- Entrench safety as a core value that 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, the Aveng Group commits to open communication with employees, contractors, service providers and communities to encourage a culture that reflects the intent of this policy. The group is committed to continual improvement and will regularly review its performance and report on progress. The group will ensure that this policy remains relevant to the needs of all stakeholders.

Responsibility and accountability

While the Aveng Group holds its leaders accountable for the safety of its people and expect its managers and supervisors to provide effective leadership in safety, the group equally expects all individuals to be responsible for their own health and safety and those around them commensurate with their level of authority and sphere of influence. The management of each 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.

The Aveng Group's ongoing focus on improving safety at its operations not only safeguards its licence to operate, but also strengthens its position as a socially responsible employer and business partner.

The value the group places on the safety of employees, subcontractors, partners and any visitors to its sites is reflected in the safety vision, **"Home Without Harm Everyone Everyday".**

Highlights

- All businesses, with the exception of REHM Grinaker and DFC, are now certified to the internationally recognised safety management standard OHSAS 18001.
- Conducted 63 safety culture maturity assessments at the group's operations.
- CEO safety workshop.
- More than 250 visible safety leadership visits by CEO, operating group MDs and their management teams.
- 43% increase in reporting of near-miss incidents to 120 390, indicating resilience in the near-miss reporting programme.
- 6% reduction in recordable injury frequency rate to 1,22.

Lowlights

- Eight fatalities at the group's operations.
- 15% deterioration in the lost-time injury free rate (LTIFR) to 0,30.

In memoriam

The Aveng Group deeply regrets to report that eight people (four employees and four contractors) passed away from workplace accidents during the financial year. Each incident was subject to an indepth investigation including formal "root cause analysis" and a corporate review by the safety, health and environmental (SHE) committee of the board.

For the Aveng Group every fatality is serious and action is taken to avoid similar incidents. The group expresses its condolences to the families, friends and colleagues of those who passed away through work-related incidents.

Key activities during the year

The group continued to focus on leadership, culture, management systems and management of high-consequence activities, which included:

- Obtaining OHSAS 18001 certification for Aveng Manufacturing, Aveng E+PC and the remaining business units within Aveng Grinaker-LTA.
- A group-wide framework for managing safety is now well established. Each operation continued to implement formal safety management systems to deal with hazards relevant to its business.

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- Continued training in incident investigation and root cause analysis that incorporates several techniques for causal analysis, including "TapRoot" and ICAM.
- Strong, accountable and visible leadership. The group is adopting a range of safety leadership and behavioural change initiatives to encourage a positive safety culture. More than 250 site visits were undertaken by the most senior executives (CEO, MDs and their management teams), demonstrating management's commitment to safety, leadership and a willingness to engage with employees.
- The group conducted 63 "safety culture maturity assessments" across its operations to determine what needs to be done to improve each operation's safety culture.
- Continued analysis of internal safety data to assess safety performance and identify opportunities for improvement.
- Each operating group is continually reviewing and updating its high-consequence activities and sharing best practices to reduce and eliminate injuries that may arise from work activities.

Safety performance

Criteria	Target	2011	2010	Performance against target
Number of fatalities	**0**	8	5	worse than target
Fatality frequency rate per 200 000 hours worked	**0**	0,012	0,007	worse than target
LTIFR per 200 000 hours worked	**0,33**	0,3	0,26	better than target
Near miss/all injury ratio	**25**	33	23	better than target
Executive safety leadership (score out of 50)	**>35**	36	32	better than target
% of group's operations OHSAS 18001 certified	**83**	>95	50	better than target

Group safety performance

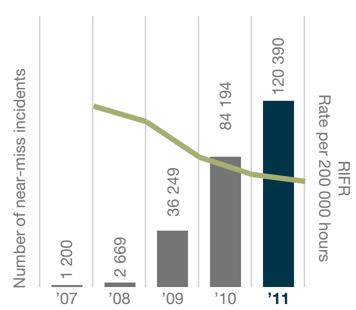
Some fatalities were recorded at operations with the lowest LTIFR in the group. This dichotomy in performance indicates that reducing LTIFR is not a guarantee for preventing fatalities. The Aveng Group believes that strong and accountable leadership sets the tone for the mature safety culture needed to achieve a quantum change in reducing injuries and eliminating fatalities.

The group will in future focus on a broader injury rate called the recordable injury frequency rate (RIFR). The historical performance of the RIFR is shown in the table below.

The group continues to encourage the reporting of near misses. By analysing the near-miss data, it can identify "free lessons" and communicate these to personnel to reduce workplace injuries.

Recordable injury frequency rate (RIFR) per 200 000 hours worked

	2011	2010	% Variance
Aveng Grinaker-LTA	**1,06**	1,01	(5)
McConnell Dowell	**1,24**	1,71	28
Aveng Moolmans	**0,95**	0,97	2
Aveng Manufacturing	**1,81**	1,51	(20)
Aveng Trident Steel	**3,17**	3,95	20
Aveng E+PC	**0,65**	0,94	31
Aveng Group	**1,22**	1,30	6



GROUP SAFETY PERFORMANCE

RIFR is the number of fatalities, lost-time injuries, restricted work cases and medical treatments for every 200 000 hours worked at the group's operations by employees, subcontractors and service providers. Recordable cases in some joint ventures are reported proportionally to the group's shareholding.

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The Aveng Group recorded a 6% improvement in RIFR. While this improvement is praiseworthy, it nonetheless means that 837 people experienced injuries ranging from fatalities, lost-time injuries and restricted work cases to medical treatment injuries. Any injury remains unacceptable and the group has set stringent targets for the 2011/12 financial year to ensure zero harm to all on its sites.

Key objectives for the year ahead

Strategic objectives	Desired results
To build a positive safety culture around well-developed safety management systems, through consistent demonstration of leadership and employee engagement that changes fundamental attitudes and behaviour.	Improving the safety culture maturity level across the group's operations.
Improving executive safety leadership levels.	Visible and demonstrable safety leadership.
Measurement of control effectiveness for high-consequence activities.	Reduction in incidents arising out of high-consequence activities.
Eliminating workplace fatalities and injuries.	Zero fatalities and reduce injury rates.
To improve the safety management approach for subcontractors.	Elimination of fatalities and reduction of injuries involving subcontractors. Stringent safety prequalification and competence assessments. Development of an integrated approach with major subcontractors.
To become a learning organisation and continually embed lessons learnt from significant incidents.	Elimination of fatalities and injuries. Avoidance of repeat or similar incidents.

Key challenges

- Elimination of fatalities across the group.
- Managing subcontractors.
- Improving safety culture.
- Control of lifting operations and materials handling.
- Control effectiveness of high-consequence activities.

Key achievements

- OHSAS 18001 certification achieved for all operations within Aveng Manufacturing and Aveng E+PC, resulting in more than 95% of the group's operations having OHSAS 18001 certification.
- The C916 Station at the Beauty World and Tunnels project in Singapore was awarded first prize in the Land Transport Authority's annual safety award convention for impressive safety management.
- The Maseru Referral Hospital site achieved four million LTI-free hours.

For more information on key achievements go to www.aveng.co.za

Safety under ground

Safety on the surface

Safety above ground

Health and wellness report

The Aveng Group's vision for the health and wellness of its employees is **"Home Without Harm Everyone Everyday"**. This vision is becoming more entrenched through continually raising awareness on health and wellness practices so that it becomes a way of life.

The strategic pillars of the Aveng Group's health and wellness framework, are **occupational health management, HIV/Aids and TB management, and wellness initiatives.** These are founded on:

- Compliance with legislation;
- Collaboration with partners and stakeholders, both internal and external;
- Research, monitoring, evaluating, communicating and reporting on health and wellness initiatives;
- The Aveng Group's core values of safety, honesty and accountability;
- The highest degree of professional ethics and confidentiality; and
- Visible leadership by the Aveng Group's executive management.

The group's health and wellness framework is the foundation upon which operating groups build their health and wellness interactions and agreements with clients, suppliers, service providers and partners.

The table outlines the key strategic initiatives based on this framework.

Health and wellness strategic initiatives

Strategic initiative	Description	Status
Group Health and Wellness Manager	Development of strategic capacity within the group.	Appointed in August 2010.
Health and wellness framework	Development of framework, strategic pillars, objectives and foundation principles.	In progress.
Health and wellness policy	Policy commitment to the Aveng Group values, legal compliance, ethical and confidential service provision in terms of the strategic pillars.	In progress.
HIV/Aids and TB management	Recognising that HIV/Aids and TB deeply impacts the lives of employees, the Aveng Group supports focused interventions to combat the spread of these infections while managing impacted employees. The group actively engages in prevention, treatment, care and support measures to assist employees.	Ongoing HIV/Aids counselling and testing opportunities, awareness raising and peer education.
Occupational health management	The Aveng Group endorses its legislated requirements to provide and maintain, as far as reasonably practicable, a working environment that is safe and without risk to employee health. Hazard identification and risk assessments (HIRAs) are conducted that comprise baseline, issue based and continual HIRAs on employees and the occupational environment.	Ongoing
Wellness initiatives	The high incidence of communicable diseases (such as HIV/Aids, TB and malaria) and chronic lifestyle conditions (such as diabetes, hypertension and hypercholesterolaemia) is a concern for the Aveng Group, its employees and the communities in which it operates. To holistically manage this impact, the group commits to providing opportunities for employees to participate in wellness events.	Wellness events are organised that include wellness days, 'flu vaccinations, stress management and blood donation drives, among others.
Review of existing health and wellness policies	Existing policies such as the HIV/Aids policy, substance abuse and smoking policies are being reviewed.	In progress.
Health and wellness reporting template	Key financial and strategic indicators have been aligned to the strategic pillars and objectives.	In progress.
Health and wellness management information system	System identification and customisation to provide a platform for collating data against the strategic pillars; monitoring trends and evaluating interventions.	In progress.

Highlights, lowlights and key challenges

Current initiatives in terms of highlights, lowlights and key challenges are outlined in the table below:

Highlights	Lowlights and key challenges
The group's top 10 health and wellness risks have been identified.	Insufficient data on health and wellness.
Situational analysis, including HIV/Aids impact analysis, to establish current health care provisions and their current and projected costs.	Multiple service providers for health and wellness aspects.
Employee demographic mapping.	
Selection of group service provider for employee assistance programme (EAP)	
Identification of health and wellness pockets of excellence in the group.	
Extensive stakeholder and partner engagements, both internally and externally.	

Key achievements

SABCOHA membership

In December 2010, the Aveng Group joined the South African Business Coalition on HIV/Aids (SABCOHA), which allowed the group the opportunity to leverage workplace best practices and partner with experts to combat HIV/Aids among the group's employees and their families. By also establishing links with the Pan African Business Coalition, this commitment is extended to African operations.

International SOS membership

International SOS (ISOS) provides integrated medical, clinical, and security services to organisations with international operations. The Aveng Group's ISOS membership covers employees for emergencies and evacuations in the line of duty, as well as serving as a critical travel advisory and support unit. The ISOS roll out within the group has been intensified and will continue in the 2011/12 financial year through educational road shows and information-sharing sessions.

Joint SHE/HR Indaba

Human Resources (HR) has a critical role to play in health and wellness delivery, leading to Indabas in April and July 2011 between HR leadership from across the group and the group's safety, health and environmental (SHE) functional areas. Establishing an ongoing dialogue on common issues and reporting will feature strongly in 2012.

HIV/Aids partnership with LifeLine Southern Africa

Aveng Manufacturing introduced a comprehensive HIV/Aids programme in partnership with LifeLine Southern Africa (LifeLine). A unique HIV and Aids in the Workplace Programme has been developed based on international best practice and implements behaviour change communication through LifeLine's unique Know-Test-Live Behaviour Change Model. This programme focuses on both the employer and employee and aims to create an atmosphere of acceptance, non-discrimination and co-operation in the workplace by addressing the devastating impact of the HIV and Aids epidemic on the workplace, the community and the country.

The programme has already trained 94 out of a planned 120 peer educators at its factories. Peer educators are drawn from all occupational levels and from trade union shop stewards. To date 27 managers have undergone programme training in dedicated workshops.

The next step is to train factory-level "Champions" and members of the company's HIV/Aids steering committee.

Annual peer educator conferences are held at which peer educators can share their experiences and learn from the variety of local and international experts that address these challenges.

In September/October 2010 Aveng Manufacturing's HIV/Aids steering committee convened a strategic planning workshop on updating the Aveng Manufacturing workplace programme.

It is envisaged that such leading practices within Aveng Manufacturing will be adopted at other operating groups in 2012. HIV counselling and voluntary testing will continue to be a key initiative in all operating groups.

Employee assistance programme roll out

An employee assistance programme (EAP) will provide employees with responsive and proactive services to assist them to be the best they can be at work and at home, in all spheres of their lives (physical, spiritual, mental, psychological and financial). This integrated EAP will help mitigate the risks associated with employee health and behaviour to enhance workplace wellness and productivity.

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Key objective for the year ahead

Health and wellness performance indicators and targets

- As the health and wellness framework rolls out, the group will commence reporting on health and wellness key financial and strategic performance indicators.

Environmental report

Strategy

The Aveng Group's corporate environmental office is mandated to develop a comprehensive, group-wide environmental strategy that will fully align it with the practices of socially responsible and sustainable business.

Key focus areas and strategic initiatives

Item	Status
Environmental policy	Draft policy developed. The policy is currently going through the approval process and is anticipated to be rolled out from January 2012
Group environmental framework	Draft environmental framework is developed with the aim of completing it by the end of the first quarter of the 2012 financial year. The new environmental framework is scheduled to be rolled out to the operating groups from January 2012.
Develop framework pillars on water, carbon, energy, waste management, material usage and pollution	Development and implementation of the framework pillars commences in the 2012 financial year
Promote green building initiatives and practices in the infrastructure development value chain	This process has already started, with several buildings commissioned in South Africa and abroad being constructed to a 4 to 5 star green building ratings
Continue the process of having all seven operating groups ISO 14001 certified	Three operating groups have ISO 14001 certification
To develop and roll out environmental data recording, reporting and monitoring protocols to guide the operating groups	The environmental reporting protocols have been developed and distributed. The operating groups have commenced recording monthly environmental data
Train the Aveng Group's leaders in environmental sustainability	Incorporated environmental training into the Aveng leadership training matrix. Commenced training

For more information on the environmental policy go to www.aveng.co.za

The Aveng Group's environmental strategy is based on its safety vision of **"Home Without Harm Everyone Everyday"** and is aligned with its safety, health and wellness programmes. The group's environmental journey is intended to deliver the following:

- Supportive values, principles and business conduct
- Necessary policies
- Legal compliance (licence to operate)
- Visible leadership
- Formulating carbon, energy and water management programmes.
- Establishment and maintenance of ISO 14001 certified environmental management systems.

Current initiatives

2011 highlights, lowlights and key challenges

Highlights	Lowlights and key challenges
For the first time, the Aveng Group publicly disclosed its climate change risk and opportunity management results through the Carbon Disclosure Project (CDP)	Data sourcing and recording remains a challenge to the operating groups given the complexities encountered within the construction environment
The Aveng Group's top five environmental impacts have been identified and controls developed to address these impacts	The operating groups must comply with differing sets of environmental legislation around the world. A focus will be for management teams to be briefed on applicable legislation and compliance in their fields of operations.
Green building practices have been introduced, with some new buildings in South Africa and elsewhere achieving between 4 and 5 star green building ratings.	Presence of asbestos identified at Kuilsriver premises. Asbestos management plans, risk assessments targeting employees and communities, training and dust monitoring are being implemented.
Initiated energy efficiency audits at fixed facilities	
Rolled out environmental reporting templates to the operating groups which are now reporting their environmental indicators consistently	
Environmental sustainability modules have been built into the Aveng Group's leadership training matrix and are being implemented	

Key achievements

The Aveng Group publicly responded to the CDP in the 2011 reporting year using data from six operating groups covering the period July 2010 to 30 April 2011.

Several energy saving initiatives in this financial year for group and client operations are listed below:

- Aveng introduced efficiencies in building, design and operations throughout. A particular example is the Aveng Grinaker-LTA built Nedbank Office Block in Umhlanga (KwaZulu-Natal north coast), which achieved 5-star Green Building status. This six-storey, R90 million project was completed in about 10 months.
- Introducing environmentally friendly products such as Eco-shield and mine-shaft insulation.
- Reducing waste streams such as waste oils and scrap metal. Aveng Grinaker-LTA recycled certain waste materials into input raw materials.
- Measuring and monitoring fuel consumption through fleet management instruments.
- McConnell Dowell in Australia constructed an energy efficient building featuring a reduced energy rating and low energy air-conditioning units. All McConnell Dowell projects are currently designed for reduced energy demand, with clients benefiting from the savings.
- Aveng Manufacturing is now conducting Ambient Dust Fallout Monitoring and will be implementing mitigation measures in the 2012 financial year.

Although emission reduction activities take place throughout the Aveng Group, until now these weren't measured against a formal emission reduction plan to determine savings. Once the Aveng Group has measured its carbon footprint, it can implement formal energy reduction plans across its operating groups.

Environmental performance

Carbon emissions

For the first time the Aveng Group measured Scope 1 and 2 carbon emissions (CE) for the reporting period, as shown in the table below. This year's measurements do not include Scope 3 emissions, which will be reported in future reports. The accuracy of these CE figures will improve as the group drives a culture of emission data recording in the 2012 financial year.

2011 Scope 1 and 2 carbon emissions

Emissions scope	Emission factor	Unit	The Aveng Group's total tonnes CO_2e
Scope 1 – Diesel	2,67	metric tonnes CO_2e per litre	439285
Scope 2 – Purchased electricity	1,03 Eskom, 2010 (South Africa)	metric tonnes CO_2e per kWh	48010
	0,87 Australia: National GHG, 2008	metric tonnes CO_2e per kWh	
Total Scope 1 and 2			487 295

The Aveng Group's total tonnes CO_2e = 487 295 (t CO_2e)

Water

Overall annual water consumption

Water consumed	Aveng Group's total water usage
Water (kilo litres)	1 334 244

Assessing the Aveng's Group's water quality and footprint is a key focus area for the 2012 financial year. Once the water footprint is established, water optimisation programmes can be implemented.

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ISO 14001:2004

McConnell Dowell, Aveng Trident Steel, and Aveng Grinaker-LTA are ISO 14001 certified, gaining their certification in May/ August 2010 and March 2011, respectively.

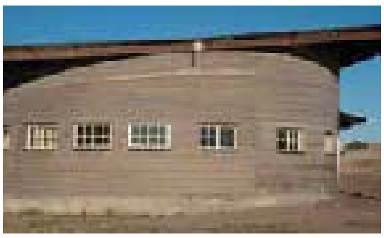
Progress on ISO 14001

A key component of the environmental journey is achieving ISO 14001 certification for all operating groups by 2012.

Operating group	ISO 14001 certification status
Aveng Grinaker-LTA	Five business units certified, except REHM Grinaker
McConnell Dowell	The final business unit achieved certification in August 2010
Aveng Manufacturing	Certification process scheduled to commence in the 2012 financial year
Aveng Moolmans	Scheduled to achieve certification in the 2012 financial year
Aveng Trident Steel	Achieved certification May 2010
Aveng E+PC	Scheduled to achieve certification in the 2012 financial year
Aveng Water	Scheduled to achieve certification in the 2012 financial year

Looking forward

Strategic objectives	Desired results
Measure the Aveng Group carbon footprint	Baseline carbon footprint for group
Assess energy efficiency measures	Increase energy efficiency intensity for the group
Measure the group's water footprint	Baseline water footprint for the group
Roll out group environmental framework	Guide the group's journey towards environmental stewardship.
Promote and support green building practices	Environmentally responsible and resource efficiency throughout buildings' lifecycle
Set and implement measures to promote efficient use of materials	Continually improve the environmental performance standards
Pollution prevention and mitigation measures	Will commence within ISO 14001 standards, including business units not yet certified
Undertake maturity level assessment	Enable broader understanding and identification of most pertinent environmental matters
Train the Aveng Group's leadership in environmental sustainability	Training matrix has been developed. Heightened environmental sustainability awareness



Innovative green building technology developed

Water reclamation at eMalahleni

Alternative energy source

Human resources report

The strategic focus of Human Resources (HR) in the Aveng Group is to prioritise the attraction, development and retention of human capital to deliver sustained performance.

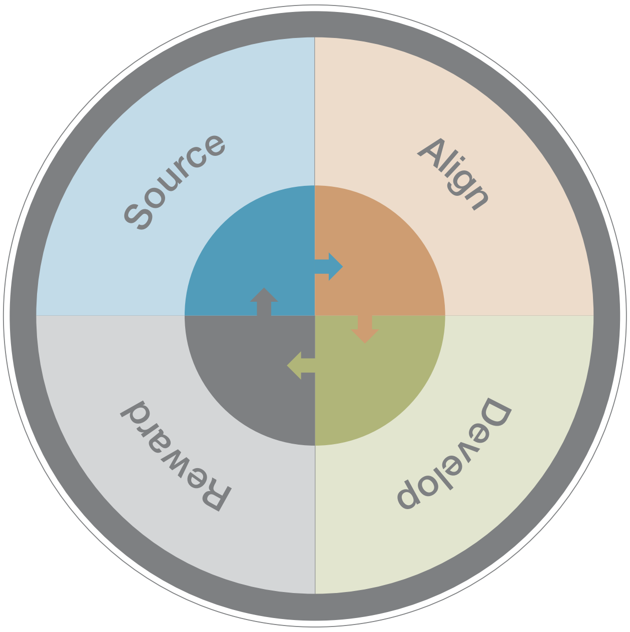
The Human Resources function in the Aveng Group strives to:

- Be an enabler to sustained high organisational performance;
- Be dependable business partners to line management, by providing effective people management and development capabilities that they require to achieve their business objectives; and
- Identify and develop capable leaders across the various business disciplines to ensure the sustainable growth of existing businesses, as well as exploit growth opportunities both geographically and in new products or service offerings.

The foundational pillars of the Human Resources framework are Cultural Alignment and Leadership Engagement. Although the group comprises different operating groups in various industrial sectors within the infrastructure value chain, it strives to embed a set of common, integrated, cultural and behavioural values and norms as defined in the Aveng DNA (more on the integrated DNA on page 59).

Challenges	Responses
The individual businesses have previously operated in silos	The Aveng DNA has been designed to develop common cultural alignment and behaviour standards across the group
Implementation of performance management not optimal	Strong performance management link to pay being implemented. Performance is now key differentiator for rewards
Identifying and developing talent	Group-wide succession planning process implemented. Emerging talent and successors for critical positions identified
Ongoing shortage of business development, commercial and project management skills	A programme has been initiated at the Aveng Group to address the recruitment and development of Project Managers and Commercial Managers with a strong emphasis on skill transfer initiatives

The Aveng Group HR Framework



Talent management

Performance management

Driving a high performance culture across the group is a business priority. The effectiveness of the implementation of the performance management process is constantly reviewed and monitored across the group. Formal reports are presented to the remuneration and nomination committee of the board on a quarterly basis. It is imperative that key individual performance outputs are aligned to the business strategy and the balanced scorecard has become a critical instrument in ensuring this alignment.

The performance management programme has been rolled out over the past three years and now covers all middle- and senior management levels. This process was further enhanced in this financial year with the introduction of the balanced scorecard tool and process to align the performance of all senior executives to the business' objectives.

Over the past year, monetary rewards have been linked to performance for all salaried staff, including the annual salary increase as well as all performance incentives. Performance is also taken into account in determining readiness for upward promotions in the succession planning process.

Job management

Job management is a process that consolidates numerous roles into manageable "job families", determines the technical and behavioural competencies of every role; as well as the academic qualifications and experience requirements for each position.

The job management process ensures a level of standardisation and consistency across the group while maintaining appropriate quality standards in the definitions of job descriptions.

This process enables the development of well-defined, clearly articulated performance and qualification requirements as well as career paths per functional area. It facilitates talent management, development, retention and the development of a high performance culture by ensuring a credible basis for the appointment and development of relevant talent.

Succession management

Succession management is a key strategic intervention for ensuring that the organisation identifies, develops and deploys the talent at its disposal to perform and grow on a sustainable basis. Succession management at the Aveng Group is about harnessing all the HR systems of recruitment, talent management, performance and development to identify and develop the group's future leadership.

Over the past year, a succession management toolkit for managers was developed which includes:

- The succession model and a step-by-step process guide;
- Templates to capture the readiness organisation charts and individual development plans;
- Guidelines on how to carry out succession engagement discussions; and
- Tools to identify high potential employees.

The succession management programme has been rolled-out over the past two years at the senior leadership levels across the group. This programme is now being cascaded to key and critical positions in job families that are vital to delivering the Aveng strategy. A critical aspect of the succession planning process is the focus on the development and rollout of individual development plans of the identified talent.

The group-wide succession review process was undertaken.

This entailed:

- Reviewing all senior managerial positions, plus other critical roles across the group;
- Determining all roles that are critical to the delivery of the group's business strategy and reviewing the bench strength;
- Sourcing and developing talent to address deficiencies identified; and
- Ensuring that the group's transformation imperatives of addressing the under-representation of black and female leaders is addressed.

Learning and development strategy

All learning and development activities are directed at meeting the strategic aims of the Aveng Group. These are to be achieved through a well-trained and motivated workforce, with the necessary and critical skills to deliver sustained performance.

The group's delivery of training and learning is guided by the following objectives:

- Learning and development must directly contribute to business priorities and objectives;
- Learning must directly address operational needs;
- Learning has to be cost effective and meet accredited standards; and
- Learning must be delivered just in time and on-site, wherever possible.

Learning and development compliance

This year a process was initiated whereby all operating groups and business units had to align their workplace skills plans to the Aveng Group's strategic themes and in particular to the transformation imperatives of employment equity and skills development. The plans had to be presented to the corporate office before submission was made to the related Sector Education and Training Authorities (SETAs) to ensure accuracy of submission and compliance. Workplace Skills Plans and Annual Training Reports in future will no longer be submitted to the various regulatory and statutory bodies without a similar review.

Aveng integrated learning and development framework

Skills development
- Artisan development
- Semi-skilled training
- Learnership

Management development
- Manage self
- Manage others
- Manage functions
- Manage managers
- Manage organisation

Leadership development
- Thought leadership
- Result leadership
- Personal leadership
- People leadership

Specialised skills and business acumen development programmes for all functional areas

Leadership and performance assessments

The Leadership Circle 360 Degrees Assessment
Learning Ability Battery (LAB)
Aveng leadership framework
Competency based assessment

Performance
- Operational excellence
- Customer-centricity
- Co-operation and tenacity

Values and reputation
- Safety
- Integrity
- Accountability

People
- Courageous leadership
- Learning organisation
- Mutual respect

The Aveng DNA platform

Bursars

During the year, the Aveng Group supported 218 students with bursaries in various engineering-related disciplines and 209 employees benefited from the group's study aid. The make-up of our bursar population is:

	African		Coloured		Indian		White		Total		
	M	F	M	F	M	F	M	F	M	F	Total
University students	31	17	5	0	5	3	56	19	97	39	136
University of technology	27	22	9	5	1	0	18	0	55	27	82
Total	**58**	**39**	**14**	**5**	**6**	**3**	**74**	**19**	**152**	**66**	**218**

Mentoring and coaching

A Knowledge Transfer Framework has been implemented across the business. The purpose of the Knowledge Transfer Framework is to provide a structured programme for enhancing knowledge transfer from experienced to less experienced employees and, in the process, establish a continual learning culture.

Executive coaching

The executive coaching process is designed to create opportunity for leadership talent to learn and share experiences with seasoned business leaders or professionals, to stimulate their personal growth and effectiveness. The executive coaching programme is goal orientated, dynamic and designed to enable each participant to reach their full potential. The feedback process and reporting structure is agreed to upfront between the coach and individual.

Skills training and development

Artisan training

It is widely accepted that South Africa's artisan shortage is a chronic problem and that various training initiatives to build a new cadre of artisans have begun to address the backlog, with artisan development a key priority for the Aveng Group.

Artisan skills development is a key focus within the CSI programme. See page 64

See joint Chairman's and CEO's review page 34

The Phandimfundo Training Centre has extended its scope of accreditation to include the following qualifications:

NQF aligned	Designated trades
• National Certificate: Construction Crane Operation NQF level 3 • National Certificate: Steelwork NQF level 3 • National Certificate: Roadworks NQF level 3	• Plumber • Painter and decorator • Plasterer and tiler • Roofer

Construction training

The Aveng Group had 348 apprentices training in various engineering disciplines during this financial year, including 193 employees following the learnership route in construction-related qualifications. The table below shows a breakdown of these learners and apprentices.

Apprentices	African		Coloured		Indian		White		Total		
	M	F	M	F	M	F	M	F	M	F	Total
Apprentices	172	30	15	0	1	0	127	3	315	33	348
Learnerships	92	19	7	0	0	0	75	0	174	19	193
Total	**264**	**49**	**22**	**0**	**1**	**0**	**202**	**3**	**489**	**52**	**541**

Training Centre

The Aveng Grinaker-LTA Civil Engineering Training Centre continues to provide construction-related skills development to apprentices and employees from across the group.

More on the Training Centre go to **www.aveng.co.za**

Culture alignment – The Aveng Group DNA

Having historically been a loose grouping of diverse, semi-autonomous businesses, the Aveng Group has experienced silo tendencies which have contributed to the unintended consequences of duplication of effort, inability to leverage scale, supplier arrangements, costs and capability. Therefore the need for a more synergistic, "Unity in Diversity" approach to leverage the untapped group synergies, scale and capabilities has been obvious and is being addressed via a number of group initiatives, including the development and embedding of the Aveng DNA. Building a high performance culture is key to both reducing costs in the business and delivering revenue growth. Both cost reduction and revenue growth are to be underpinned by a culture of learning and continuous innovation. The Aveng Group DNA is the glue that permeates throughout the HR Framework and is premised on the themes of People, Values and Performance. A representative group of employees across various operations and levels has helped determine the top line and bottom line themes that make up the Aveng Group DNA.

The Aveng Group's success formula (DNA) identifies:

- The key positive cultural attributes which will enable the group to achieve its business strategy in a sustainable manner; and
- The key cultural impediments that will limit its ability to realise its business strategy.

The Aveng Group DNA is in the process of being officially launched across the group.

Key objectives for the year ahead

- Align organisation and work culture – launch and embed the Aveng Group DNA.
- Improve calibre of employee output – drive a high performance culture through performance management.
- Address capability and capacity constraints – source and develop strong talent pipeline with particular focus on project management, commercial and business development competencies.
- Deliver artisans for the group – optimise artisan training.

Transformation report

Transformation, as a business and cultural imperative, continues to be driven rigorously at all levels across the Aveng Group. In December 2009, a dedicated group transformation manager was appointed to steer the group's transformation initiatives and ensure consistent implementation across all operations. During the past two years, the group's transformation processes have been formalised with a strong emphasis on educating internal and external stakeholders around transformation. The group embarked on a journey to promote and create capability for embracing and managing diversity across all of its South African operations.

Enhancing diversity and transformation

- A series of diversity management workshops was initiated at the Aveng Group executive committee level and are being rolled out across the operations.
- The development of the Aveng DNA (see page 59) will be used to further entrench diversity interventions in the group.

Key priorities

- Improve the group's performance in terms of employment equity, skills development and enterprise development.
- Significantly develop and increase representation of black professionals and leaders across the business .
- Increase procurement spend among black and women-owned enterprise.
- Contribute to enterprise development and community development through direct engagement in social upliftment programmes, in education and training in particular.

Key highlights for the year

- B-BBEE rating is on par with the group's competitors. The Aveng Group leads the market on B-BBEE ownership
- Significant progress has been made with appointments at senior management levels including the Managing Director of Aveng Water, Managing Director of Aveng Manufacturing Steeledale, Human Resource executives and Business Development executives.
- Development of an employment equity planning tool which translates annual targets into specific black/female appointments to be made by level per annum.
- Transformation goals have been built into the people management processes such as performance management, succession management, training and development, bursary programmes and the recruitment process.
- Implementation of various tools and dashboards to monitor progress across the group.
- Developed capability to drive the construction charter requirements.
- Development and roll out of a programme on diversity management.

Broad-based black economic empowerment scorecard

The table below shows the positive performance of both Aveng (Africa) and Aveng Trident Steel against the various elements of the Construction Charter.

	Aveng (Africa)*	Aveng Trident Steel
	2010	2010
Ownership	24	24
Control	7,96	5,05
Employment equity	3,50	2,91
Skills development	11,63	12,07
Procurement	17,32	3,85
Enterprise development	15	2,15
Socio-economic development	5	5
Total	84,4	55,04
Rating	3	5

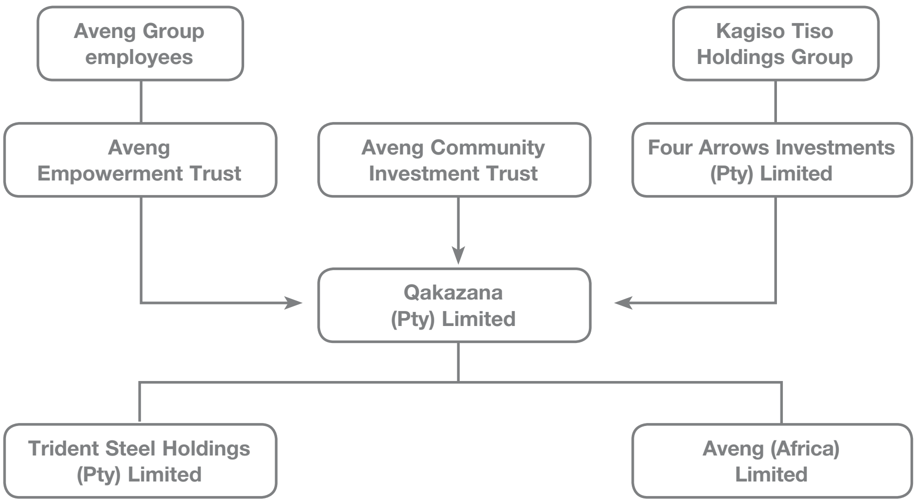
*Aveng Africa consists of Aveng Grinaker-LTA, Aveng Moolmans, Aveng Water, Aveng E+PC and Aveng Manufacturing.

This represents the business in the best possible manner.

Ownership

- The black economic ownership in the Aveng Group is substantial. The Aveng Group was the first group to conclude a high-level black economic empowerment transaction in February 2005. The Qakazana Consortium, a broad-based consortium led by Kagiso Tiso Holdings Group, holds a 25% interest in Aveng (Africa) Limited (comprising Aveng Grinaker-LTA, Aveng E+PC, Aveng Moolmans and Aveng Manufacturing) and a 25% interest in Aveng Trident Steel Holdings (Pty) Limited.
- The nature of the relationship with Aveng and the transaction gives Kagiso Tiso Holdings Group both the incentive and the opportunity to contribute strategically and operationally to the business.
- In 2007 the group's B-BBEE effective ownership credentials were strengthened by its support of a substantial B-BBEE transaction through the sale of its 46% stake in Holcim (Africa) (now named Afrisam). As a result, the Aveng Group has already exceeded the targets for ownership set in the Construction Charter of 27,5% for Aveng (Africa) and 30% for Aveng Trident Steel, after four and seven years, respectively.

The members of the Qakazana Consortium as at 30 June 2011 are:



Members of the BEE consortium

The Qakazana consortium is broad-based and includes Aveng Group employees, a community trust and a business trust, with more than 60% of the profits of the deal accruing to broad-based community groups.

The group regards this contribution to broad-based groups as an important component of the transaction.

Kagiso Tiso Holdings Group: Kagiso Tiso Holdings Group focuses on investing in businesses that produce sustainable and strong cash flows and deliver consistent growth in capital value and dividends to shareholders.

Aveng Community Investment Trust: The trust is overseen by a board of trustees, and is registered as a public benefit organisation.

Aveng Empowerment Trust: The Aveng Empowerment Trust reserves 100% of its equity for permanent employees of Aveng (Africa) including Aveng Grinaker-LTA, Aveng E+PC, Aveng Manufacturing, Aveng Trident Steel and Aveng Moolmans. The annual allocations of empowerment units are made to each employee in Aveng (Africa) and Aveng Trident Steel for the duration of the scheme. Allocations are of equal size for all employees, irrespective of seniority. However, selected senior black employees are also eligible for additional units at the discretion of the trustees. To date 6 521 100 units have been issued by the trust to the employees.

Management control

The percentage of black directors on the two boards is:

Aveng (Africa)	79,59% using the Construction Charter calculation tool allowing for ARG
Aveng Trident Steel	50,52% using the Construction Charter calculation tool allowing for ARG

Employment equity

Employment equity remains the biggest industry-wide transformation challenge in the construction sector. The group has identified seven categories of key skills where employment equity initiatives need to be concentrated. These are all in the engineering disciplines, project management, a number of artisan disciplines, finance, quantity surveying, business development, and general management. Rigid annual targets have been set for each operation across the business and progress towards achieving these goals is monitored. Progress towards these goals is reported quarterly by the respective managing directors at their operational board meetings as well as to the transformation committee of the Aveng board.

Talent management and transformation

The group talent development function is responsible for ensuring the group has the required processes, systems and applications to support the transformation of the workforce. The upward mobility of black employees has been accelerated over the past two years. The group's participation in the Youth in Construction project and its strong bursary programme are geared towards attracting and developing young black professionals. There has been a realisation that the senior leadership of the group must itself be transformed to give impetus to organisational transformation. This has been a primary focus over the past two years and is evident from a review of the trend at top management where black representation has improved from 13% in 2009 to 29% this year.

The emphasis on sourcing and developing of black women over the past three years also shows good growth. This growth, however, remains concentrated in non-technical support areas.

For more information on talent management go to **www.aveng.co.za**

Skills development

A sustainable talent development model has been developed for the Aveng Group to identify, source and develop talented black individuals.

- Apprenticeship programme – The total number of apprentices in the system for 2011 is 338 (63% black apprentices). These apprentices are being trained as earthmoving plant mechanics, millwrights, riggers, electricians, boilermakers and auto-electricians.
- Learnerships in construction supervision, masonry, carpentry and learner miners (71% black learners) also provide another source.

For more information on skills development go to www.aveng.co.za

In the past two years the skills development spend reported by our B-BBEE rating agency, EmpowerLogic, against the Construction Charter rules has seen the group investing a total of R159 million in training and development initiatives, with 65% of this being spent on black employees.

Enterprise development

The group is committed to developing the capacity of black communities to participate in the mainstream economy by providing innovative, commercially competitive solutions for:

- skills transfer through training and work experience;
- job creation among the unemployed in the selected communities in which we operate; and
- enhancing both financial and operational capacity to established SMMEs and EMEs.

Support for women is a major focus and will be a priority in the group's future projects and development plans.

The Aveng Group wants to create enterprises that have a direct impact in some way or another on the Aveng Group's value chain.

Progress over the past year

- Improved structures in place to manage and support small and micro-enterprises
- Management support for the need to develop emerging and, in particular, women-owned businesses
- Considerable effort made across the business in terms of short-term payment periods to black suppliers to facilitate their cash flow
- The average value of enterprise development contribution over the past two years was over R60 million
- Six enterprise development programmes have been initiated across the group with various black suppliers. The primary focus is on development of managerial and technical skills through training

Examples of current enterprise development programmes

Type of business	Enterprise development support provided
Plant hire	Plant hire administration. Management skills. Sold mixer trucks to beneficiary at a discount. Donated batch plant to beneficiary.
Building works	Assistance with tender proposals. Establishment of management and cost control systems. Assistance with B-BBEE and Construction Industry Development Board (CIDB) certification. Early payments.
Steel fixing	Assistance with tender proposals. Establishment of management and cost control systems. Assistance with B-BBEE and CIDB certification. Early payments.
Abrasives and allied tools	Establishment of administration systems. Introduction to new product ranges. Assistance with B-BBEE certification. Assistance with business plan, tenders and proposals. Early payments. Assistance with cost modelling.
Personal Protective Equipment, safety equipment	Introduction to new product ranges. Assistance with B-BBEE certification. Assistance with tenders and proposals. Early payments.
Steel fabrication and erection (cast in items, handrails, gratings, etc.)	Assistance with quality assurance and quality control requirements and procedures. Assistance with B-BBEE certification. Administrative and technical skills transfer.
Small tools, mining and construction consumables	Introduction to new products supply. In process of donating containers for the establishment of site accommodation. (Containers will be converted into kitchen/ ablution blocks and hired out by the beneficiary.)

Procurement

Over the past two years the group made significant progress in procuring from black businesses. This included the utilisation of products and services offered by black suppliers and subcontractors. Employees attended workshops to ensure their understanding of relevant criteria to use when evaluating potential suppliers. The development of a database of all suppliers' B-BBEE certificates across the group has, for the first time, enabled the group to conduct a comprehensive review of the B-BBEE credentials of all suppliers. This review has also contributed to more effective and accurate reporting of group spend on black suppliers, while also compelling those who were not compliant to either change their empowerment status or lose their supplier status with the group. It played an important role in managing over 410 relationships with black-owned businesses, with an aggregate value exceeding R3,0 billion.

The table below shows 12 months of procurement spend from black suppliers.

Weighted B-BBEE procurement expenditure – All suppliers	R4,6 billion
Weighted B-BBEE procurement expenditure – QSE and Micro Enterprises	R900 million
Procurement expenditure – Suppliers that are > 50% black owned	R1,1 billion
Procurement expenditure – Suppliers that are > 50% black owned	R200 million

Challenge	How the challenge will be addressed
Employment equity	Employment equity a key performance area (KPA) of the human resource executives and managing directors of the operating groups, quarterly board reports, monitored by board transformation committee
Driving sustainable enterprise development programmes	Corporate centre to provide more direction and capability to assist the operating groups
Transformation in the bursary and graduate pipeline programmes	Managed from the corporate centre which should result in an increase over the next two years
Accurate reporting challenging, due to previously non-integrated systems	Reports being developed through the business intelligence department by collating data from the different systems

Key objectives for the year ahead

- Sustainable enterprise programmes for the group to be enhanced.
- Much higher levels of transformation on the "people" elements of employment equity and skills development, including a demographic change in technical skill levels.
- A noticeable change in the group culture to embrace transformation further.
- Continued leadership in socio-economic development.

Corporate Social Investment report

Group philosophy

Consistent with its intention to leave a lasting legacy, the Aveng Group is committed to making deep and lasting impacts in the communities in which it operates. Initiatives aimed at addressing social challenges not only authenticate the group's corporate citizenship; they also underpin a strong business case. South Africa in particular, faces overwhelming skills shortages, especially in expertise relating to construction, engineering and manufacturing. By investing corporate social investment (CSI) funds in sound educational and skills training initiatives, the Aveng Group is working to break the cycle of poverty by developing a generation of skilled individuals who can be gainfully employed in infrastructure development.

CSI is integral to the organisation's sustainability and is driven by these key principles

Social leadership	As the headline sponsor of the 2011 Trialogue CSI conference, the Aveng Group is promoting innovative and deep-impact CSI initiatives aligned to the business that unlocks creative solutions to social challenges
Lasting relationships	Contrary to once-off grant-making, the group develops long-term partnerships with projects addressing social challenges – particularly those in maths, science and skills training for the unemployed
Collaboration and partnerships	Adopting a holistic, respectful and humble approach to all initiatives by encouraging participation from communities, government, specialist service providers, corporate donors and other key stakeholders
Employee participation	An active and vibrant volunteering programme involving employees across the group. These include Mandela Day activities, and a wide range of volunteer projects
Measuring the difference	Including regular project visits, project reporting and impact assessments

Management

The Aveng Community Investment Trust (the Trust) was established in 2005 following the group's black economic empowerment transaction. The primary objective of the Trust is to make funding available to projects and organisations, which are aimed at improving the lives of the underprivileged. The Aveng Group has committed to investing 1% of headline earnings into CSI activities. Of this funding, 75% is allocated to the Trust and the remaining 25% apportioned to the operating groups.

Where possible, CSI spend is closely aligned with the operating group's business models and the communities where they operate.

Focusing CSI efforts on skills development and education contributes to key national developmental imperatives. These include overcoming the lack of skilled workers and the scourge of unemployment, while also encouraging income inflow into disadvantaged communities.

*assured

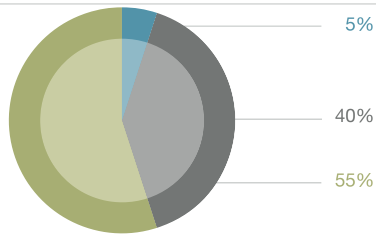
Total social investment for 2010/11

Operating group	Donations Cash
Aveng Community Investment Trust	R9 002 480
Aveng E+PC	R230 297
Aveng Manufacturing	R3 810 778
Aveng Trident Steel	R424 550
Aveng Moolmans	R696 020
Aveng Grinaker-LTA	R3 434 153
McConnell Dowell	R5 059 833
Total	R22 658 111

The Aveng Community Investment Trust contributions make up 40% of the total, with a clear focus on skills training, and maths and science education.

The Aveng Community Investment Trust – Breakdown by development sector

- Social development
- Education
- Skills training



Group CSI activities

The Aveng Community Building Project

In 2009, in partnership with the David Rattray Foundation, the Aveng Group invested in an innovative pilot study that encourages skills development. This involved the development of indigenous design and environmentally friendly building concepts to provide quality and aesthetically pleasing schools in rural areas.

Unemployed volunteers from a local community in rural Randfontein participated in the project that is now providing accredited training and skills transfer. Trainees constructed the administration block for Mablomong Primary School using the "rammed earth construction" green building technique. In the process, they freed classroom space for the primary school learners, while also creating a new building where adult learners could gain rammed-earth construction skills.

Subsequently, the project has been rolled out to other provinces, with new classroom facilities built at three schools in the Rorke's Drift area of KwaZulu-Natal – the primary area of interest for the David Rattray Foundation. This financial year. the Aveng Group formed a new partnership with the National Association of Child Care Workers to examine providing similar green building facilities for rural service centres catering for vulnerable children.

The project has demonstrated scaleability and a cost-effective method of construction. Not only does it demonstrate broad impact, but it falls within the Aveng Group's CSI strategy to focus on skills development.

Unemployed artisan in accredited training

Take Action Campaign

On 18 July, people around the world celebrate Nelson Mandela's birthday by volunteering their time to make their communities a better place. In the financial year under review, in line with the Aveng Group's mission to build a proud and lasting legacy, it launched the *67 Years Days* Ways campaign, to encourage employees to come up with ideas on how they could make a difference. Over 300 ideas were received, employees doing extraordinary things were recognised, and 1 515 employee hours were spent on supporting social initiatives as part of the campaign, which laid the foundation for a company-wide social conscience and spirit of "giving back".

This year, the campaign was relaunched as *Take Action 2011*, with the focus on safety in preschools. Aligned to the Aveng Group's safety vision **"Home Without Harm Everyone Everyday"** employee volunteers across the group taught pre-schoolers about safety in a fun but meaningful way and in the process contributed to fostering a safety culture for future generations.

The Aveng Group will continue with the journey, building a culture that cares about its work and legacy.

Total social investment for 2010/11

Recorded employee volunteering time for 2011	Recorded value of volunteering time for 2011
2 237	R1 318 883

Skills development, specifically in construction sector

Group synergies

A concerted effort has been made to align CSI efforts across the group to maximise impact and delivery. This has largely been achieved through the group-wide-based *Make A Difference* campaigns, which have been embraced by staff over the past few years. Through a group-wide CSI forum, greater synergy and co-operation is being developed on CSI practices, philosophies and procedures.

Key objectives for 2012

- Cultivate improved relationships and partnerships with all stakeholders i.e. projects, CSI representatives in the operating groups, service providers.
- Encourage collaborations across the group to leverage funding and impact for beneficiaries.
- Improved recording of CSI contributions.
- Improved monitoring and evaluation of key projects.
- Continue to seek out and support innovation and sustainability in all projects.

Challenges
• Records of in-time and in-kind CSI activities – especially applicable to operating groups
• Improved impact measurement
• Focus on broad, as opposed to, deep impact. Within the operating groups the tendency has been to focus on support for a wide range of projects with smaller grants – making impact and impact measurement a challenge
Opportunities
• A CSI forum was established comprising representatives from each operating group. This presents greater opportunities for collaboration in the form of co-funding and knowledge-sharing
• The CSI forum was presented with standardised templates and training on CSI reporting requirements. Further opportunities for training are available
• This year an impact assessment was conducted on the Community Building Skills Development project. Further monitoring and evaluation tools are to be investigated for application
• Training on best-practice CSI has been presented to the CSI Forum. Further training is required

Executive committee

	Position and industry experience	Experience	Qualification
 **Roger Jardine** (45)	**Chief Executive Officer** 16 years' industry and related experience Three 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 Council for Scientific and Industrial Research (CSIR) and the Nuclear Energy Corporation and held senior management positions at Kagiso Media Limited and Kagiso Trust Investments. He serves as a non-executive director of FirstRand Limited. He was appointed to the board of Aveng as Chief Executive Officer in July 2008.	*BSc (Physics), MSc (Radiological Physics)*
 **Kobus Verster** (45)	**Financial Director** 21 years' industry and related experience Appointed to the Aveng Group on 1 September 2010 and as Financial Director with effect from 27 September 2010	Kobus joined ArcelorMittal South Africa Limited in 1990 and was appointed general manager, corporate finance and treasury in 2003. He then became general manager, corporate treasury at Mittal Steel Company N.V in 2004. In February 2006, he was appointed executive director, finance at ArcelorMittal.	*BCom (Hons), MBL, EMP*
 **Juba Mashaba** (45)	**Group Human Resources Director** 16 years' industry and related experience Four 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 was appointed to the board in October 2007. He serves on the boards of group companies Aveng (Africa) and Aveng Trident Steel Holdings. Juba's HR career started in 1995 with Eskom as a group HR manager. In 1997, he was appointed human resources director of Simba, which role was expanded in 2004 to include the PepsiCo businesses in sub-Saharan Africa. In 2004, he was appointed to the board of ArcelorMittal (South Africa) as executive director, HR. He further served on the human resources and nomination committee, the transformation committee, as well as the safety, health and environmental committee of ArcelorMittal (South Africa).	*BA, LLB*
 **Hylton Macdonald** (57)	**Group Risk Manager** 35 years' industry and related experience 31 years with the Aveng Group	Hylton joined LTA 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. He is also the deputy chairman ICE–SA and played an instrumental role in developing the Construction Sector Charter.	*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*
 **Pieter du Plessis** (52)	**Aveng Group Executive: Growth** 20 years' industry and related experience Appointed to the Aveng Group March 2011	As a professional chemical engineer, Pieter managed major large multi-disciplinary projects in various countries. He was the MD of Bateman Minerals and Metals and the CEO of Bateman Engineering Projects. Pieter joined the Aveng Group at the beginning of March 2011 to head the Aveng Group Growth Division and is chairman of the Aveng Group growth committee. Pieter du Plessis is currently the Acting MD of Aveng E+PC.	*Honours Degree in Chemical Engineering, Professional Chemical Engineer*
 **Excel Shikwane** (51)	**Group Executive: Business Development** 20 years' related experience Appointed to the Aveng Group in January 2011	Prior to joining the Aveng Group, Excel spent over 20 years as an executive in the area of sales management, marketing, and business development. He spent many years with Nampak, TW Becketts, Woolworths, Dell Computers and IBM. He brings many years of experience working in the public sector previously to the group.	*BSc in Management: Babson College, Boston, USA*

	Position and industry experience	Experience	Qualification
 **David Robinson** (57)	**Chief Executive Officer: McConnell Dowell Corporation Limited** 34 years' industry and related experience 32 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 in October 2000 and was appointed to the board of Aveng in January 2005.	*BE (Civil), MIE Aust, CP Eng, FAICD*
 **Solly Letsoalo** (49)	**Managing Director: Aveng Manufacturing** 27 years' industry and related experience Two years with the Aveng Group	Prior to joining the Aveng Group, Solly was the chief operating officer of Transnet Port Terminals and also held senior management positions at Nampak and SAB. Solly was appointed Managing Director of Aveng Manufacturing in October 2009.	*BSc (Eng)*
 **Hercu Aucamp** (43)	**Managing Director: Aveng Trident Steel** 22 years' steel industry experience Appointed to the Aveng Group on 1 February 2011	Hercu started his career at ArcelorMittal South Africa where he held several key management positions including chief marketing officer, South Africa; Financial Manager, Vanderbijlpark works and divisional manager, Production Planning and Logistics. Early in 2010 he moved to Robor as group marketing director. He has held a number of directorships, including four years as non-executive director of Macsteel International Holdings (MIHBV in the Netherlands).	*B Com, MAP, EDP*
 **Brian Wilmot** (57)	**Managing Director: Aveng Moolmans** 38 years' industry and related experience 38 years with the Aveng Group	Brian started his career with Aveng Moolmans in 1973 and, after a break to complete his studies, returned to the company. 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 Aveng Moolmans in 1989 and became Managing Director of Aveng Moolmans in 2004.	*PR Tech Eng, ECSA*
 **Khungeka Njobe** (41)	**Managing Director: Aveng Water** 15 years' related experience Appointed to the Aveng Group in May 2011	Khungeka was the group executive at CSIR where she held executive level positions for over seven years until March 2011. Prior to her position as group executive at CSIR, she was executive director of the organisation's business unit for Water, Environment and Forestry. During her more than fifteen years working career in South Africa, she has held positions in government and parastatals in the fields of environment, and science and technology. Khungeka is the current chairperson of the South African Weather Service board and a past member of the Board of Governors of the World Water Council. In 2009 Khungeka was voted the Most Influential Woman (MIW) in the category of public institutions and enterprises.	*BSc (UCLA, USA), MSc (University of Pretoria), Mastering Technology Enterprises Certificate (MTE) (IMD, Switzerland)*
 **Grahame McCaig** (48)	**Managing Director: Aveng Grinaker-LTA with effect from 1 August 2011** 23 years' industry and related experience Appointed to the Aveng Group on 1 August 2011	Grahame started his career fulfilling his bursary obligations with Grinaker, and, following military commitments, completed some projects with Grinaker Building Cape. He then decided to pursue a career in the international market where he was general manager of Dutco Balfour Beatty LLC for the last nine years. He returned to South Africa to assume the position of Managing Director of Aveng Grinaker-LTA.	*BSc (Eng) (Civil) PR Eng*

Construction and engineering: South Africa and Africa

AVENG GRINAKER-LTA

Financial highlights	2011	2010
• Revenue (Rm)	**8 854,6**	10 020,8
• Capex (Rm)	**204,1**	249,0
People	**14 473**	14 005
Safety		
• Fatalities	**4**	4
• LTIFR	**0,3**	0,22
• Executive Safety Leadership (score out of 50)	**33**	28
• % operations OHSAS 18001 certified	**95**	80
Environment		
• Energy consumption (electrical) (kWh)	**3 922 406**	*
• Water consumption (municipal) (kℓ)	**75 311**	*
• CO_2 emissions (tonnes)	**22 869**	*
Cultural (R)		
• CSI investment	**3 434 153**	5 913 719

**Not measured or reported*

Management MD: Grahame McCaig (from 1 August 2011)
FD: Wessel van Zyl

Awards
- Aveng Grinaker-LTA Building Inland won Category H for the Medupi Power Station Package 35 A/C project at the 2011 GMBA Regional Safety Competition.
- Aveng Grinaker-LTA Earthworks Engineering was honoured by NOSA in July 2010 for having "The Best Safety System in Sector F (Construction)".

For more awards go to www.aveng.co.za

Geographies operating in Malawi, Zambia, Namibia, Mozambique, Botswana, Swaziland, Lesotho, South Africa, Mauritius

Grahame McCaig

Medupi power station

2010 key strategic objectives	Progress on objectives
Optimise organisational cost structure	A number of efficiency initiatives were implemented. These should continue to contribute to the bottom line over the next two financial years
Leverage synergies and value chain opportunities within Aveng Grinaker-LTA and the Aveng Group	Successful cross-business tenders such as Kalagadi and Moatise
Leverage demonstrable stadium construction and deep shaft sinking capabilities	• Following the successful completion of FIFA 2010 World Cup™ stadia, Aveng Grinaker-LTA is tendering for international stadium development and upgrades • Invited to tender for shaft sinking contracts internationally following the successful Konkolo Copper Mine deep shaft contract in Zambia
Expansion into Africa and selected international markets	Opened offices in Mozambique, Ghana and Tanzania

Key projects under way include

- Konkola Copper Mine
- N3 Rehabilitation
- Gauteng Freeway Improvements Package C (GFIP)
- Medupi Power Station JV
- Mokolo Crocodile Water Augmentation
- Blue Route Mall

Market conditions and operating group performance

Faltering economic growth during the year under review, coupled with delays in the South African government's infrastructure investment programme, resulted in a tough operating environment for the sector. This was reflected in the operating group's revenue falling 11,5% to R8,9 billion. Overall profitability was constrained by heightened competition and project execution challenges. Aveng Grinaker-LTA's operating margin declined to 4,4% in 2011 (2010: 6,2%).

Business unit performance

Although revenue declined by 27,7% to R2,2 billion, Aveng Grinaker-LTA: Building remains the operating group's largest income earner, contributing 25% to total revenue. Revenue was constrained by the lower work availability and postponement of major projects, while competitive pressures partly drove lower margins. Margin pressure is anticipated to continue in the short to medium term, with industry participants expected to continue to take on work at low or zero margins in a bid to ensure that staff and plants remain operational ahead of a market upturn.

Aveng Grinaker-LTA: Civil Engineering was part of the project team that delivered the Gauteng Freeway Improvement Project (GFIP) and is progressing with Eskom's Medupi plant as part of a joint venture. The slow materialisation of government's infrastructure development post the 2010 FIFA World Cup™ saw revenue decline by 20,4% to R1,5 billion for the year.

Aveng Grinaker-LTA: Earthworks Engineering recorded 31,5% lower revenue of R1,2 billion. This was as a result of project delays and cancellations in the mining sector, as well as increased competition in the roads sector. The division was instrumental in the Aveng Group's successful participation in the GFIP. With a drive to expand operations outside of South Africa, the division diversified its portfolio with construction opportunities in water infrastructure and asphalt products.

Aveng Grinaker-LTA: Mining Services produced revenue growth of 19,4% to R2,0 billion during 2011. Overall profitability was affected by two South African loss-making contracts. One of these contracts has since been completed, while the other has shown a significant improvement. A key highlight for the division was the sinking of a 1 500m deep shaft at Konkola Copper Mine in Zambia, making Aveng Grinaker-LTA one of four recognised deep shaft sinkers internationally.

Aveng Grinaker-LTA: Mechanical & Electrical (M&E) consolidated its construction activities into one to reduce overhead costs and improve efficiencies. The division focused on opportunities in the oil and gas industries. M&E has positioned itself to serve the pressure vessel market and established a facility at Saldanha with KNM (Malaysia). Revenue for 2011 increased by 16,1% to R2,0 billion, bolstered by the acquisition of Andersen & Hurley, a control specialist and instrumentation business. However, profitability and liquidity were negatively affected by unresolved claims in the steel fabrication division at the Medupi and Kusile power plants, which are currently under construction.

Safety

Aveng Grinaker-LTA's divisions hold OHSAS 18001 certification. Management anticipates 100% certification of all divisions in the medium term.

Despite ongoing efforts to instil a safety culture, Aveng Grinaker-LTA's RIFR deteriorated to 1,06 in 2011 from 1,01 the previous year. Regrettably, the operating group had four fatalities during the year. Aveng Grinaker-LTA continues to implement systems and procedures to achieve the group-wide goal of zero fatalities.

Key highlights for the year include:

- Aveng Grinaker-LTA: Building achieved 120 million hours (52 months) fatality free
- Aveng Grinaker-LTA: M&E's oil and gas division was recognised as a best performer in safety interventions for its core tankage contract by SAPREF. Overall, M&E recorded no fatalities and achieved a LTIFR of 0,13 (target 0,19).
- Aveng Grinaker-LTA: Mining Services achieved 2 million fatality free hours at its Two Rivers project as at 17 June 2011 – a first in the unit's history.
- Aveng Grinaker-LTA: Earthworks Engineering was rated green tier one under the Sasol rating system on its Mpumelelo project during the year. The division recorded a record low LTIFR of 0,10 (2010: 0,14) and zero fatalities for the year.
- Aveng Grinaker-LTA: Civil Engineering reported 3,8 million LTI-free hours on Eskom's Medupi site, while its LTIFR fell to 0,17.

Market outlook

Aveng Grinaker-LTA's performance was bolstered by its involvement in key projects including the GFIP, Eskom related works and the Konkola Copper Mine in Zambia. The next two years are expected to remain challenging, with most work coming from the private sector and backed by commodity and energy demand. The operating group's order book has risen 5% to R10,2 billion with the bulk of the work in the Building, M&E and Mining Services divisions.

The operating group will focus on expanding into key markets and the following strategic thrusts for the year ahead include:

- Enhancing market leadership through a greater understanding of the market and early identification of opportunities.
- Improving project execution and client support, particularly in the early project phases.
- Becoming a cost leader through leverage of centralised services, procurement initiatives and asset allocation.

Material issues covered in this operational report:

- **Growth:** Aveng Grinaker-LTA looked to new regions in Africa for new business.
- **Project execution:** The operating group successfully delivered the GFIP and was one of only four deep level shaft sinkers internationally through Konkola Copper Mine in Zambia.
- **Safety:** Progress in some areas but other areas require focused attention after some slippage in metrics.

Construction and engineering: Australasia and Pacific

McCONNELL DOWELL
CREATIVE CONSTRUCTION™

Financial highlights	2011	2010
• Revenue (Rm)	13 280,9	12 980,9
• Capex (Rm)	472,7	324,8
People	5 221	7 586
Safety		
• Fatalities	2	0
• LTIFR	0,13	0,16
• Executive Safety Leadership (score out of 50)	42	34
• % operations OHSAS 18001 certified	100	100
Environment		
• Energy consumption (Electrical) (kwh for six months)	4 927 169	*
• Water consumption (municipal) (kℓ for six months)	1 114 079	*
• CO_2 emissions (tonnes)	86 703	*
Cultural (R)		
• CSI investment	5 059 833	*

Not measured or reported

Management MD: David Robinson
FD: Dale Morrison

Awards
- McConnell Dowell Constructors Thai Limited was awarded the Industrial Excellence Award at the 2011 Australian Day Business Awards
- McConnell Dowell's Rosedale Outfall project won two awards at the New Zealand Contractors' Federation Awards for safety and one for environmental.

For more awards go to www.aveng.co.za

Geographies operating in United Arab Emirates, China, Hong Kong, Thailand, Laos, Singapore, Philippines, Indonesia, Australia, Papua New Guinea, New Caledonia, New Zealand

David Robinson

International cruise terminal Singapore

2010 key strategic objectives	Progress on objectives
Continue to extend geographic diversification and grow organically within existing disciplines	• Re-entered the Hong Kong and Saudi Arabian markets • Examining opportunities in Malaysia and Vietnam • Acquired Perth Building company
Continue to progress towards achieving reputation as first-tier industry player	Implemented a strategy to promote McConnell Dowell as an integrated business offering and a major engineering, construction, building and maintenance contractor.
Drive integrated procurement and cost management initiatives to margin pressure	Initiatives in place for project procurement savings and reduced overheads

Key projects under way include

- Abu Dhabi Tunnel
- Te Mihi Power Station
- Waterview connection tunnels
- Koniambo Nickel Mine
- Queensland Curtis LNG
- Gold Coast Rapid Transit

Market conditions and operating group performance

Buoyant Asian growth cushioned Australia and the Pacific Rim relatively well from the impact of the financial and economic crisis. The region continued to show a positive growth trend supported by higher commodity prices. The New Zealand economy was affected by a number of earthquakes in 2011, with the government estimating damages to the city of Christchurch as high as R120 billion (AUD17 billion).

Overall, the operating group grew revenue by 2,3% to R13,3 billion. Margins were impacted by the strong Australian dollar, project delays caused by weather and some loss-making projects. Consequently operating profit decreased by 51,1% to R291 million for the period. The impact of the project delays on profit recognition and a conservative approach to provisioning on some challenging contracts in Australia offset a very good performance from McConnell Dowell's offshore operations. Although the Adelaide desalination project in southern Australia produced its first desalinated water from the initial facility, the project was subject to completion delays due to inclement weather and geotechnical and design issues, resulting in a material loss for the year. The Pinkenba malting facility in Queensland Australia was affected by numerous design issues, cost overruns and scope changes, leading to substantial project losses. Progress on the Komo Airport in Papua New Guinea and the QCLNG pipeline and marine crossing in Queensland were subject to significant delays due to lack of access and poor weather conditions. Consequently, no profit has been recognised to date on these two projects.

While the Pipelines business unit entered the new period with a healthy order book, revenue declined to R1,9 billion (2010: R1,95 billion). The Pipelines business secured its first coal seam gas (CSG) large diameter pipeline for QCLNG in Queensland, was awarded the major pipeline transmission system for the APLNG Project in Queensland, and the GLNG facilities and flow line package. The business unit completed two projects in Thailand, with ongoing work on both the Northern Pipeline Interconnector in Queensland and the Komo Airport in the Southern Highlands of PNG.

McConnell Dowell's Tunnel and Underground business unit continued its strong delivery performance on existing projects as revenue grew to R1,5 billion (2010: R1,4 billion). The task of securing new work will be the focus for the upcoming 12 months as the tunnel and underground markets show a lot of potential, with opportunities across Australia, New Zealand, Hong Kong, the Middle East and Singapore, with the potential of repeat work with its hydro power expertise in the Philippines.

During the year, Built Environs successfully completed the Adelaide Oval Western Grandstand, Ellenbrook Shopping Centre in Perth and the WorldPark Stage A office complex in Adelaide. The building business reported strong growth and profit performance. Built Environs also secured the Single Leap PPP Project for the South Australian portion of the National Defence Housing Scheme, two hardware complexes in Western Australia for a major supermarket chain, as well as all of the station and depot works on the Gold Coast Light Rail PPP.

The year under review saw continued growth in most of the key business sectors of Electrix as the electrical division also recorded revenue growth, at R1,39 billion (2010: R1,24 billion). For New Zealand, both the Vector Electricity and Gas contracts delivered positive results, and work levels are expected to increase in both distribution and gas in this market. Stage 1 of the Auckland Rail Signalling Contract was successfully completed in the year. Electrix Australia won new work with SP Ausnet, Citipower/Powercor and Western Power.

The operating group is well placed to benefit from the surge in mining and gas related infrastructure investment in Australia. Through McConnell Dowell's Electrix business, the Aveng Group is also positioning itself as a leading participant in the power maintenance and services sector in New Zealand and Australia.

Safety

McConnell Dowell's safety performance improved significantly, with the operating group's RIFR over 200 000 man hours worked improving by 28% to 1,24 (2010: 1,71). McConnell Dowell's received two awards from the Workplace Safety & Health (WSH) Awards Council of Singapore in recognition of completing 5 236 282 LTI-free man hours in 2010 across all projects. Other key highlights for the year include:

- The Beauty World and tunnels project received industry awards for its safety management in a project that has piling work in restricted workspace areas.
- The Dutco McConnell Dowell Middle East team received individual awards for excellent performance at the Dubai Supply Authority DUSUP project, which achieved 1,5 million man hours with no lost-time injuries.
- Three million LTI free hours were reported by PT McConnell Dowell services at the Batam fabrication facility.

Market outlook

The Australian infrastructure market continues to maintain its resilience in the global economic slowdown, supported by its ongoing growth in both public and private sector spend.

Indications are however, that there will be flat line or declining growth in power, water and road projects in the medium term. With the higher commodity prices, the business is well placed to benefit from growth in oil, liquefied natural gas (LNG), mining and rail, supported by the focus on Public Private Partnerships (PPPs). A McConnell Dowell consortium was awarded the Gold Coast Light Rail PPP, which includes design and construction. With a minority equity position in the PPP, McConnell Dowell benefited from the Aveng Group's sound balance sheet. Diverse growth opportunities have boosted work on hand to a record R18,9 billion, 41% higher than at June 2010. Construction in the region has seen a shift away from government projects towards the private sector, driven mainly by increased mining work. Around 69% of McConnell Dowell's two-year order book comprised private sector work.

McConnell Dowell enters the new financial year as a tier one player in the Australasian market and is competitively placed to deliver on project execution. The operating group will continue to focus on its core business activities, and in particular on growing its buildings, roads, rail and other general contract offerings with a view to increasing its scale of operations, revenue and market share. The operating group will partner Aveng Manufacturing: Lennings Rail Services in rail projects.

McConnell Dowell will continue to expand its geographic footprint as it considers entering Malaysia, Vietnam and other markets, while expanding the activities of the Built Environs division in Australia.

Over the medium term, McConnell Dowell will look to:

- Maintain its focus on core business activities through roads, rail and other general contracting offers.
- Become a tier one player, recognised by clients and industry partners, across all its markets.
- Grow revenue from South East Asia and the Middle East.
- Extend the building business into all Australian states.

Material issues that are covered in this report are:

- **Growth:** The operating group was largely buffered from the downturn as a result of increased activity in Asia.
  McConnell Dowell looks to increase its footprint in South East Asia and the Middle East.
- **Project execution:** Technical challenges and adverse weather impacted some projects during the period.
- **Liquidity:** Various initiatives have been put in place to reduce operating costs and mitigate the impact of a more competitive market on margins.
- **Safety:** Through its safety performance on various projects, McConnell Dowell has gained a reputation as a leading company in terms of its safety metrics.

Construction and engineering: South Africa and Africa

Financial highlights	2011	2010
• Revenue (Rm)	724,5	781,0
• Capex (Rm)	28,0	6,5
People	580	490
Safety		
• Fatalities	0	0
• LTIFR	0,13	0
• Executive Safety Leadership (Score out of 50)	33	31
• % operations OHSAS 18001 certified	100	20
Environment		
• Energy consumption (electrical) (kwh)	1 403 226	*
• Water consumption (municipal) (kℓ)	6 564	*
• CO_2 emissions (tonnes)	1 505	*
Cultural (R)		
CSI investment	230 297	545 003

**Not measured or reported*

Management MD: Pieter du Plessis (acting)
FD: Alistair Neely

Geographies operating in Ghana, Malawi, Zambia, Namibia, Mozambique, South Africa, Australia

Pieter du Plessis

Optimum water reclamation plant

2010 key strategic objectives	Progress on objectives
Grow water treatment capabilities and expand into new geographic areas in line with the Aveng Group strategic objectives	• Delivery of modular water treatment plants • Secured extension operations and maintenance contracts in eMalahleni and Erongo Desalination plants • Secured and executed Uramin 1 project in Australia • Developed relationship with Xstrata (Australia) which has resulted in the securing of two feed packages for acid mine drainage (AMD) plants
Continue to grow the geographic service offering in minerals processing projects	• Secured work on the Moma Sands project in Mozambique • Re-establishment in Zambia via the Ndola lime contract • Maintained presence in Malawi through the extension of the Kayelekera sulphuric acid plant operations and maintenance contract
Pursue meaningful participation in the developing South African renewable energy market	• REFIT (renewable energy feed-in tariff) enquiry was repeatedly postponed, leading to a delay in the development of numerous renewable energy opportunities
Seek concession opportunities to provide services across the full value chain in water and power	• Progressed feasibility studies for two solar and two wind renewable energy opportunities • Investigated various concession type water desalination plant opportunities

Key projects under way include

- Medupi project (extension to EPCM)
- eMalahleni Water reclamation Plant “Mini Expansion”
- Langer Heinrich Water Supply
- Moma Sands Expansion
- Kalagadi Sinter Plant
- Ground Water Raffinate Treatment Plant

Market conditions and operating group performance

The Aveng E+PC business was reorganised into Aveng Water and Aveng E+PC during the year under review.

Aveng Water focused on the growth and development of the group's offering in water treatment solutions in response to higher demand especially given good growth potential in acid mine drainage (AMD) solutions for South Africa and Australia.

Slow public sector infrastructure development and delays in private sector projects resulted in difficult trading conditions for Aveng E+PC and Aveng Water. Delays in the South African government's original "renewable energy feed-in tariff" (REFIT) programme curtailed Aveng E+PC's ability to secure energy projects in wind, solar biomass and co-generation.

Aveng Water delivered Gauteng's first modular treatment plant for Anglo Coal. It entered the Australian market with the execution of an AMD project. Growth was limited by a lower enquiry rate on water re-use and sea water desalination projects, as well as the delayed execution of large capital products.

Revenue for Aveng E+PC (including Aveng Water) declined by 7,2% to R724,5 million for the period (2010: R781 million). Significant efficiency and productivity gains contributed positively to divisional performance.

Aveng E+PC extended its operations and maintenance contracts at the Erongo Desalination Plant and eMalahleni water treatment facility. In line with the group's focus on geographical diversification, Aveng E+PC looked to the Southern African Development Community (SADC) for mineral processing projects. It secured a project in Mozambique (Moma Sands) and re-established its presence in Zambia with Ndola Lime.

The Aveng Group's drive to reinforce sustainability by leveraging synergies was demonstrated in several cross-group projects. These included Aveng Water's bid for the development of Vale's water treatment plants in Mozambique in conjunction with Aveng Grinaker-LTA. In addition Aveng E+PC, Aveng Grinaker-LTA and Aveng Moolmans partnered in the Paladin contract for LHU 3. Aveng Grinaker-LTA also contributed to fabricating reverse osmosis and ultrafiltration skids for Aveng Water's modular water treatment offering.

Safety

Aveng E+PC continued to prioritise a safety culture. The division recorded one lost-time injury and an improved RIFR of 0,65 in 2011 (2010: 0,94). Other highlights include three years' work with no lost-time injury on the eMalahleni water reclamation plant, WWC Carolina coal wash plant and the Kopermyn coal wash plant.

Outlook for the year ahead

Aveng E+PC will focus on client management to support existing clients, strengthen current relationships and identify new growth opportunities in Australia and sub-Saharan Africa, with a particular emphasis on Namibia, Zambia, Mozambique, Malawi and the DRC. Aveng E+PC is well placed to participate in the renewable energy sector.

The minerals processing sector is expected to remain competitive in the 2011/12 period. Emphasis will be placed on increasing Aveng E+PC's critical mass and skills in key technologies such as hydrometallurgy and pyrometallurgy, materials handling and renewable energy.

Aveng Water is well positioned for strong growth in water treatment, particularly in the delivery of solutions for mining clients in Australia and South Africa. Aveng Water will also continue to seek new contracts for modular plants.

A potential growth area for Aveng Water is sea water desalination as a source of potable water – around 7% to 10% of urban water supply is anticipated to come from this source by 2030. It is also bolstering its waste water and effluent treatment offerings.

Material issues covered in this report:

- **Growth:** Aveng E+PC focused on sourcing work from the rest of Africa and was awarded a project in Australia in the year under review.
- **Safety:** Projects continue to deliver strong safety results.

Manufacturing and processing

Financial highlights	2011	2010
• Revenue (Rm)	**2 696,9**	2 486,1
• Capex (Rm)	**196,2**	70,1
People	**2 888**	2 745
Safety		
• Fatalities	**0**	0
• LTIFR	**1,01**	0,87
• Executive Safety Leadership (score out of 50)	**37**	34
• % operations OHSAS 18001 certified	**100**	0
Environment		
Energy consumption (electrical) (kWh)	**8 453 078**	*
Water consumption (municipal) (kℓ)	**122 268**	*
CO_2 emissions (tonnes)	**14 002**	*
Cultural (R)		
CSI investment	**3 810 778**	2 912 446

**Not measured or reported*

Management MD: Solly Letsoalo
FD: Craig Barrett

Awards
- Aveng Manufacturing Steeledale (Reinforcing) Paarl and Cape Town won the Masterbuilders & Allied Trade's Association Western Cape, Manufacturing Category regional and national competitions.
- Aveng Manufacturing Steeledale Port Elizabeth and East London branches won their MBA Regional Safety competitions 2011.

For more awards go to www.aveng.co.za

Geographies operating in Ghana, Tanzania, Zambia, Zimbabwe, Namibia, Mozambique, Botswana, Swaziland, Lesotho, South Africa

Solly Letsoalo

Aveng Manufacturing Lennings Rail Services

2010 key strategic objectives	Progress on objectives
Improve competitive advantage and unlock efficiencies through further investment	MASA 2 facility installed at Aveng Manufacturing: Infraset's Rossway factory for paving and landscaping bricks, allowing production at a rate five times quicker than the previous technology
Expand footprint to cover growth areas domestically and internationally	**Zambia:** Aveng Manufacturing: Steeledale production facility was installed in Zambia **Mozambique:** Aveng Manufacturing: Lennings Rail Services is opening a production facility for concrete and steel products in Mozambique in late 2011

Key projects under way include

- Bayhead Road Upgrade
- Langer Heinrich Structural Steel
- Keiskamma Pass-Peddie
- Blue Route Mall Redevelopment
- Boardwalk Casino
- MassMart

Market conditions and operating group performance

The slowdown in public sector infrastructural spend, and to a lesser extent that of the private sector, negatively impacted Aveng Manufacturing's earnings for 2011. Effective 1 October 2010, the operating group acquired Dynamic Fluid Control (DFC), a leading water valve manufacturer, and its contribution is included in results under review. The operating group reported revenue growth of 8,5% to R2,7 billion in 2011. Increased competition contributed to significant pricing pressures for Aveng Manufacturing's products and services. Margin pressure, together with the settlement of Competition Commission related administrative penalties had a material impact on profitability for the period. Some margin improvement was experienced in the latter half of the financial year, backed by a modest recovery in steel prices.

In an effort to mitigate against the adverse effects of the operating environment and to ensure long-term sustainability, the operating group implemented a number of initiatives to realise greater efficiencies throughout the business. Selected production plants were rationalised in a manner that ensured minimal disruption to operations, customers and employees. Aveng Manufacturing aims to extract further efficiencies by re-evaluating its organisational structure, customer approach, supply chain and procurement management.

The operating group increased its footprint and capacity during the year under review:

- **Aveng Manufacturing: Lennings Rail Services** secured rail construction contracts in Mozambique.
- **Aveng Manufacturing: Steeledale** opened a reinforcing manufacturing plant in Zambia.
- **DFC** developed and commercialised a range of knife gate valves.
- **Aveng Manufacturing: Infraset** commissioned a MASA 2 paving brick machine at its Rossway factory.
- **Aveng Manufacturing: Duraset** exported mining product to Estonia, Canada, the rest of Africa and South America.

New and more efficient products have been developed for the mining, mineral processing, water and building sectors. Benefits are anticipated to be realised in the next financial year. Aveng Manufacturing is working closely with the other entities within the group with a view to offering "package solutions" to group customers.

Safety

During the year under review, Aveng Manufacturing's RIFR declined to 1,81 from 1,51 in the previous year. Aveng Manufacturing: Lennings Rail Services was part of the Kumba Iron Ore Sishen South project team which recorded 13 million LTI free man hours. This is believed to be a world record for a project of this nature and magnitude. In addition, 10 of 17 Aveng Manufacturing: Steeledale branches maintained zero LTIFR ratings.

Outlook for the year ahead

Medium-term rail opportunities in both the public and private sectors are anticipated to materialise within the next year. Aveng Manufacturing is well positioned to take advantage of these rail opportunities. The rail business will continue to pursue opportunities in the rail sector throughout the Southern African Development Community (SADC), Australia and other developing economies.

The operating group's strategic objectives for the year ahead include:

- Development of a presence in Mozambique, the rest of SADC, and East and West Africa with a focus on growing rail related business.
- Implementation of turnaround and efficiency initiatives.
- Continued focus on safety and people transformation initiatives.

Material issues covered in this report:

- **Growth:** The operating group continued to source contracts in new markets. Aveng Manufacturing: Steeledale opened a reinforcement operation in Zambia.
- **Safety:** Aveng Manufacturing: Lennings Rail Services was part of a project team to achieve a high 13 million LTIFR at the Sishen Iron Ore project.

Manufacturing and processing

AVENG TRIDENT STEEL

Financial highlights	2011	2010
• Revenue (Rm)	5 110,3	4 450,9
• Capex (Rm)	241,9	210,2
People	1 865	1 907
Safety		
• Fatalities	0	1
• LTIFR	0,97	0,99
• Executive Safety Leadership (Score out of 50)	35	35
• % operations OHSAS 18001 Certified	100	100
Environment		
• Energy consumption (electrical) (kWh)	15 267 776	*
• Water consumption (municipal) (kℓ)	13 420	*
• CO_2 emissions (tonnes)	21 403	*
Cultural (R)		
• CSI investment	424 550	87 000

**Not measured or reported*

Management MD: Hercu Aucamp
FD: Craig Werner

Geographies operating in Ghana, Tanzania, Zambia, Zimbabwe, Namibia, Mozambique, Botswana, South Africa, Mauritius, Kenya, Chile

Hercu Aucamp

Blanking press

2010 key strategic objectives	Progress on objectives
Leverage volume recovery to regain cost leadership and plant utilisation	Volume growth of 19% year-on-year
Strengthen external sales and marketing to drive growth	Sales function refocused with teams dedicated to service two major market segments
Drive repeat and complementary business	Introduced a specialised sales force dedicated to major projects Increased the product portfolio to supply market with a complete offering

Market conditions and operating group performance

The 19% higher steel volumes in 2011 supported revenue growth of 14,8% to R5,1 billion. Notwithstanding mill supply concerns, higher volumes were partially offset by average steel price reductions of 5%. Global steel prices were under constant pressure, partly as a result of record production levels in China. This price volatility adversely impacted the local South African market, which had to continually balance supply and demand pressures. Major steel merchants like Aveng Trident Steel faced the additional challenge of growing levels of imported products, which are being offered by an increasing number of local competitors. Continued increasing production costs remain an issue for all steel producers.

Aveng Trident Steel invested in increasing its capacity and improving production quality during the year. The investment into the following major projects is in line with the business' focus on strengthening and positioning itself as a premier steel processing provider in the market:

- A 6mm slitting line was installed at the Roodekop site. This unit can now offer substantially more slit strip for the tubing mill, which in turn will increase tubing volumes into this growing industry.
- The group installed a R160 million Schuler blanking press line in Port Elizabeth. The 630 ton line will allow Aveng Trident Steel to press curved, trapezoidal or straight-edge blanks cost effectively for the motor manufacturing industry in the region.
- The company installed new packaging and handling equipment at the tube mills in Alrode to ensure more efficient throughput.

Safety

Aveng Trident Steel's safety performance improved further during the year, with zero fatalities recorded and a new internal company record of 41 days without a lost-time injury. This was achieved through a deliberate campaign in line with the Aveng Group's safety vision of ensuring "Home Without Harm Everyone Everyday". Aveng Trident Steel remains committed to zero fatalities and ensuring that its exemplary record doesn't foster complacency.

Outlook on the year ahead

Aveng Trident Steel will continue to be impacted by steel price and supply volatility for the foreseeable future. Supply and price volatility is expected to be further strained by the recent failure of ArcelorMittal South Africa's Newcastle plant. The operating group will actively manage these risks, as well as the cost pressures stemming from higher electricity tariffs and increased wage settlements.

The company will remain focused on driving efficiency improvements, reducing costs and providing higher value-added products and services to its customers. In the short to medium term, performance is anticipated to improve as a consequence of increased capacity and geographic diversification. The company is investigating establishing a presence in Mozambique. It is encouraged by the South African government's objective to ensure that industry complies with the developmental objectives of the South African iron and steel value chain. This intervention is anticipated to drive an increase in the domestic consumption of steel, while enabling growth and job creation.

The company's key focal areas in the short to medium term are:

- Further diversification of the product range.
- Additional value-added services to customers.
- Improving on operational efficiencies and productivity.
- Continuing to develop employees' skills base.
- Geographical expansion where appropriate.

Material issues covered in this report:

- **Growth:** Investment in Schuler blanking press for automotive industry.
- **Safety:** Zero fatalities.

Opencast mining

AVENG MOOLMANS

Financial highlights	2011	2010
• Revenue (Rm)	3 656,0	3 261,0
• Capex (Rm)	710,9	213,5
People	4 569	3 966
Safety		
• Fatalities	2	0
• LTIFR	0,13	0,17
• Executive Safety Leadership (Score out of 50)	37	31
• % operations OHSAS 18001 certified	100	100
Environment		
• Energy consumption (electrical) (kWh)	5 382 164	*
• Water consumption (municipal) (kℓ)	2 601	*
• CO_2 emissions (tonnes)	379 111	*
Cultural (R)		
• CSI investment	696 020	155 218

**Not measured or reported*

Management MD: Brian Wilmot
FD: Peter Schumann

Awards
- Aveng Moolmans winner of NOSA's International Competition Sector C1.

For more awards go to www.aveng.co.za

Geographies operating in Mali, Guinea, Ghana, Tanzania, Zambia, Namibia, Botswana, South Africa

Brian Wilmot

Coal loading

2010 key strategic objectives	Progress on objectives
Leverage our collective expertise to add value	Stronger group synergies
Continue to find efficiencies to unlock improving returns	The drive and emphasis on overall equipment efficiencies (OEFs) has resulted in improvements and efficiencies with availability's, utilisation's, tempo's, meantime before failure and meantime to remain measured daily
Select projects that can deliver viable returns	Continued focus on tendering for projects that provide margins within group parameters

Key projects under way include

- Langer Heinrich Uranium Mine
- Geita Gold Opencast Mine
- COP-A and Fitwaola Pits
- Siguiri Gold Mine
- Sadiola Hill Gold Mine

Market conditions and operating group performance

Aveng Moolmans delivered revenue growth of 12,1% to R3,7 billion on the back of steady demand for opencast mining services. The operating group finalised the long-standing Marikana dispute, resulting in a settlement of proceeds before costs contributing R87,5 million to overall profitability in 2011. Improved operating efficiencies within the operating group were dampened by difficulties experienced with two contracts, both of which have since been completed. Margins were negatively impacted by the strength of the South African Rand, which continued to adversely affect the repatriation of foreign earnings. An operating profit margin of 11,3% was achieved for the financial year (2010: 11,2%).

Aveng Moolmans re-entered the Tanzanian market through the Star & Comet Pit project and secured a contract at the Chimiwungo mine in Zambia. With a presence in eight countries in Africa, Aveng Moolmans continued to successfully deliver complex contracts in remote areas – despite infrastructure and logistical challenges.

In line with the group strategic imperative to drive synergies across the group operations, collaboration with other Aveng Group companies strengthened. Aveng Moolmans and Aveng Grinaker-LTA jointly serviced Konkola copper mine during the year.

Aveng Moolmans continued to pursue "mine to market" opportunities that incorporate other group disciplines across the value chain, from pre-feasibility studies and front-end engineering, to construction of infrastructure, open-cut and underground mining, and minerals processing.

Given the strong commodity market and with growing demand for opencast contract mining services, retention of skills is increasingly important. Aveng Moolmans remains focused on training to ensure that the business is part of whatever mining venture is at hand. In recognition of Aveng Moolmans' continued focus on skills development and retention, it was accredited by the South African Mining Qualifications Authority (MQA) for its "Mineral Excavation – Surface Mining" qualification. Aveng Moolmans is also one of only three companies qualified to train employees on the "Operate Mobile Machinery for Surface Excavation Operations" programme. Simulator training has been enhanced and is proving to be a valuable training tool in terms of both safety and productivity.

Safety

Aveng Moolmans' safety profile improved during the year. The operating group recorded a RIFR of 0,95 from a previous 0,97 in 2010. The business unit regrettably experienced two fatal injuries during the period; one involving a drowning in Mali and the other a death of a service provider employee. Key learnings from incidents are implemented across the group and are made available to relevant parties.

Key statistics recorded at selected projects for the year include:

- Siguiri gold mine in Guinea, West Africa, achieved 2,4 million LTI free man hours.
- Langer Heinrich mine in Namibia achieved 1,7 million LTI free man hours.
- Konkola copper mine in Zambia achieved 1,3 million LTI free man hours.
- Smaldeel coal mine in Witbank achieved 365 LTI free days, including 853 000 LTI free man hours.
- Head Office and workshops achieved 365 LTI free days, including 483 000 LTI free man hours.
- The Matla rehabilitation team in eMalahleni recorded the outstanding safety achievement of 49 months LTI free. This includes 2 354 LTI free shifts or 1 182 LTI free days.

Outlook for the year ahead

Aveng Moolmans has steadily grown its order book through increased capacity and regional diversification. The operating group will maintain its competitive advantage by focusing on meeting client expectations, improving overall equipment efficiencies (OEEs), and a continuous improvement mindset. With an order book of approximately R10 billion, the business is well placed to continue to reflect sustainable growth. Contracts which have adversely impacted margins in the year have been completed. Growth is forecast to be driven by strong investments in mining throughout the African continent. Sound commodity prices will continue to present new mining opportunities.

Material issues covered in this report:

- **Growth:** Aveng Moolmans has re-entered the Tanzanian market and currently operates in eight countries in Africa.
- **Project execution:** Execution challenges resolved.
- **Safety:** The operating group delivered improved safety metrics during the year.

Corporate governance

Achievements during 2010/2011

- Strengthened skills and capacity of the board following the appointment of two additional independent non-executive directors
- Revised the board charter and all committee charters to bring responsibilities in line with the principles of King III
- Extended the role of internal audit to provide for King III principles in respect of reporting on internal financial controls, internal controls and risk management
- Worked towards the implementation of a legislative compliance framework
- Implemented necessary compliance with Companies Act 71 of 2008, as amended
- Extended the scope of the safety committee to provide for health, safety and environmental management
- Continued with group competition law compliance and anti-corruption training
- Conducted director training on Companies Act 71 of 2008, as amended, King III and the National Environmental Management Act

Objectives for 2011/2012

- Formally comply with the requirement to form a social and ethics committee
- Continue to work on implementing the legislative compliance framework
- Enhance the group's application of the principles of King III
- Continue with group competition law compliance and anti-corruption training

Introduction

The board of directors of Aveng Limited (board) acts as the focal point for, and is the custodian of, corporate governance in the group. The board oversees processes which ensure that each business area and every employee of the group is responsible for acting in accordance with sound corporate governance principles in their relationships with management, shareholders and other stakeholders. The board has a formal charter which sets out its role and responsibilities and is satisfied that, for the year under review, it has complied with the terms of its charter. The charter includes the board's responsibility to:

- Ensure that a code of conduct is developed and observed
- Act as the focal point for, and custodian of, corporate governance
- Recognise and manage relationships with stakeholders along sound principles of corporate governance
- Ensure that the company is, and is seen to be, a responsible corporate citizen
- Require members of the board to always act in the best interests of the company and to manage potential conflicts
- Delegate certain functions to well-structured committees without abdicating its own responsibilities
- Provide directors with ongoing training and development to meet new legislative, regulatory and best practice requirements
- Ensure that the board and its committees are properly evaluated on an annual basis.

Statement of compliance

JSE Limited

The company is subject to, and remains compliant with, the Listings Requirements of the JSE Limited.

King Report on Governance for South Africa, 2009

The board has seen the King Report on Governance for South Africa, 2009 (King III) bring a maturing of the approach to governance which takes into account the concerns and issues of its wider stakeholder community. The board is committed to the highest standards of corporate governance with sound governance principles remaining its top priority.

King III distinguishes between statutory provisions, voluntary principles and recommended practices. Following a formal process to implement the recommendations of King III, the majority of the principles have been applied, as is evidenced in the various sections of this report. A detailed exercise to benchmark the group's practices against the principles set out in King III was undertaken and the details are set out in the following schedule:

	Apply	Partially apply
Ethical leadership and corporate citizenship		
Effective leadership based on an ethical foundation	✓	
Responsible corporate citizen	✓	
Effective management of company's ethics		✓ [1]
Assurance statement on ethics in integrated report		✓ [2]
Boards and directors		
The board is the focal point for and custodian of corporate governance	✓	
Strategy, risk, performance and sustainability are inseparable	✓	
Directors act in the best interests of the company	✓	
The Chairman of the board is an independent non-executive director	✓	
A framework for the delegation of authority has been established	✓	
The board comprises a balance of power, with a majority of non-executive directors who are independent	✓	
Directors are appointed through a formal process	✓	
Formal induction and ongoing training of directors is conducted	✓	
The board is assisted by a competent, suitably qualified and experienced company secretary	✓	
Regular performance evaluations of the board, its committees and the individual directors		✓ [3]
Appointment of well-structured committees and oversight of key functions	✓	
An agreed governance framework between the group and its subsidiary boards is in place		✓ [4]
Directors and executives are fairly and responsibly remunerated	✓	
Remuneration of directors and senior executives is disclosed	✓	
The company's remuneration policy is approved by its shareholders	✓	
Internal audit		
Effective risk-based internal audit	✓	
Written assessment of the effectiveness of the company's system of internal controls and risk management	✓	
Internal audit is strategically positioned to achieve its objectives	✓	
Audit committee		
Effective and independent	✓	
Suitably skilled and experienced independent non-executive directors	✓	
Chaired by an independent non-executive director	✓	
Oversees integrated reporting	✓	
A combined assurance model is applied to improve efficiency in assurance activities	✓	
Satisfies itself of the expertise, resources and experience of the company's finance function	✓	
Oversees internal audit	✓	
Integral to the risk management process	✓	
Oversees the external audit process	✓	
Reports to the board and shareholders on how it has discharged its duties	✓	
Compliance with laws, codes, rules and standards		
The board ensures that the company complies with relevant laws		✓ [5]
The board and directors have a working understanding of the relevance and implications of non-compliance	✓	

	Apply	Partially apply
Compliance with laws, codes, rules and standards continued		
Compliance risk forms an integral part of the company's risk management process	✓	
The board has delegated to management the implementation of an effective compliance framework and compliance processes	✓	
Governing stakeholder relationships		
Appreciation that stakeholders' perceptions affect a company's reputation	✓	
Management proactively deals with stakeholder relationships	✓	
There is an appropriate balance between its various stakeholder groupings	✓	
Equitable treatment of stakeholders	✓	
Transparent and effective communication to stakeholders	✓	
Disputes are resolved effectively and timeously	✓	
The governance of information technology		
The board is responsible for information technology (IT) governance	✓	
IT is aligned with the performance and sustainability objectives of the company	✓	
Management is responsible for the implementation of an IT governance framework	✓	
The board monitors and evaluates significant IT investments and expenditure	✓	
IT is an integral part of the company's risk management	✓	
IT assets are managed effectively		✓ [6]
The risk management committee and audit committee assist the board in carrying out its IT responsibilities	✓	
The governance of risk		
The board is responsible for the governance of risk and for setting levels of risk tolerance		✓ [7]
The risk management committee assists the board to carry out its risk responsibilities	✓	
The board delegates the process of risk management to management	✓	
The board ensures that risk assessments and monitoring are performed on a continual basis	✓	
Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓	
Management implements appropriate risk responses	✓	
The board receives assurance on the effectiveness of the risk management process	✓	
Sufficient risk disclosure to stakeholders	✓	
Integrated reporting and disclosure		
The board ensures the integrity of the company's integrated report	✓	
Sustainability reporting and disclosure is integrated with the company's financial reporting	✓	
Sustainability reporting and disclosure independently assured	✓	

Note	Explanation
1	A formal ethics management programme will be implemented during 2012
2	This assurance statement will follow on the implementation of the formal ethics programme in 2012
3	While annual performance evaluations of the board and its committees are conducted, evaluations of the individual directors will commence in 2012
4	A formal governance framework between the group and its subsidiary boards will be implemented during 2012
5	A formal compliance process, online training tool and audit function will be implemented during 2012
6	Formal processes of IT asset management are currently under development
7	The board has defined levels of authority and will undergo a formal process of defining its risk tolerance levels in 2012

Companies Act 71 of 2008, as amended

The Companies Act 71 of 2008, as amended (Act) came into effect on 1 May 2011. Accordingly, the company was required to amend certain of its documentation to ensure compliance. The following actions have, among others, been taken to ensure that the company complies with the Act.

Loans and other financial assistance to directors

On 30 June 2011, the company called a general meeting of shareholders to approve a special resolution permitting the company to provide direct or indirect financial assistance to entities within the Aveng Group, in terms of section 45 of the Act.

Amendment of memorandum of incorporation

Schedule 5(4) of the Act provides for existing companies to change their articles of association by filing an amended memorandum of incorporation within two years of the Act coming into effect, in order to bring its current articles in line with the Act. Accordingly, the articles of association of the statutory entities in the group must be changed before 1 May 2013. It is anticipated that the articles of Aveng Limited will be amended and presented to shareholders for approval at its annual general meeting in October 2012. The articles of Aveng (Africa) Limited and Aveng Trident Steel (Pty) Limited will be amended in the same time frame. The articles of smaller entities will be considered on an individual basis over the period.

Prescribed officers

In accordance with the Act, the company has defined its prescribed officers. Prescribed officers are defined by the Act as those who exercise general executive control over, and management of the whole, or a significant portion of, the business and activities of the company; or regularly participate to a material degree in the exercise of general executive control over, and management of the whole, or a significant portion of, the business and activities of the company.

Financial reporting and going concern

Based on the recommendation of the audit committee, the board considers and confirms the going concern status of the group in preparation of the annual financial statements at both the interim reporting period and at year-end. The assumptions underlying the going concern statement include profitability, budgets, forecasts, cash flow and liquidity.

The board is also responsible for monitoring the preparation, integrity and reliability of the financial statements, accounting policies and the information contained in the integrated report.

A robust, integrated process exists to assist the board in identifying, evaluating and managing the significant risks posed to the group. This process has been in place for the year under review, and while management is responsible for this process, it is independently monitored by the audit committee and risk committee.

The financial statements of Aveng Limited are prepared on a going concern basis, taking into consideration the following indicators. No areas of concern were noted by the board.

Financial indicators

The board is confident that there are no known events or conditions which may give rise to business risks that, individually or collectively, may cast significant doubt about the group's ability to continue as a going concern. Based on its knowledge of the group, key processes in operation and specific enquiries, the board is of the view that there are adequate resources to support it as a going concern for the foreseeable future.

The board is of the opinion that the group's risk management processes and the systems of internal control are effective.

Legislative compliance

The board has noted its duty to ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards as an imperative part of doing business. 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.

Integrity and ethical behaviour

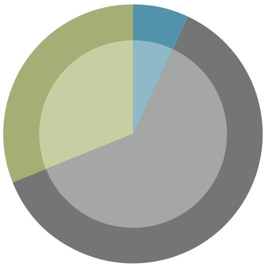
The board is committed to providing effective leadership based on an ethical foundation and believes that responsible leadership is characterised by the ethical values of responsibility, accountability, fairness and transparency. The board accepts its responsibility for ensuring that management actively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

The use of an independent hotline service, "Tip-Offs Anonymous", that supplies reporting of all forms of unethical behaviour, is in place across the group.

The board of directors

The board of directors of Aveng Limited is the highest decision making body within the group and is the ultimate custodian of corporate governance. The board aspires to exercise leadership, integrity and judgement in the pursuit of the group's strategic goals and objectives. The board members are appointed by shareholders.

In accordance with King III and the JSE Listings Requirements, the roles of Chairman and Chief Executive Officer are separated and there is a clear division of responsibilities within the company, ensuring a balance of power and authority. The position of Chairman is held by an independent non-executive director. The majority of the directors of the board are independent. The ratio of executive to non-executive directors ensures that the board is sufficiently informed by independent perspectives. Details of the directors appear on pages 26 and 27 of this report.



Board of directors

1 Non-executive director

8 Independent non-executive directors

4 Executive directors

During the year under review, the board welcomed Peter Erasmus and Thoko Mokgosi-Mwantembe as members and noted the retirement of Vincent Mntambo. Simon Scott resigned as Financial Director and Kobus Verster was appointed to that position with effect from 27 September 2010.

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

Non-executive directors may accept appointments to other boards, including industry related organisations, government entities and charitable organisations, provided their other commitments do not impact on their ability to discharge their duties to the Aveng Group.

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 101 to 111 of this integrated report. No service contracts exist between the company and non-executive directors.

Independence

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

Nkululeko Sowazi is an executive director of the Kagiso Tiso Holdings Group. Kagiso Tiso Holdings Group has a material relationship with Aveng Limited as it holds 25% in Aveng (Africa) Limited and Aveng Trident Steel Holdings (Pty) Limited. Accordingly, Mr Sowazi is not considered independent.

Strategy

Management is responsible for developing and presenting the group strategy to the board annually. The board has a duty to ensure that the strategy takes account of associated risks and is aligned with the group's code of business conduct. The board agrees the financial, governance and risk objectives and monitors performance against objectives. At each meeting of the board, management reports on its performance against these objectives.

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 and the tender risk committee.

All directors of the board 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 the access to external professional advisers, at the expense of the company.

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 six times. These meetings are considered necessary for the board to properly apply itself to achieving its objectives and included meetings held to consider the group's strategy and operational business plans. The non-executive directors meet independently of executive directors before each board meeting.

Director	Independent	06/09/10	03/12/10	09/03/11	29/06/11	30/06/11	Ad hoc: 22/10/10
AWB Band (Non-executive Chairman)	√	√	√	√	√	√	√
WR Jardine (Chief Executive Officer)		√	√	√	√	√	√
PJ Erasmus[1] (Non-executive)	√	–	–	–	–	√	–
MA Hermanus (Non-executive)	√	√	√	√	√	√	√
RL Hogben (Non-executive)	√	√	√	√	√	√	A
JJA Mashaba (Executive)		√	√	√	√	√	√
T Mokgosi-Mwantembe[2] (Non-executive)	√	–	–	√	√	√	–
VZ Mntambo[3] (Non-executive)	√	√	√	–	–	–	–
DG Robinson (Executive)		√	√	√	√	√	√
MJD Ruck (Non-executive)	√	√	√	√	√	√	R[6]
KC Rumble (Non-executive)	√	√	√	A	√	√	√
SJ Scott[4] (Financial Director)		√	–	–	–	–	–
NL Sowazi (Non-executive)		√	A	√	√	√	R[6]
HJ Verster[5] (Chief Financial Officer)		√	√	√	√	√	√
PK Ward (Non-executive)	√	√	√	√	√	√	√

1 = Appointed 22 March 2011
2 = Appointed 12 December 2010
3 = Retired 22 October 2010
4 = Resigned 26 September 2010
5 = Appointed 1 September 2010
6 = Recused
A = Apologies tendered

Share dealings by directors and officers

The company implements a voluntary closed period for two weeks prior to the mandatory closed period commencing at the company's year-end on 1 July until the release of the year-end results.

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 directors and the Chief Executive Officer for 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 within one working day.

Identical rules and restraints apply where Aveng Limited securities are held by immediate family of directors or senior designated employees or by trusts in which directors or senior designated employees or their families are beneficiaries.

Anti-corruption framework

During the year under review, the anti-corruption framework was updated and the posters, booklets and Z-cards updated and distributed to all the operations for dissemination to all their personnel. The group competition law compliance programme and the corporate governance framework were augmented and compliance refresher training was undertaken across the group. The legislative compliance framework will be implemented and rolled out across the group in the coming financial year.

Group competition law compliance programme

During the 2010 financial year the group formulated and implemented the group competition law compliance programme, which it continued during the year under review. This programme ensures that all employees, management and directors are made aware of the provisions of the Competition Act 89 of 1998. Compliance officers appointed at Aveng Limited and at each of the operating groups and continue to champion this initiative.

The group is committed to continually develop and implement clear competition law compliance policies and procedures, with an approved awareness and appreciation of all aspects of competition law remaining an integral part of this compliance programme.

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:

(1) Audit committee
(2) Risk committee
(3) Remuneration and nomination committee
(4) Safety, health and environmental committee
(5) Transformation committee
(6) Investment committee

Each committee is governed by a formal charter which is reviewed by the board on an annual basis and applies 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. On an annual basis, the committees assess whether they have complied with the terms of their charters and report back on compliance to the board.

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 committees do not reduce the individual and collective responsibilities of the board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their legal obligations. Charters are subject to the provisions of the Act, the memorandum of incorporation of Aveng Limited, as well as any other applicable law or regulatory provision.

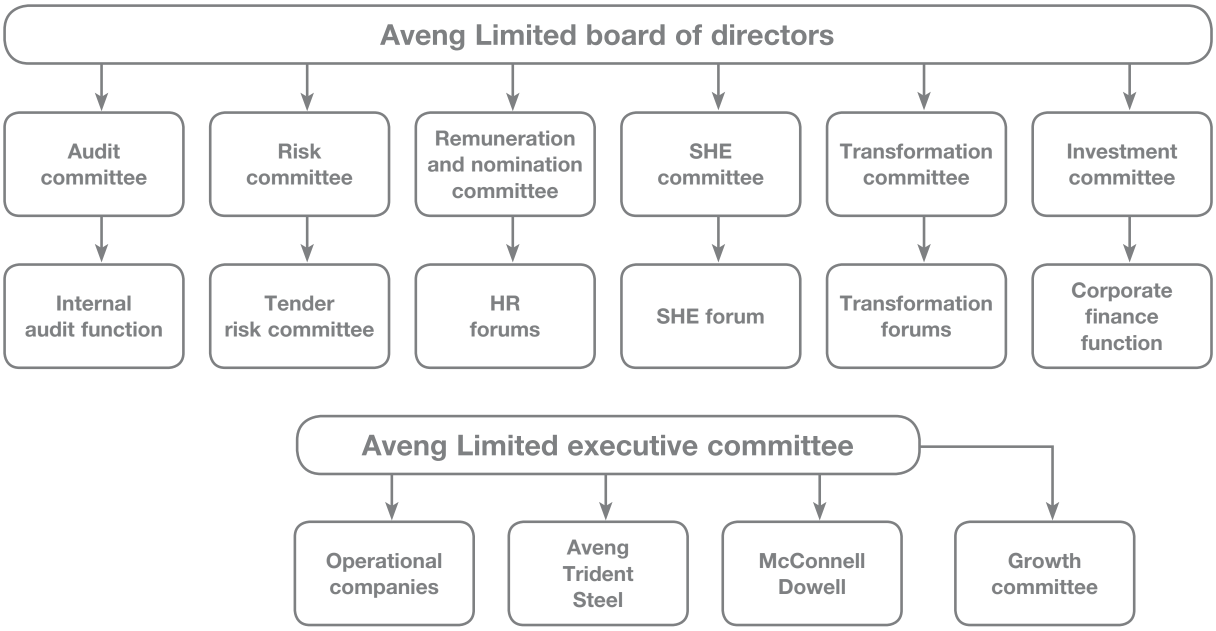
Social and ethics committee

The Act accompanied by the Regulations, makes provision in section 72(4) and section 43 respectively, for listed companies to appoint a social and ethics committee.

This committee must be established within 12 months of the effective date of the Act and accordingly the group must have a social and ethics committee in place by 1 May 2012. The board has commenced a process to consider the duties and responsibilities of this committee in light of the functions performed by other board committees, in order to ensure that it complies with the Act in a practical and manageable manner.

Individual reports and attendance registers of each committee are set out from page 89 to page 101 of this report.

Corporate governance structure



More information on the following aspects of the corporate governance practices of the Aveng Group, please consult www.aveng.co.za

- Retirement
- Skills, knowledge, experience and attributes of the board
- Site visits and director training
- Access to information and resources
- Delegation of authority
- Board effectiveness, evaluations and in indication
- Company Secretary
- Anti-corruption framework
- Corporate governance framework
- Legislative compliance framework
- Commercial framework
- Relationship with shareholders
- Connecting with stakeholders
- Sustainability

Audit committee report

The audit committee is a formal committee of the board with authority delegated to it by the board. The committee is responsible for assisting the board in discharging its duties relating to the safeguarding of assets, accounting systems and practices, internal control processes and the preparation of accurate financial statements.

The committee reviews the financial reporting processes in the company and its South African subsidiaries through the Aveng (Africa) and Aveng Trident Steel finance committee and the McConnell Dowell Corporation Limited audit committee in order to ensure that issues are dealt with in terms of its scope and responsibilities as set out in the audit committee charter.

The chairman of the committee attends the meetings of the Aveng (Africa) and Aveng Trident Steel finance committee and from time to time, attends the meetings of the McConnell Dowell Corporation Limited audit committee. Minutes of these meetings are presented to the audit committee at its quarterly meetings.

For the period under review, the committee revised its charter to ensure compliance with the Companies Act 71 of 2008, as amended and King III. The committee is satisfied that it has complied with its responsibilities under the charter, as well as its legal responsibilities in terms of the Companies Act 61 of 1973 and Companies Act 71 of 2008, as amended, its regulatory and other responsibilities.

The audit committee charter includes the committee's responsibilities to:

- Review and recommend for approval the group's annual financial statements, interim financial statements, accompanying reports to shareholders, preliminary announcements of results and announcements
- Recommend the annual declaration of a dividend to the board for approval
- Nominate an external auditor for appointment by the shareholders and approve the terms of engagement and remuneration
- 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 to the annual financial statements describing how the committee carried out its functions and pronounce on the independence of the external auditors
- Prepare a report to the annual financial statements in respect of the internal controls, internal financial controls and risk management of the group
- Review and recommend the approval of an appropriate external assurance provider in respect of the material elements of the sustainability report
- 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

The committee has also developed a formal annual work plan to assist it in discharging its functions.

During the year under review, the committee made use of external advisers. KPMG assisted the Aveng Group Internal Audit Services with reviewing and enhancing its plan to ensure that it performed optimally. Ernst & Young Inc. conducted a review of the foreign tax liabilities.

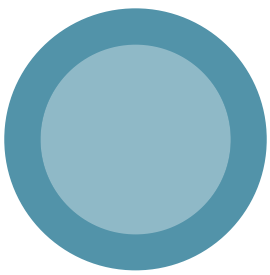
The serving committee members were:

Chairman:	PK Ward
Members:	RL Hogben
	MJD Ruck

The membership of the committee is made of up three independent non-executive directors and excludes the Chairman of the board, who attends meetings of the committee by invitation only.

The Chairman, Chief Executive Officer, Financial Director, Head of Internal Audit and representatives of the external auditor 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 on a quarterly basis 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.

The board believes that the members of the audit committee collectively possess the knowledge and experience to oversee and assess the performance of Aveng management and auditors, the quality of the group's disclosure controls, the preparation of the financial statements and financial reporting. The board also believes that the members of the audit committee collectively possess the understanding of the functions of the committee necessary to execute their responsibilities expertly and diligently.



Membership

3 Independent non-executive directors

Attendance

Director	Independent	02/09/2010	02/12/2010	01/03/2011	27/06/2011
PK Ward (Non-executive Chairman)	√	√	√	√	√
RL Hogben (Non-executive)	√	√	√	√	√
MJD Ruck (Non-executive)	√	√	√	√	√

Internal control

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 Aveng Group Internal Audit Services (AGIAS), 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 audit committee on an annual basis.

The main function of the AGIAS 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.

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

The annual audit coverage plan was reviewed and approved by the audit committee in June 2011. Each internal audit conducted is followed by a detailed report to management, including recommendations on aspects requiring improvement. The group Internal Audit Manager (who fulfils the role of the group's Chief Audit Executive) is responsible for reporting significant findings and the performance against the agreed internal audit plan to the audit committee.

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 group Internal Audit Manager has direct access to the chairman of the audit committee and reports operationally to the Financial Director. The group Internal Audit Manager has a standing invitation to attend the executive committee meetings and also attends all audit committee and risk committee meetings by invitation and submits a report to each audit committee meeting.

External audit

The company has utilised the services of Ernst & Young Inc. as its external auditors for the past 10 years. Mr Kinnear has been the registered auditor to the group since 2007. The audit committee has considered the independence of Ernst & Young Inc. and recommends that Ernst & Young Inc. be reappointed as the auditors of the company and that Mr Kinnear be reappointed as the individual registered auditor as proposed in Ordinary Resolution 1 of the notice of annual general meeting.

The external auditors regularly review the internal audit reports and meet formally with the internal audit team at least twice annually to ensure that their joint efforts are properly coordinated. The external auditors express their independent opinion on the annual financial statements and have confirmed their independence. The audit committee evaluates the independence and expertise of the external auditors annually. During the year under review, the committee was satisfied with the expertise and independence of the external auditors. The audit committee pre-approves all significant, permitted non-audit functions by the company's external auditors through a policy which is reviewed on an annual basis. During the year under review, fees for non-audit services amounted to 2,83% (2010: 4,48%) of the audit fees.

The audit committee considered and discussed this integrated report with both management and the external auditors and is satisfied that it has adequately evaluated significant judgements and reporting decisions, the completeness of the financial and sustainability discussion and disclosures. The committee is also satisfied with the treatment of significant transactions and has recommended to the board that the annual financial statements be approved.

Financial Director

In accordance with the JSE Listings Requirements, the audit 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 is satisfied that Mr HJ Verster, who was appointed the Financial Director on 27 September 2010, possesses the appropriate expertise and experience to fulfil his responsibilities in that position.

Mr SJ Scott, who was the Financial Director prior to Mr Verster, resigned with effect from 26 September 2010. The audit committee was satisfied that Mr Scott possessed the appropriate expertise and experience to fulfil his responsibilities in that position.

Risk committee report

The risk committee is a formal committee of the board and has powers delegated to it by the board. 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.

In supporting this objective, the committee conducted the following activities:

- Overseeing the completion of the updated group risk management policy;
- Reviewing procedures to ensure that the group risk management framework was properly implemented throughout the operations and that the requisite training was undertaken;
- Ensuring that the deliverables of all senior management were prescribed and included in the key performance indicators;
- Assisting the board in determining the material strategic and operational risks that could potentially impact the group; and
- Assisting the board in determining the group's risk levels.

The challenges experienced by the group during the period under review in respect of risk management related to the implementation of the group risk framework. The committee recommended and management has implemented the following strategies to improve the efficiency of the group risk framework:

- Appointment of risk champions
- Requisite training of personnel at all levels in the group in the risk management process and framework
- Updating of the risk management tools to assist and add value to the process
- Developing a knowledge base to transfer learnings across the group.

Going forward, the committee will continue to focus on the implementation and value add of the risk framework, the knowledge base development, the continual review of the strategic risks that could impact the group and any areas that will improve the focus on risk management and the risk culture within the group.

During the year under review, the committee is satisfied that it has complied with its charter, which has been formalised to include principles contained in King III and guides the committee in performing its duties during the year.

The committee has developed an annual work plan to ensure that it discharges its responsibilities under its charter, which has been aligned with the principles set out in King III.

The serving committee members were:

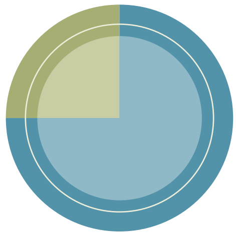
Chairman:	KC Rumble
Members:	AWB Band
	WR Jardine
	PK Ward

The risk committee charter includes the committee's responsibilities to:

- Review the risk management framework and plan on an annual basis and make recommendations 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 risk 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
- Prepare a statement for the annual financial statements in respect of the group's risk management process
- Ensure that a process exists whereby risk management assessments are performed on a continual basis and that management considers and implements appropriate risk responses
- Ensure that continual 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 reviews the activities of it's the group's tender risk committee, which ensures that all the major risks in tenders presented to the committee have been adequately mitigated, and provides guidance to the operations on strategic matters relating to the submission of a particular bid or contract negotiation.

The membership of the committee is made of up three independent non-executive directors, including the Chairman of the board. The Chief Executive Officer is also a member of this committee. Meetings of the risk committee are attended by the Group Risk Manager and the head of Group Internal Audit Services. During the year under review, the committee met four times and the minutes of these meetings were 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. As from 1 July 2011, Mr PJ Erasmus joined this committee.



Membership

3 Independent non-executive directors

1 Executive director

Attendance

Director	Independent	26/08/2010	29/11/2010	25/02/2011	27/06/2011
KC Rumble (Non-executive Chairman)	√	√	√	√	√
AWB Band (Non-executive)	√	√	√	√	√
PK Ward (Non-executive)	√	√	√	√	√
WR Jardine (Executive)		√	√	√	√

Safety, health and environmental committee report

Following the expansion of its roles and responsibilities to include oversight for health and environmental management on 1 July 2011, the safety, health and environmental committee continues to encourage the safety policy and practice throughout the group to achieve zero fatalities, and to monitor safety, health and environmental matters throughout the group. The key objectives of the committee include assisting the board in its oversight of:

- SHE risks
- The group's performance in relation to SHE matters
- The group's compliance to applicable SHE legal and regulatory requirements.

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 environmental department continue to be strengthened by the development of systems and the appointment of executives to increase the strategic capability for health, wellness and environmental matters within the group.

The board acknowledges its accountability for safety and upholds the philosophy of **"Home Without Harm Everyone Everyday",** which applies to all employees and subcontractors of the Aveng Group. Safety is the first item for discussion on all board and operating group management agendas.

The Aveng Group continues to develop, implement and monitor management systems for safety, health and environmental matters and ensure that they are consistent with internationally recognised standards and which enables the group to:

- Entrench safety as a core value for its people
- Identify, assess and manage SHE risks to employees, contractors, service providers and communities
- Strive towards a world-class safety culture
- Meet and where appropriate, exceed applicable legal and other requirements.

The committee deeply regrets the eight fatalities (2010: five) recorded during the year and extends its sincere condolences to families, friends and colleagues of the deceased.

The committee reviews each fatality and detailed investigations are conducted of all fatalities to ensure that the underlying causes are identified and the appropriate interventions are instituted to prevent similar incidents in the future. Information from these investigations is shared throughout the group, as well as between industry bodies.

During the year under review, the group's lost-time injury frequency rate (LTIFR) increased by 15% to 0,3 (2010: 0,26), however there was a 6% reduction in the recordable injury frequency rate (RIFR) to 1,22 (2010: 1,30).

The safety, health and environmental committee charter includes the committee's responsibilities to:

- Ensure that the group has a clear and defined direction 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; and
  - the implementation of behavioural change initiatives.
- Ensure structure is implemented through which a system of continual 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 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

The committee is satisfied that it complied with its charter. The committee has developed an annual work plan to assist it in discharging its functions which include 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. The work plan includes the following activities on a quarterly basis:

- Review reports in respect of fatalities
- Review significant incidents and key safety achievements
- Review safety, health and environmental performance for the full year against approved strategies and targets
- Consider and approve disclosures to be made in the integrated report
- Approving the charter, strategy and annual work plan for following year.

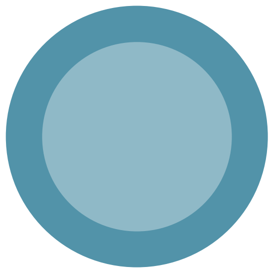
During the year under review, management made progress towards achieving its objectives by:

- 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 building resilience in its near miss programme;
- Embedding consistent safety, health and environmental management systems across all operations;
- Developing the group health and wellness framework, policy and document and defining the group's health and wellness three strategic pillars;
- Developing reporting and monitoring protocols for key environmental indicators as well as developing the group's environmental policy and conceptual environmental framework.

The serving committee members were:

Chairman: RL Hogben
Members: MA Hermanus
KC Rumble

The committee consists of three independent non-executive directors. Meetings of the safety, health and environmental committee are attended by the Chairman, the Chief Executive Officer and the group SHE manager, the group Environmental Manager and the group Health and Wellness 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. From 1 July 2011, Professor May Hermanus assumed the role of chairman of this committee and Mr WR Jardine joined the committee as a member.



Membership

3 Independent non-executive directors

Director	Independent	27/08/2010	25/11/2010	25/02/2011	28/06/2011
RL Hogben (Non-executive Chairman)	√	√	√	√	√
MA Hermanus (Non-executive)	√	√	√	√	√
KC Rumble (Non-executive)	√	√	√	√	√

Transformation committee report

The transformation committee is a formal committee of the board and has powers delegated to it by the board. The board recognises that transformation is a business and cultural imperative and is an integral part of its licence to trade.

During the year under review, the committee has overseen the following initiatives by management:

- Formalising the reporting of transformation to the board;
- Setting and monitoring targets for each of the seven elements of the Construction Charter;
- Improving the group's B-BBEE rating to bring it in line with peers and lead the market in respect of ownership;
- Developing an employment equity planning tool translating annual targets into specific black/female appointments to be made by level per annum;
- Monitoring the development and movement in the representation of black professionals across the group
- Building transformation goals into the people management processes such as performance management, succession management, training and development, the bursary programme and the recruitment process to name a few;
- Rolling out community development projects through direct engagement in social upliftment projects and in education and training in particular; and
- Advancing the sustainability of black-owned enterprises through direct interventions of the group.

The committee reviewed challenges experienced by management and recommended actions which have since been implemented. In order to focus the group's transformation objectives, the transformation objectives of each operation have been included in the key performance indicators of the human resources managers and managing directors. A centralised enterprise development programme will provide more direction and capability for the operations. Transformation guidelines and targets in the bursary and graduate pipeline programmes are now driven from the corporate centre.

For the forthcoming year, the committee will focus on ensuring sustainable enterprise initiatives for the group, higher levels of transformation in respect of employment equity and skills development and continue the group's leadership in socio-economic development.

During the year under review, the committee is satisfied that it has complied with its charter, which includes the principles contained in King III.

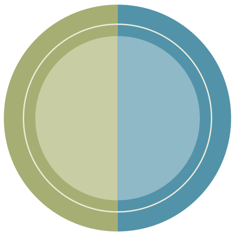
The serving committee members were:

Chairman:	NL Sowazi
Members:	AWB Band

The transformation committee charter includes the committee's responsibilities to:

- Proactively review management actions and efforts to comply with relevant legislation and charters and apply the principles of King III
- Review and recommend policies, strategies and plans for management implementation, to ensure that the company complies with the industry charter scorecard
- Guide, monitor, review and evaluate progress on transformation with specific reference to the key elements of the scorecard referred to in this report
- Evaluate and formulate recommendations on major B-BBEE initiatives
- Ensure that the key elements of the balanced scorecard of the industry charter are addressed

The committee consists of two non-executive directors, one of whom is independent. Meetings of the transformation committee are attended by the Chief Executive Officer, the Group Human Resources Director, the Group Transformation and Organisational Development Manager and the Group Risk 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. As from 1 July 2011, Ms TM Mokgosi-Mwantembe and Mr WR Jardine joined the committee.



Membership

1 Independent non-executive director

1 Non-executive director

Director	Independent	30/08/2010	29/11/2010	07/03/2011	27/06/2011
NL Sowazi (Non-executive Chairman)		√	√	√	√
AWB Band (Non-executive)	√	√	√	√	√
VZ Mntambo (Non-executive) [1]	√	√			

[1] = *Resigned 22 October 2010.*

Investment committee report

The investment committee is a formal committee of the board and is responsible for assisting management and the board to consider major investment decisions. The committee may approve transactions within a certain threshold and may also recommend transactions to the board for approval.

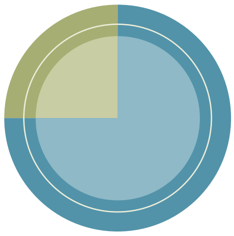
The committee is satisfied that it has effectively fulfilled its roles and duties during the year under review and has complied with the provisions of its charter, which was approved by the board.

The responsibilities of the committee in accordance with its board approved charter include, inter alia:

- Decisions in respect of acquisition or disposal of fixed property to be noted or approved by the committee subject to relevant limits of authority and the effect it may have on the group's cash flow;
- Decisions in respect of acquisition or disposal of equity to be noted or approved by the committee following the consideration of viability of the transaction and subject to relevant limits of authority and the effect it may have on the group's cash flow;
- To ensure correct and appropriate due diligence procedures are followed in respect of any investment related transaction;
- Perform other investment related functions as the board may deem necessary.

The serving committee members were:

Chairman:	MJD Ruck
Members:	AWB Band
	KC Rumble
	NL Sowazi



Membership

3 Independent non-executive directors

1 Non-executive director

The committee consists of three independent non-executive directors and one non-executive director. Meetings of the Investment committee are held on an ad hoc basis and often on short notice. Meetings are attended by the Chief Executive Officer, the Financial Director, the Head of Group Treasury and the Group Strategy 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.

Director	Independent	20/08/2010	18/10/2010	22/10/2010	27/06/2011
MJD Ruck (Non-executive Chairman)	√	√	R	√	√
AWB Band (Non-executive)	√	√	√	√	√
KC Rumble (Non-executive)	√	A	A	A	√
NL Sowazi (Non-executive)		R	R	R	√

R = Recused
A = Apologies tendered.

Note:
Due to the nature of the committee, meetings called at short notice may have resulted in directors not being able to attend.

Remuneration report

The remuneration and nomination committee is a formal committee of the board and 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.

The committee is governed by a formal charter which is aligned with the principles of King III and includes the following responsibilities:

- Ensure that the Remuneration Policy promotes the achievement of the group's strategic objectives and encourages individual performance.
- Assist the board to ensure 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 targets.
- Ensure that an adequate performance management system is operational throughout the group, which aligns with the objectives of the short, medium and long-term incentive schemes based on the group's approved strategy
- 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
- Approve the appointment of executive directors and senior managers
- Review the structure, size and composition of the board annually to ensure that the board can execute its duties effectively and conduct an evaluation of the performance of the board, Chairman and committees.

The committee has developed an annual work plan to assist it in discharging its functions during the year under review.

The serving committee members were:

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 and includes the Chairman of the board. 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 and the Group Human Resources Director. The committee has met four times during the year under review 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. As from 1 July 2011, the committee welcomed Ms TM Mokgosi-Mwantembe as a member.

Attendance

Director	Independent	01/09/2010	22/11/2010	02/03/2011	28/06/2011
RL Hogben (Non-executive Chairman)	√	√	√	√	√
AWB Band (Non-executive)	√	√	√	√	√
NL Sowazi (Non-executive)		√	A	A	√

A = Apologies tendered.

External advisers

During the year under review, the remuneration and nomination committee made use of external advisers, including PricewaterhouseCoopers Remchannel and Cebano, to assist it in redesigning its Long Term Incentive scheme, details of which are included in the Remuneration Policy and this report.

Guiding principles

The remuneration and nomination committee has determined that the following elements must exist in order for it and the company to meet their goals.

1. The existence of a consistent job grading scheme, with appropriate governance principles. This exists, and is consistently applied across the group.
2. The establishment of market-related reward strategy and principles. These are in place, and reviewed annually.
3. The provision of an appropriate package of fringe benefits, including retirement plans and medical benefits exist.
4. Appropriate incentive schemes, which are now standard across the group, with some regional variation, and which are specified elsewhere in this report.
5. The existence of a performance culture, and a performance management process across the group, whereby individual goals congruent with the company strategy are established, and performance evaluated, annually. This is in the process of being implemented.
6. A rigorous succession planning mechanism, with individual development plans for those marked with further potential. These exist, and are reviewed annually by the remuneration and nomination committee.

Reward strategy and principles

The Aveng Group is committed to a reward strategy and principles which focuses on rewarding consistent and sustainable performance. In this regard the Aveng Group has developed the Aveng Total Rewards Strategy and Framework, which outlines the broad principles which form the basis of the Remuneration Policy. The Remuneration Policy provides for fixed and variable pay components, as outlined in the table below.

Aveng total rewards strategy

Remuneration Philosophy

Guaranteed pay	Variable pay	
All salaried employees	Short-term Incentives	All salaried employees
	Medium-term incentives	Senior and executive
	Long-term incentives	Senior and executive management

The Aveng Group is committed to developing and implementing effective remuneration strategies to attract, retain and drive the performance of its employees across the organisation. The strategic objectives sought to be achieved through the Remuneration Philosophy and the Remuneration Policy includes rewarding superior performance and penalising poor performance, as well as aligning management rewards with the objective of increasing shareholder value.

Guaranteed pay is paid at the median of the market for expected performance. Owing to the diverse nature of the Aveng Group, the median is benchmarked annually against the relevant industry surveys, taking into account surveys from project engineering (includes construction), manufacturing, mining, expatriate and the general market sectors. Guaranteed pay and short-term incentives are applicable to all salaried employees.

All offers to directors and senior executives are reviewed and approved by the chairman of the remuneration and nomination committee.

The Remuneration Policy provides for short, medium and long term incentives schemes, which are strongly linked to the performance management process. The incentive schemes are designed to reward individual performance and meeting of group financial targets. Incentive bonuses awarded are calculated as a percentage of total actual guaranteed remuneration and percentages awarded are grade specific and aligned to market trends. The bonus design principles make provision for On-Target and Stretch Target levels. The entry level to pay bonuses is at 80% of On-Target. Financial bonus provisions are calculated on the principle of self-funding.

The guideline for annual review of incentive bonuses iterates the link between performance and award. Performance bonus payouts are directly linked to performance rating. Poor performers do not qualify for any incentive awards. Annual performance targets of both financial and non-financial targets, are cascaded to the various levels of management throughout the group. The balanced scorecard methodology is used to translate and cascade the KPI's to the business units. The financial and non-financial targets are agreed and set at the beginning of the financial year. The key performance areas to be met by each business include targets in respect of safety, employment equity, performance management and succession planning. Any fatality in an operation either of a permanent employee or of a sub-contractor results in a direct impact on the bonus to be paid out. Where financial targets have not been met, 70% of the bonus is forfeited.

The nature of the short-, medium- and long-term incentive schemes are detailed in the Remuneration Policy set out on pages 109 to 111.

Legacy schemes

Historically and during the year under review, the long term incentive scheme of the group comprised of the following schemes:

Aveng Limited Share Incentive Scheme

The Aveng Limited Share Incentive Scheme has been a traditional share option scheme in terms of which share options are issued to participants at a grant price and vest in four equal tranches from the second anniversary over the subsequent four years. The participant then stands to benefit from any appreciation in the share price between the grant price and the share price upon vesting. The participant would then have up to ten years to exercise the options. This scheme had no performance condition with the only requirement being that the participant remains in the employment of the company when the options vest.

Participants of this scheme included executive directors and senior executives of the group. There will be no further issue of share options under this scheme as it is anticipated that the SARs scheme, mentioned below, will come into effect on 3 November 2011.

Aveng (Africa) Limited Long-term Incentive Plan

The Aveng (Africa) Limited Long-term Incentive Plan came into effect in September 2005 with a life span of five years. This scheme was introduced as a mechanism to retain critical skills in anticipation of the upswing in the construction sector leading up to the 2010 FIFA World Cup™. Accordingly, the scheme was designed to pay out only at the end of the five year period. A total number of 283 employees participated on this scheme and an amount of R487 417 314 was paid out during October 2010. Executive directors did not participate in this scheme.

Trident Steel Holdings (Pty) Limited Management Incentive Scheme

Similarly to the Aveng (Africa) Limited Long-term Incentive Plan, this scheme was also introduced to retain critical talent in anticipation of the unprecedented demand for steel in both global and domestic markets. The Trident Steel Holdings Management Incentive Scheme was a four year scheme which commenced in June 2006 and offered participation to selected senior executives of that company. A total amount of R97 530 000 was paid to these employees during September 2010. Executive directors did not participate in this scheme.

New long-term incentive schemes

In view of the Aveng (Africa) and Trident Steel schemes mentioned above lapsing, as well as shifts in contemporary market practice, rendering the Aveng Limited Share Incentive Scheme outdated and non-compliant with some of the latest governance protocols, the committee engaged the services of PwC Remchannel to assist in reviewing and redesigning the group's long-term incentives schemes. The following key factors motivated the need to review:

- To align with market practice which has migrated away from share option schemes towards share Appreciation Rights schemes (SARs)
- To comply with current governance protocols including JSE rules, the King 111 report and the latest Companies Act
- To establish a mechanism for rewarding performance of management as well as one for retention of senior executive talent in view of medium to long-term negative impact on equities emanating from the global economic downturn.

Accordingly, two long-term incentive schemes, namely the Aveng Limited Share Appreciation Rights Plan (SARs) and SARs and the Aveng Limited Forfeitable Share Plan (FSP), have been developed.

The nature of these schemes are detailed in the Remuneration Policy set out on pages 109 to 111.

Executive director and senior executive remuneration

In respect of executive directors and senior executives, both the fixed and variable components are benchmarked against market and peers and are reviewed annually by the committee. Two external and independent survey results are used in market benchmarking and professional advice is sought to attain the appropriate mix of fixed and variable pay.

The award of long-term incentives to executive directors is dependent upon the individual performance of the executive, the overall performance of the group and retention considerations.

In selected cases appointment and retention bonuses have been made to attract and retain key talent. As part of executive separation agreements where appropriate, ex gratia amounts have been agreed to. Ex gratia payments are not made in lieu of performance incentives. When determining whether to remunerate executive directors and senior managers above the average median, consideration is given to attracting and retaining critical skills, risks to the business, performance considerations and transformation imperatives.

The Aveng Group total remuneration cost

	2011 Rm	2010
Employee remuneration (including directors' remuneration)		
Salaries and wages	**7 994,8**	7 891,3
Share-based payments – cash settled	**19,1**	32,7
Retirement and provident funds	**195,352**	188,7
Contribution to medical funds	**124,08**	111,5

Job grading system

Aveng uses an in-house system known as the Engage job grading system. The grading hierarchy comprises of 15 levels, with the entry level (unskilled) being Level 1. In order to determine the appropriate level at which a position slots, consideration is given to the technical, managerial and persuasive skills required, as well as to the level of control and impact on the business.

To ensure consistency, all new roles are graded by management at the relevant level and then calibrated by the relevant operating group grading committee and finally by the group Grading Sense-check committee chaired by the Human Resources Director. All senior management grade changes are approved by the Chief Executive Officer.

Policy on performance management

The group ensures that there is a direct link between variable pay and performance. The appointment letters of executive directors as well as the Remuneration Policy confirm that incentive bonuses are based on performance and are not guaranteed.

Policy on employment contracts and severance arrangements

The group has entered into employment contracts with the directors and the senior executives. During the year under review, the company introduced a three month notice period for executives. The duration of the employment contracts is not predetermined and the normal retirement age of 60 years is applicable. However the group also has a policy in place to extend employment of selected individuals beyond the normal retirement age.

Retirement plans and other benefits

As part of their employment conditions, executive directors and senior executives participate in the Aveng retirement plans comprising the Aveng pension and Aveng provident plans. The employee contributes 6% of their total guaranteed pay (TGP) towards the pension plan and the company contributes 6, 9 or 12% towards the provident plan.

The company provides a medical benefit to executive directors and senior executives in the form of a group medical aid scheme. The company also offers Group Life Assurance, Permanent Health Insurance (Disability) and Group Personal Accident cover to its executive directors and senior executives.

Non-executive directors' remuneration

The remuneration of non-executive directors is reviewed annually by the committee which takes into account non-executive director remuneration surveys, as well as a review of selected peer companies. The Chairman of the board and the non-executive directors, independent or otherwise, are not eligible to receive share options or incentive awards. Fees of the non-executive directors are included in the notice of annual general meeting at item 13 for approval by way of an ordinary resolution.

			2011/2012	
Entity	**Position**	Current fees	Recommended % increase	Recommended fees
Main board	Chairman	**726 000**	**6,0**	**769 560**
	Director	**239 000**	**6,0**	**253 340**
	Ad hoc meetings**	**21 000**	**6,0**	**22 260**
Subsidiary boards	Director	**127 000**	**6,0**	**134 620**
	McConnell Dowell travel allowance	**58 000**	**6,0**	**61 480**
Remuneration and nomination committee	Chairman	**161 000**	**6,0**	**170 660**
	Member	**64 000**	**6,0**	**67 840**
Safety health and environment committee	Chairman	**139 000**	**6,0**	**147 340**
	Member	**53 000**	**6,0**	**56 180**
Tender risk committee	Member*	**5 500**	**6,0**	**5 830**
Transformation committee	Chairman	**139 000**	**6,0**	**147 340**
	Member	**53 000**	**6,0**	**56 180**
Risk committee	Chairman	**161 000**	**6,0**	**170 660**
	Member	**64 000**	**6,0**	**67 840**
Audit committee	Chairman	**213 000**	**6,0**	**225 780**
	Member	**120 000**	**6,0**	**127 200**
	Subsidiaries	**65 000**	**6,0**	**68 900**
Investment committee	Chairman*	**8 500**	**6,0**	**9 010**
	Member*	**6 400**	**6,0**	**6 784**

** per meeting attended*
*** per meeting attended in excess of the five scheduled meetings per year*

Disclosure of non-executive directors' emoluments

Non-executive directors	Fees as director R'000	Chairman fees R'000	Attendance subsidiary boards R'000	Committee fees R'000	Training and travelling fees R'000	**Total R'000**
For the year ended 30 June 2011						
AWB Band	**257**	**480**	**750**	**335**	**175**	**1 997**
K Rumble	**236**			**266**	**18**	**520**
M Hermanus	**257**			**52**	**18**	**327**
MJD Ruck	**236**	**24**		**118**	**18**	**396**
PK Ward	**257**	**88**		**406**	**40**	**791**
RL Hogben	**236**	**178**		**239**		**653**
PJ Erasmus (Appointed April 2011)	**60**			**15**		**75**
TM Mokgosi-Mwantembe (Appointed January 2011)	**120**					**120**
VZ Mntambo (Retired October 2010)	**56**	**15**		**11**	**18**	**100**
	1 715	**785**	**750**	**1 418**	**287**	**4 979**

Disclosure of executive directors' emoluments

Executive directors	Salary R'000	Retirement fund R'000	Other benefits R'000	Bonus payable R'000	Medium term incentive* R'000	**Total R'000**
For the year ended 30 June 2011						
HJ Verster (Appointed September 2010)	**2 350**	**150**		**1 250**		**3 750**
JJA Mashaba	**2 777**	**177**		**354**	**234**	**3 542**
WR Jardine	**3 814**	**244**		**609**	**551**	**5 218**
SJ Scott (Resigned September 2010)	**613**	**61**				**674**
DG Robinson**	**7 036**	**1 050**	**403**	**1 761**	**695**	**10 945**
	16 590	**1 682**	**403**	**3 974**	**1 480**	**24 129**

* *Payable in equal instalments over three years.*
** *Earnings in AUD converted ZAR.*

Three highest paid employees: South Africa

Name	Total guaranteed package	STI	MTI	LTI cash settled scheme	Other	Ex gratia payments R	**Total R**
Employee 1	2 285 550	844 217	1 390 451	10 824 480	16 950		**15 361 648**
Employee 2	2 059 857	303 150	819 914	9 133 155	34 854		**12 350 930**
Employee 3	1 407 946	250 488	0	6 559 000	42 770	2 572 858	**10 833 062**

Directors' interests in shares

Interest of directors of the company in share capital

	Ordinary Shares 2011	Ordinary Shares 2010
Executive directors		
Non-executive directors		
RL Hogben	**16 770**	16 770
PK Ward	**2 000**	2 000
Total	**18 770**	18 770

Executive directors' interest in share options

Executive share options exercised

No executive share options exercised in the current year.

Executive share incentive scheme entitlement

	Date from which exercisable	Date on which expires	Strike price	Number entitled to at 1 July 2010	Number granted during the year	Number redeemed or taken up during the year	Number entitled to at 30 June 2011
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
	Sep-2012	Sep-2020	37,70		54 021		54 021
	Sep-2013	Sep-2021	37,70		54 021		54 021
	Sep-2014	Sep-2022	37,70		54 021		54 021
	Sep-2015	Sep-2023	37,70		54 021		54 021
				442 766	216 084	0	658 850
HJ Verster	Sep-2012	Sep-2020	37,70		66 246		66 246
(Appointed Sept 2010)	Sep-2013	Sep-2021	37,70		66 246		66 246
	Sep-2014	Sep-2022	37,70		66 246		66 246
	Sep-2015	Sep-2023	37,70		66 249		66 249
				0	264 987	0	264 987

	Date from which exercisable	Date on which expires	Strike price	Number entitled to at 1 July 2010	Number granted during the year	Number redeemed or taken up during the year	Number entitled to at 30 June 2011
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
	Sep-2012	Sep-2020	37,70		18 486		18 486
	Sep-2013	Sep-2021	37,70		18 486		18 486
	Sep-2014	Sep-2022	37,70		18 486		18 486
	Sep-2015	Sep-2023	37,70		18 486		18 486
				383 522	73 944	0	457 466
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
	Sep-2012	Sep-2020	37,70		16 649		16 649
	Sep-2013	Sep-2021	37,70		16 649		16 649
	Sep-2014	Sep-2022	37,70		16 649		16 649
	Sep-2015	Sep-2023	37,70		16 650		16 650
				203 856	66 597	0	270 453

Prescribed officers

The Companies Act 71 of 2008, as amended, defines a prescribed officer as a person who exercises general executive control over and management of the whole, or a significant portion, of the business and activities of the company; or regularly participates to a material degree in the exercise of general executive control over and management of the whole, or a significant portion, of the business and activities of the company. It excludes directors and does not refer in any way to title held by the person, rather the functions which they perform. The board has identified the prescribed offices of the company.

	Actual total pay R	STI R	MTI R	LTI cash settled scheme R	Other R	Total R
Prescribed officer 1	2 285 550	844 217	1 390 451	10 824 480	16 950	15 361 648
Prescribed officer 2	2 059 857	303 150	819 914	9 133 155	34 854	12 350 930
Prescribed officer 3	2 795 888	938 021	945 847	5 412 240	28 990	10 120 986
Prescribed officer 4	2 637 359	689 176	241 212		15 020	3 582 767
Prescribed officer 5	958 333					958 333

Remuneration policy

Remuneration philosophy statement

The Aveng Group is committed to developing and implementing effective remuneration strategies and practices to attract, retain and drive the performance of its employees across the organisation. The strategic objectives sought to be achieved through the Remuneration Philosophy and the Remuneration Policy includes rewarding superior performance and penalising poor performance as well as aligning management rewards with the objective of increasing shareholder value. In this regard, the Aveng Group remuneration offering is designed to:

- provide an appropriate mix of guaranteed pay, short, medium, and long-term incentives to attract, retain and motivate employees;
- be 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;
- achieve a motivational impact and promote desired behaviour;
- be fair, equitable, market related and affordable;
- be strongly linked to performance and designed to promote the development of a high performance culture;
- recognise and reward exceptional performance while also penalising mediocre or poor performance;
- articulate an attractive and compelling value proposition for current and prospective employees.

Guaranteed pay

The Group's Guaranteed Pay philosophy is to pay at the median of the market for competent expected performance, while allowing for performance based differentiation.

Setting of guaranteed pay policy

When setting and reviewing the guaranteed pay policy, various factors, including the following, are taken into account:

- The market pay trends and how similar or different they are from the current actual trends
- Macro-economic factors such as inflation and salary movement within the market
- Market increase projections
- Movement in costs of particular benefits
- Company performance and affordability
- Benchmarking against the specific industries within which we operate.

Annual salary review considerations

Each year an annual review is undertaken to determine the salary increases mandate to be implemented from 1 January. An increase mandate proposal supported by salary surveys, projected salary movements, inflation, company performance and affordability is presented to the remuneration and nomination committee for consideration. Individual performance ratings are taken into account in determining the salary increases of individual employees.

Annual review of non-executive director fees:

Management submits annually to the remuneration committee a proposal for the review of non-executive director fees. This proposal includes a minimum of two non-executive director remuneration surveys as well as extracts from annual reports of at least three similar-sized businesses. A comparison of the current and proposed fees against the market surveys and the three companies are used to determine the appropriate fee to be recommended to the board.

This recommended fee, upon approval by the board, is submitted to the annual general meeting for approval by shareholders.

Post annual salary review verification

Following the implementation of the annual salary review, the remuneration committee reviews the implementation to establish:

- whether the overall increases implemented remained within the approved mandate;
- the overall increase in the cost of labour as a result of this adjustment; and
- that there was sufficient link to performance in the manner in which the increases have been implemented.

Performance link to pay

The company's performance management process determines the relative level of performance of both businesses and individuals. One of the key considerations to be taken into account when an employee's salary is being reviewed is their performance rating. This rating is used in determining both annual salary increases and incentive awards. Capable and skilled employees who demonstrate performance at a competent level are remunerated around the market median for their role.

Variable pay schemes

The group currently has the following incentive schemes which are applicable to eligible employees in the Aveng corporate office, the operating groups within Aveng (Africa), Aveng Trident Steel and McConnell Dowell:

- Short-term incentive (STI);
- Medium-term incentive (MTI); and
- Long-term incentive (LTI)

Short-term incentive scheme (STI)

The STI is an annual cash bonus which is intended to reward individuals for their contribution to the Aveng Group/operating group/business unit performance, against agreed financial and key performance indicator (KPI) targets. 70% of the bonus is dependent on the achievement of company financial targets and 30% on individual KPI targets. All salaried, permanent employees (who are not participants in specific site-bonus or project based incentive schemes), are eligible for participation.

Financial targets are set annually at the beginning of the financial year. Individual KPI targets will be set in accordance with the performance management system. The total bonus quantum, as well as STIs payable to individual Aveng executives (top three reporting levels) and any exceptions to this scheme, must be approved by the Aveng remuneration and nomination committee, prior to being communicated, implemented, and payment processed. The financial component of the bonus is self-funding and only starts accruing from 80% of the set target. Other than the individual KPI portion of the STI, no bonuses will be payable in the event where a business entity does not achieve at least 80% of their financial target.

At termination of employment, the following will apply with regard to eligibility for STI awards:

- *Involuntary termination* (Death, retirement, retrenchment, terminations under exceptional circumstances and incapacity)
  Pro rata bonus based on length of service in the relevant financial year.
- *Resignation*
  No bonus will be payable to employees who are not in service on the last date of the assessment period (end June). Bonus payments to employees who have resigned post the end of the financial year is at the sole discretion of the remuneration and nomination committee.
- *Dismissal*
  No bonus will be payable.

Medium-term incentives (MTI)

For market benchmarking purposes medium and long-term incentive values are combined. The MTI is a deferred cash bonus scheme, with deferred payments over a three-year period, based on the achievement of financial and non-financial targets. Targets for the MTI comprise 70% financial and 30% non-financial targets. The MTI scheme is intended to reward employees for contribution to the Aveng Group/operating group/business unit financial and non-financial performance over the medium term, and to serve as a medium-term retention mechanism for key management talent.

Senior and executive management are eligible to participate in the MTI. Eligibility and participation in the MTI is, however, not automatic for any position or grade, and participation is at the sole discretion of the company.

The financial component of the bonus is self-funding and only starts accruing from 80% of the set target. Other than the individual KPI portion, no MTI bonuses will be payable in the event where a business entity does not achieve at least 80% of their financial targets.

MTI bonus provisions are recommended by the Finance Director and approved by the audit committee once the annual financial statements have been audited.

Participants will receive payment of these awards in three equal tranches over three years, the first payment being made in March following the award being made, and the further two payments in March of the two subsequent years. The value of the unpaid portion of each award will be increased annually by the same percentage as the actual annual individual salary increase percentage. The bonus to be paid to participants is based on the actual guaranteed earnings for the financial year.

At termination of employment, the following provisions will apply:

- *Involuntary termination* (Death, retirement, retrenchment, terminations under exceptional circumstances and incapacity)
  Accrued balance of any MTI at date of termination paid in full.
- *Resignation*
  All accrued unpaid MTI balances are forfeited.
- *Dismissal*
  All accrued MTI balances are forfeited.

Long-term incentives (LTI)

In the future, the Aveng Limited Share Incentive Scheme, the Aveng (Africa) Limited Long-term Staff Incentive Plan and the Trident Steel Holdings (Pty) Limited Management Incentive Scheme will be replaced by two schemes, namely the Aveng Limited Share Appreciation Rights Plan (SARs) and the Aveng Limited Forfeitable Share Plan (FSP) aimed at aligning Aveng senior executives' performance with the interests of shareholders, to enable them to share in the long-term growth of the business, and to retain critical leadership talent.

Share Appreciation Rights Scheme

The purpose of this phantom scheme, is to provide senior executives and other nominated individuals with the opportunity of receiving a cash payment based on the increase in the value of a specified number of SARs. The grant of share appreciation rights (SARs) is at the sole discretion of the Aveng CEO and the remuneration and nomination committee.

The annual award of SARs will be made in September/October. Provision has also been made for SARs to be awarded in April to cater for recent executive appointments.

The award of SARs in terms of the Aveng Share Appreciation Rights Scheme is entirely at the discretion of the company. Performance conditions, which must be met in order for the SAR to vest, are approved by the remuneration and nomination committee.

Eligible participants must have achieved an on-target performance rating in order to qualify for an annual award.

The SARs will vest in equal tranches over three years, with the first tranche vesting in year three, provided that the performance condition to be set by the remuneration and nomination committee has been met.

Once the SARs vest and the performance condition has been met, the participants will be able to exercise the SARs and gain from the appreciation in the share price. Following the exercise of the SARs, the benefit will be paid to the participant in cash. The participant has no right to receive any shares upon the exercise of the SARs or otherwise by virtue of participation in this scheme.

The scheme allows for regular and consistent granting of awards on an annual basis. The granting of SARs under the scheme must occur within prescribed time frames and the scheme does not provide for re-pricing or re-granting. No SARs may be awarded during closed periods.

The life span of the scheme is seven years. The scheme has been designed to avoid a situation of "all or nothing" vesting profile by providing for annual grants and thus avoiding the granting of large up-front awards. The scheme rules provide for a limit on the maximum number of SARs that can be awarded at a scheme and individual level.

The design of the scheme makes provisions for re-testing of the performance condition on the fourth and fifth anniversary in the event that it was not met in the prior year(s). This has been done to take into account the cyclicality of the infrastructure development industry.

At termination of employment, the following will apply:

- *Retirement, retrenchment, incapacity, death or terminations under exceptional circumstances*
  - All vested, unexercised SARs can be exercised within a 12-month period of termination.
  - All unvested SARs shall vest pro rata based on time served between awards and vesting date provided the performance condition is met.
  - If termination occurs any time before the first test period (year 3) then SARs are forfeited.
  - Any SARs not exercised after 12 months of termination will lapse.
- *Resignation and dismissal*
  - All unvested SARs will lapse
  - All unexercised vested SARs must be exercised within two months from termination date.
  - In the case of dismissal, unexercised vested SARs will be forfeited.

Forfeitable Share Plan (FSP)

The purpose of the scheme is to provide a small number of senior executives of the company, including executive directors, with the opportunity to receive shares in the company (shares). The provision of shares is intended to serve as both an incentive and a retention mechanism. Schedule 14 of the Johannesburg Stock Exchange (JSE) Listings Requirements (Schedule 14) sets out the rules in respect of all schemes involving the issue of shares by companies to, or for the benefit of, its employees and other persons involved in the business of such companies or their group. Schedule 14 will, however, not apply to the scheme as awards made under the scheme are settled by way of acquiring shares from third parties on the open market and no new shares will be issued by the company to any participant.

Any salaried employee, including executive directors but excluding non-executive directors, within the group (employer company) may become a participant in the scheme. Participants will be nominated by the remuneration and nomination committee at its sole discretion and be allocated Aveng Limited shares. All the rights accruing to shares, including dividends, will be for the benefit of the participant. An employee who accepts or is deemed to have accepted an award of a specified number of shares made to him or her under the scheme (award) becomes a participant in the scheme (the "participant"). A participant may also include the executor of an employee's deceased estate where appropriate.

For purposes of the scheme the "group" includes the company and its subsidiaries from time to time.

The scheme rules make provision for a limit to be placed on the maximum number of shares which may be allocated for purposes of the scheme. This has currently been set at 1% of the issued share capital. This lower overall limit has been set for the scheme as it is contemplated that only a small number of top executives will participate in this scheme. The board will report accordingly in the event that this number of shares is exceeded.

The maximum number of shares allocated to each participant in respect of all unvested awards shall not exceed 20% of the overall limit (1%) referred to above. The shares to be awarded to each participant will be acquired on behalf of the employer company on the open market and the company will not issue any new shares in settlement of any award made in terms of this scheme.

After the award is made, the shares shall be held in escrow by an escrow agent for the benefit of the participant. The shares may not be disposed of or otherwise encumbered except in the event of death of a participant in which instance the shares may be transferred to the executor of such participant's estate.

An award of shares will vest on the date specified in the award letter as the vesting date ("vesting date"), provided that the participant is still an employee of the company on the vesting date. The participant will therefore not take physical ownership of the shares until the vesting date. Only when the rights vest, will the participant assume actual ownership of the FSP and the accrued dividends. The tax liability to the participant of the value received will also accrue at that point in time.

The escrow agent will act on the instructions of the company from the date on which settlement of the award takes place (settlement date).

After the vesting date the shares will be released by the escrow agent and delivered to the participant. Save for the right to transfer shares, the participant shall, from the settlement date, have all other shareholder rights including the right to dividends and voting in respect of the forfeitable shares.

Unless the remuneration and nomination committee determines otherwise, in the event of a change in control prior to the vesting date, a portion of the shares shall vest in the participant on the date of the change in control. Save to the extent that the remuneration and nomination committee decides otherwise, the portion of the award that does not vest shall be subject to the conditions outlined in the initial award letter.

If the participant's employment with the company terminates prior to the vesting date by reason of their resignation or their dismissal, then the award to such participant will lapse immediately on the date of termination of employment.

The rules of the scheme stipulate the procedure for the treatment of both "good" and "bad" leavers and also state that participation in the scheme is not an entitlement, is at the sole discretion of the remuneration and nomination committee, and that the design and rules can be amended at any time at the discretion of the company.

Unless the remuneration and nomination committee decides otherwise, should the participant's employment terminate prior to the vesting date by reason of death, retrenchment, retirement, ill-health, injury or disability or if the employer company is no longer part of the group, then a portion of the award shall vest on the date of termination of employment. The formula for calculation of the portion of the award that shall vest in the participant is set out in the scheme rules. The portion that does not vest in the participant will lapse on the date of termination of employment.

At termination of employment, the following will apply:

- *Retirement, retrenchment, incapacity or death, terminations under exceptional circumstances (good leaver)*
  - Pro rata vesting of portion of unvested forfeitable shares based on formula in scheme rules
- *Resignation and dismissal (bad leaver)*
  - All unvested forfeitable shares will lapse

The awarding of forfeitable shares will have no dilutionary effect on the company's issued share capital as the shares will be purchased on the market.

Review of incentive schemes policy

The Aveng Remuneration Policy and the individual incentive schemes therein are subject to review by the Aveng remuneration and nomination committee. The governance of these schemes will be monitored by the Aveng remuneration and nomination committee. Any variance or deviation of this policy is at the sole discretion of the Aveng remuneration and nomination committee.

Definitions

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.

Report of the independent auditors

Report of the independent auditor

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 2011, 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, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 118 to 120.

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 risks 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 2011, 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.
Director – Warren Kinnear
Registered Auditor
Chartered Accountant (SA)

52 Corlett Drive
Illovo
2196

5 September 2011

Certificate of the Company Secretary

I, the undersigned, KE Robinson, in my capacity as Company Secretary, certify that:

- The company has lodged with the commission all such returns as are required of a public company in terms of the Companies Act 61 of 1973 and the Companies Act 71 of 2008, as amended, which came into effect on 1 May 2011;
- All such returns are true, correct and up to date.

KE Robinson
Company Secretary

5 September 2011

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 their functions as prescribed by the Companies Act 61 of 1973, as amended and the Companies Act 71 of 2008, as amended which came into effect on 1 May 2011. The audit committee confirms that it is satisfied with the independence of its External Auditor, Ernst & Young Inc. For a full report on the functions of the audit committee, please refer to page 92.

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 is satisfied that Mr HJ Verster, who was appointed the Financial Director on 27 September 2010, possesses the appropriate expertise and experience to fulfil his responsibilities in that position.

Mr SJ Scott, who was the Financial Director prior to Mr Verster, resigned with effect from 26 September 2010. The committee was satisfied that Mr Scott possessed the appropriate expertise and experience to fulfil his responsibilities in that position.

Statement on Internal Financial Controls

Based on information from and discussions with management and the group internal audit function, the audit committee confirms that it has no reason to believe that there were any material breakdowns in the design and operating effectiveness of internal financial controls during this financial year which have not been addressed or are in a process of being addressed. The financial records can thus be relied on for preparing financial statements.

Statement on Internal Control and Risk Management

The risk management and internal audit functions monitor the effectiveness of internal control systems and make recommendations to management and the audit and risk committees. Based on this information and from information and discussions with management, the audit committee on behalf of the board confirms that it has no reason to believe that there were any material internal control or risk management shortcomings during this financial year which have not been addressed or are in a process of being addressed. The board has thus concluded based on recommendation of the audit committee and their own understanding that there is no reason to believe that there were any material internal control or risk management shortcomings during this financial year that have not been addressed or are in the process of being addressed (for further information, please refer to the Risk Management report on page 94).

PK Ward
Chairman
Audit committee

5 September 2010

Directors' report

Business of the company

Aveng Limited is a South African registered and listed company, included in the Construction and Materials – Heavy Construction sector of the JSE Limited, with interests in construction and steel beneficiation. The company does not have a holding company. Primary subsidiaries include Aveng (Africa) Limited, Aveng Trident Steel Holdings (Pty) 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 182 and 183 of this annual report. Details of directors' interests at 30 June 2011 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 a going concern 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 84 to 91.

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 137.

Details of the movement in issued share capital and reserves are provided below and in the consolidated statement of changes in equity on page 138.

The segmental report is set out on page 140.

The consolidated annual financial statements of the group are set out on pages 136 to 173 and the annual financial statements of the company are set out on pages 173 to 180.

Details of earnings are provided on pages 12, 13 and 156.

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 181 to 182. Businesses acquired during the current year are detailed in note 22.

Subsequent events

There have been no material events up to the sign-off date that could have a material effect on the financial statements, or that require adjustment or disclosure.

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 has been no change to the company's authorised share capital during the year under review.

In terms of a general authority received at the annual general meeting of shareholders held on 22 October 2010, the company or its subsidiaries was authorised to acquire ordinary shares up to a maximum of 20% of the issued ordinary shares. A total of 2 065 319 shares were acquired and cancelled in terms of this authority. The total of 3 005 337 shares were acquired and cancelled for the financial year under review. Approval will be sought at the forthcoming annual general meeting on 3 November 2011 to renew this general authority.

Dividend

The following dividend was declared in respect of the year ended 30 June 2011:
Dividend number 13 of 145 cents per share.

Directorate

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

HJ Verster	Appointed 1 September 2010
TM Mokgosi-Mwantembe	Appointed 12 December 2010
PJ Erasmus	Appointed 22 March 2011
SJ Scott	Resigned 26 September 2010
VZ Mntambo	Retired 22 October 2010

1.2 Retirement by rotation

In terms of the company's articles of association, Messrs Band, Hogben, Robinson and Sowazi retire by rotation 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 2011. The table below details the proposed individual fees by appointment.

Board/committee	Current fee R	Number of formal meetings per annum	**Total proposed fee R**
Non-executive Chairman	726 000	5	**769 560**
Non-executive directors	239 000	5	**253 340**
Ad hoc meetings	21 000**	Ad hoc	**22 260**
Subsidiary boards	127 000	4	**134 620**
McConnell Dowell travel allowance	58 000*	Ad hoc	**61 480**
Chairman of the audit committee	213 000	4	**225 780**
Member of the audit committee	120 000	4	**127 200**
Subsidiary audit committees	65 000	4	**68 900**
Chairman of remuneration and nomination committee	161 000	4	**170 660**
Member of the remuneration and nomination committee	64 000	4	**67 840**
Chairman of the risk committee	161 000	4	**170 660**
Member of the risk committee	64 000	4	**67 840**
Chairman of the safety, health and environmental committee	139 000	4	**147 340**
Member of the safety, health and environmental committee	53 000	4	**56 180**
Chairman of the transformation committee	139 000	4	**147 340**
Member of the transformation committee	53 000	4	**56 180**
Chairman of the investment committee	8 500*	Ad hoc	**9 010**
Member of the investment committee	6 400*	Ad hoc	**6 784**
Member of the tender risk committee	5 500*	Ad hoc	**5 830**

**Per meeting attended.*
***Per meeting attended in excess of the five scheduled meetings per year.*

The fees payable to executive directors are waived.

Shareholders

An analysis of shareholders appears on page 184.

5 September 2011

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) as issued by the International Accounting Standards Board (IASB).

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.

IFRS 2 Share-Based Payments Amendment

The amendment is effective for annual periods beginning on or after 1 January 2010 and clarifies the accounting for group cash-settled share-based payment transactions, where a subsidiary receives goods or services from employees or suppliers, but the parent or another entity in the group pays for those goods or services. The amendment clarifies that these transactions are included within the scope of IFRS 2. This amendment has had no impact on the financial position or performance of the group.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment has had no impact on the financial position or performance of the group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In cases that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the group.

Improvements to IFRS

The International Accounting Standards Board issued 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:

Issued in April 2009

- IFRS 5 *Non-current assets held for sale and discontinued operations*
- IFRS 8 *Operating segments*
- IAS 1 *Presentation of financial statements*
- IAS 7 *Statement of cash flows*
- IAS 17 *Leases*
- IAS 36 *Impairment of assets*
- IAS 39 *Financial instruments: Recognition and Measurement*

Issued in May 2010

- IFRS 3 *Business combinations*
- IAS 27 *Consolidated and Separate Financial Statements*.

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 inter-group transactions and balances are eliminated on consolidation. Unrealised profits or 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 2010

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. Losses prior to 1 July 2010 were not reallocated between NCI and the parent shareholders.

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. The carrying values of such investments at 1 July 2010 have not been restated.

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 or retained earnings, as appropriate.

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 charges in the group's share of the net assets of the associate, 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 associates 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 or 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. In this case the deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income 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 other comprehensive income 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction in goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

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 or losses are recognised as income or expense when the net cumulative unrecognised actuarial gains or 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 time frame 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 include 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 or 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 or 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 though 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 30 June 2010 and 2011.

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 finance costs in profit or loss. The group did not have any held-to-maturity investments during the years ended 30 June 2010 and 2011.

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 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 and accumulated 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 has 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 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.

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 includes 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 or 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 are 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 reporting 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 recognised in other comprehensive income and accumulated as a separate component in equity until disposal of the net investment, at which time they are recognised through other comprehensive income into 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 loss 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.

Business combinations and goodwill

Business combinations from 1 July 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration transferred and the amount recognised for non-controlling interest 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 combinations 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 entities secondary reporting format determinant in accordance with IAS 14 *Segment Reporting*.

Business combinations prior to 1 July 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses and reversal of impairment losses are separately disclosed in the 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 include a proportion of production overheads based on normal operating capacity and the appropriate stage of completion. Borrowing costs are excluded.

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

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

Investments in group companies

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

Joint ventures

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

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

Where a joint venture applies accounting policies that are recognised as being materially different to those adopted by the group, adjustments are made to the financial statements of the joint venture prior to inclusion in the group financial statements.

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 is done in accordance with IAS 17 *Leases*.

Group as a lessor

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

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairments.

Land is not depreciated. Freehold buildings and other items of property, plant and equipment are depreciated on a straight-line basis over their useful lives to an estimated residual value.

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

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

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

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

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year-end.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Provisions

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

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

Research and development costs

Research costs are written off as incurred. Development costs are written off as incurred unless there is evidence of the requirements of IAS 38 *Intangible Assets*, where costs are considered recoverable from probable future cost savings and sales revenues. Where development costs are deferred, they are written off on the straight-line basis over the life of the product or process, subject to a maximum of five years. The amortisation begins from the commencement of the commercial production of the product to which they relate.

Revenue recognition

Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received, excluding discounts, rebates, and value added taxation.

Revenue arising from the **sale of goods** is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured.

Revenue from the **rendering of services** is recognised on a percentage of completion basis over the period for which the services are rendered.

Revenue from **construction contracts** is recognised, when the outcome of the construction contract can be measured reliably, by reference to the percentage of completion of the contract at the 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 are of the opinion the risk of non-collection is minimal.

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

- Entitlement: Amounts due in respect of changes to the scope of the contract, on instruction by the client or his authorised representative, where inclusion of such amount is awaited in the certification process. Revenue is only taken 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 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. 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 note 5 and 12).

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

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

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

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 trademarks
- Note 3 and 4 – Investments
- Note 25 – Employee benefits.

Revenue recognition

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

Standards and interpretations issued that are not yet effective

The following standards and interpretations have not been applied by the group as the standards and interpretations are not yet effective. The group intends to adopt those standards when they become effective.

IAS 12 Income taxes (Amendment)

The amendment is effective for annual periods beginning on or after 1 January 2012 and introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed a use basis should be adopted. This amendment will have no impact on the group after initial application.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IFRS 9 Financial Instruments: Recognition and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and deals with the classification and measurement of financial instruments. This standard is part of the IASB's project to replace IAS 39 in its entirety in 2011. The board's work on the subsequent phases is ongoing and includes impairment, hedge accounting and derecognition. On adoption 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 1 July 2013.

IFRS 10 Consolidated Financial Statements; IFRS 11 Joint Arrangements; IFRS 12 Disclosure of Interest in Other Entities

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities. The changes will require management to make significant judgement to determine which entities are controlled and therefore required to be consolidated by the parent. Therefore, IFRS 10 may change which entities are within a group.

IFRS 11 replaces IAS 31 *Interest in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-monetary Contributions by Ventures.* IFRS 11 uses some of the terms that were used in IAS 31 but with different meanings which may create some confusion as to whether there are significant changes. IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement compared to the legal form in IAS 31. IFRS 11 uses the principle of control in IFRS 10 to determine joint control which may change whether joint control exists. IFRS 11 addresses only two forms of joint arrangements; joint operations where the entity recognises its assets, liabilities, revenues and expenses and/or its relative share of those items and joint ventures which is accounted for on the equity method (no more proportional consolidation).

IFRS 12 includes all the disclosures that were previously in IAS 27 related to consolidated financial statements as well as all of the disclosures that were previously included in IAS 31 and IAS 28 *Investments in Associates*. A number of new disclosures are also required.

The group will need to consider the new definition of control to determine which entities are controlled or jointly controlled and then to account for them under the new standards. IFRS 10, 11 and 12 will be effective for the group 1 July 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single framework for all fair value measurement when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value but rather describes how to measure fair value under IFRS when it is permitted or required by IFRS. There are also consequential amendments to other standards to delete specific requirements for determining fair value. The group will need to consider the new requirements to determine fair values going forward. IFRS 13 will be effective for the group 1 July 2013.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the group.

Improvements to IFRS (issued in May 2010)

The IASB issued improvements to IFRS, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after 1 January 2011. These improvements are not expected to have a significant impact on the group other than additional disclosures and deals with:

- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 34 *Interim Financial Reporting*
- IFRIC 13 *Customer Loyalty Programmes*

Consolidated statement of financial position

as at 30 June 2011

	Note	2011 Rm	2010 Rm	2011* USDm	2010* USDm
ASSETS					
Non-current assets					
Property, plant and equipment	1	**6 020,6**	5 146,1	**886,7**	671,6
Goodwill and other intangibles	2	**1 481,0**	1 085,5	**218,1**	141,7
Investment in associates and joint ventures	3	**91,8**	116,8	**13,5**	15,2
Available-for-sale investments	4	**131,3**	94,1	**19,3**	12,3
Deferred tax	5	**1 019,2**	981,7	**150,1**	128,1
		8 743,9	7 424,2	**1 287,7**	968,9
Current assets					
Inventories	6	**2 066,5**	2 027,2	**304,4**	264,6
Trade and other receivables	7	**8 132,0**	6 862,9	**1 197,7**	895,6
Cash and cash equivalents	21.8	**5 611,0**	7 827,9	**826,4**	1 021,5
		15 809,5	16 718,0	**2 328,5**	2 181,7
TOTAL ASSETS		**24 553,4**	24 142,2	**3 616,2**	3 150,6
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	8	**19,3**	19,5	**2,8**	2,5
Share premium	9	**1 863,9**	1 981,0	**274,5**	258,5
Non-distributable reserves	10	**134,5**	(77,0)	**19,8**	(10,0)
Distributable reserves		**10 900,7**	10 290,9	**1 605,5**	1 343,0
Total equity attributable to owners of the parent		**12 918,4**	12 214,4	**1 902,6**	1 594,0
Non-controlling interests		**(2,5)**	5,4	**(0,4)**	0,7
Total equity		**12 915,9**	12 219,8	**1 902,2**	1 594,7
Non-current liabilities					
Borrowings	11.1	**48,1**	28,4	**7,1**	3,7
Deferred tax	12	**832,3**	655,1	**122,6**	85,5
		880,4	683,5	**129,7**	89,2
Current liabilities					
Trade and other payables	13	**10 347,7**	10 720,4	**1 524,0**	1 399,0
Borrowings	11.1	**245,9**	338,5	**36,2**	44,2
Taxation payable	21.5	**163,5**	180,0	**24,1**	23,5
		10 757,1	11 238,9	**1 584,3**	1 466,7
TOTAL EQUITY AND LIABILITIES		**24 553,4**	24 142,2	**3 616,2**	3 150,6

**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 2011

	Note	2011 Rm	2010 Rm	2011* USDm	2010* USDm
Revenue	14	**34 323,6**	33 981,1	**4 869,5**	4 457,7
Cost of sales		**28 989,8**	28 462,3	**4 112,8**	3 733,7
Gross profit		**5 333,8**	5 518,8	**756,7**	724,0
Operating expenses		**2 718,6**	2 347,5	**385,7**	307,9
Operating profit before depreciation and amortisation		**2 615,2**	3 171,3	**371,0**	416,1
Depreciation	1	**1 100,9**	1 062,6	**156,2**	139,4
Amortisation of intangibles		**24,2**	17,0	**3,4**	2,2
Operating profit before non-trading items		**1 490,1**	2 091,7	**211,4**	274,5
Non-trading items	18	**(13,8)**	(13,1)	**(2,0)**	(1,7)
Net operating profit		**1 476,3**	2 078,6	**209,4**	272,8
Share (loss)/income from associates and joint ventures	3	**(7,6)**	60,9	**(1,1)**	8,0
Income from investments	16	**346,9**	471,6	**49,2**	61,9
Operating income		**1 815,6**	2 611,1	**257,5**	342,7
Finance cost	17	**58,5**	17,2	**8,3**	2,3
Profit before taxation		**1 757,1**	2 593,9	**249,2**	340,4
Taxation	19	**583,7**	721,6	**82,8**	94,7
Profit for the year		**1 173,4**	1 872,3	**166,4**	245,7
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations		**209,3**	43,3	**29,7**	5,7
Total comprehensive income for the year		**1 382,7**	1 915,6	**196,1**	251,4
Profit for the year attributable to:					
Equity holders of Aveng Limited		**1 177,2**	1 872,9	**167,0**	245,7
Non-controlling interests		**(3,8)**	(0,6)	**(0,5)**	(0,1)
Profit for the year		**1 173,4**	1 872,3	**166,5**	245,6
Total comprehensive income attributable to:					
Equity holders of Aveng Limited		**1 386,5**	1 916,2	**196,7**	251,4
Non-controlling interests		**(3,8)**	(0,6)	**(0,5)**	(0,1)
		1 382,7	1 915,6	**196,2**	251,3
Determination of headline earnings					
Profit for the year attributable to equity holders of Aveng Limited		**1 177,2**	1 872,9	**167,0**	245,7
Non-trading items net of taxation	20	**13,8**	13,1	**2,0**	1,7
Headline earnings	20	**1 191,0**	1 886,0	**169,0**	247,4
EARNINGS PER SHARE (cents)					
Earnings	20	**302,9**	480,3	**43,0**	63,0
Headline earnings	20	**306,4**	483,6	**43,5**	63,4
Diluted earnings	20	**283,3**	441,3	**40,2**	57,9
Diluted headline earnings	20	**286,6**	444,4	**40,7**	58,3
DIVIDEND PER SHARE (cents)		**145,0**	145,0	**20,6**	19,0
NUMBER OF SHARES (millions)					
In issue	8	**393,0**	396,0	**393,0**	396,0
Weighted average	20	**388,7**	390,0	**388,7**	390,0
Diluted weighted average	20	**415,5**	424,4	**415,5**	424,4

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Consolidated statement of changes in equity

for the year ended 30 June 2011

	Attributable to equity holders of Aveng Limited							
			Non-distributable reserves					
	Share capital Rm	Share premium 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 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			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 1 July 2010	19,5	1 981,0	(145,6)	68,6	10 290,9	12 214,4	5,4	12 219,8
Profit for the year					1 177,2	1 177,2	(3,8)	1 173,4
Other comprehensive income			207,2	2,1		209,3		209,3
Total comprehensive income			207,2	2,1	1 177,2	1 386,5	(3,8)	1 382,7
Dividends paid					(565,1)	(565,1)	(0,5)	(565,6)
Acquisition of non-controlling interest							(3,6)	(3,6)
Movement in treasury shares								
Share repurchase programme	(0,2)	(117,1)				(117,30)		(117,3)
Transfers				2,3	(2,3)			
Balance at 30 June 2011	**19,3**	**1 863,9**	**61,6**	**73,0**	**10 900,7**	**12 918,5**	**(2,5)**	**12 916,0**

Amounts less than R100 000.

Consolidated statement of cash flows

for the year ended 30 June 2011

	Note	2011 Rm	2010 Rm	2011* USDm	2010* USDm
Cash retained from operating activities					
Cash retained from operations	21.1	**1 476,3**	2 078,6	**209,4**	272,7
Depreciation and amortisation		**1 125,1**	1 079,6	**159,6**	141,6
Non-cash and other movements	21.2	**(171,3)**	40,6	**(24,3)**	5,3
Cash generated by operations		**2 430,1**	3 198,8	**344,7**	419,6
Income from investments	16	**346,9**	471,6	**49,2**	61,9
(Increase) in working capital	21.3	**(1 873,2)**	(1 025,8)	**(265,8)**	(134,6)
Cash generated by operating activities		**903,8**	2 644,6	**128,1**	346,9
Finance cost	21.4	**(58,5)**	(17,2)	**(8,3)**	(2,3)
Taxation paid	21.5	**(455,1)**	(834,1)	**(64,6)**	(109,4)
Cash available from operating activities		**390,2**	1 793,3	**55,2**	235,2
Dividend paid	21.6	**(565,1)**	(579,4)	**(80,2)**	(76,0)
		(174,9)	1 213,9	**(25,0)**	159,2
Investing activities					
Property, plant and equipment purchased – expansion		**(1 140,5)**	(925,7)	**(161,8)**	(121,4)
– replacement		**(677,5)**	(252,8)	**(96,1)**	(33,2)
Investments in associate companies	21.7	**14,5**	46,6	**2,1**	6,1
Proceeds on disposal of property, plant and equipment		**88,5**	61,8	**12,6**	8,1
Purchase of subsidiaries		**(285,2)**	(23,4)	**(40,4)**	(3,1)
Purchase of other investments			(82,3)		(10,7)
		(2 000,2)	(1 175,8)	**(283,6)**	(154,2)
Financing activities					
Long-term borrowings repaid		**(253,5)**	(90,0)	**(36,0)**	(11,8)
Shares repurchased		**(117,3)**	—	**(16,6)**	—
		(370,8)	(90,0)	**(52,6)**	(11,8)
Net decrease in cash and cash equivalents		**(2 545,9)**	(51,9)	**(361,2)**	(6,8)
Cash and cash equivalents at beginning of year		**7 630,6**	7 601,1	**1 082,6**	997,1
Foreign currency translation reserve movement		**315,3**	81,4	**44,7**	10,7
Cash and cash equivalents at beginning of year		**7 945,9**	7 682,5	**1 127,3**	1 007,8
Cash and cash equivalents at end of year	21.8	**5 400,0**	7 630,6	**766,1**	1 001,0

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Segmental report

for the year ended 30 June 2011

		2011 Rm	%	2010 Rm	%
Operational segmentation					
Revenue	**Construction and Engineering**				
	South Africa and Africa	**9 575,0**	27,9	10 781,9	31,7
	Australasia and Pacific	**13 280,9**	38,7	12 980,9	38,2
	Total Construction and Engineering	**22 855,9**	66,6	23 762,8	69,9
	Opencast mining	**3 656,0**	10,7	3 261,0	9,6
	Manufacturing and Processing	**7 807,1**	22,7	6 937,1	20,4
	Administration	**4,6**		20,3	0,1
		34 323,6	100,0	33 981,2	100,0
Net operating profit	**Construction and Engineering**				
	South Africa and Africa	**443,0**	30,0	672,6	32,4
	Australasia and Pacific	**291,0**	19,7	595,4	28,6
	Total Construction and Engineering	**734,0**	49,7	1 268,0	61,0
	Opencast mining	**413,7**	28,0	365,4	17,6
	Manufacturing and Processing	**321,1**	21,8	457,9	22,0
	Administration	**7,5**		(12,7)	(0,6)
		1 476,3	100,0	2 078,6	100,0
Assets	**Construction and Engineering**				
	South Africa and Africa	**3 903,6**	22,1	3 741,7	24,7
	Australasia and Pacific	**4 531,6**	25,6	3 484,8	23,0
	Total Construction and Engineering	**8 435,2**	47,7	7 226,5	47,8
	Opencast mining	**3 035,5**	17,1	2 786,3	18,4
	Manufacturing and Processing	**5 740,0**	32,4	5 043,8	33,4
	Administration	**489,5**	2,8	65,1	0,4
		17 700,2	100,0	15 121,7	100,0
Liabilities	**Construction and Engineering**				
	South Africa and Africa	**2 770,5**	26,8	4 498,3	42,0
	Australasia and Pacific	**4 445,6**	42,9	3 845,8	35,9
	Total Construction and Engineering	**7 216,1**	69,7	8 344,1	77,8
	Opencast mining	**1 074,9**	10,4	995,0	9,3
	Manufacturing and Processing	**1 487,3**	14,4	1 252,6	11,7
	Administration	**569,0**	5,5	128,6	1,2
		10 347,3	100,0	10 720,3	100,0
Capital expenditure	**Construction and Engineering**				
	South Africa and Africa	**232,1**	12,8	255,5	21,7
	Australasia and Pacific	**472,7**	26,0	342,8	29,1
	Total Construction and Engineering	**704,8**	38,8	598,3	50,8
	Opencast mining	**710,9**	39,1	213,5	18,1
	Manufacturing and Processing	**438,1**	24,1	280,3	23,8
	Administration	**(35,8)**	(2)	86,4	7,3
		1 818,0	100,0	1 178,5	100,0
Depreciation	**Construction and Engineering**				
	South Africa and Africa	**169,7**	15,4	137,2	12,9
	Australasia and Pacific	**319,5**	29,0	358,7	33,8
	Total Construction and Engineering	**489,2**	44,4	495,9	46,7
	Opencast mining	**468,2**	42,5	435,6	41,0
	Manufacturing and Processing	**122,8**	11,2	114,3	10,8
	Administration	**20,7**	1,9	16,8	1,6
		1 100,9	100,0	1 062,6	100,0

		2011 Rm	%	2010 Rm	%
Geographical segmentation					
Revenue	Republic of South Africa	**17 503,1**	51,0	18 000,6	53,0
	Rest of Africa and Mauritius	**3 415,3**	10,0	2 972,7	8,7
	Australasia and Pacific islands	**10 656,3**	31,0	10 720,3	31,5
	South East Asia	**2 679,6**	7,8	2 271,4	6,7
	Middle East and Other	**69,4**	0,2	16,2	0,1
		34 323,7	100,0	33 981,1	100,0
Assets	Republic of South Africa	**10 833,0**	61,2	9 762,8	64,6
	Rest of Africa and Mauritius	**2 294,1**	13,0	1 866,9	12,3
	Australasia and Pacific islands	**3 537,1**	20,0	2 569,3	17,0
	South East Asia	**1 012,6**	5,7	922,6	6,1
	Middle East and Other	**23,2**	0,1		
		17 700,0	100,0	15 121,7	100,0
Capital expenditure	Republic of South Africa	**966,5**	53,2	750,02	63,6
	Rest of Africa and Mauritius	**377,6**	20,8	85,68	7,3
	Australasia and Pacific islands	**452,1**	24,9	342,80	29,1
	South East Asia	**21,8**	1,1	–	
	Middle East and Other			–	
		1 818,0	100,0	1 178,50	100,0
Depreciation	Republic of South Africa	**488,0**	44,3	443,4	41,7
	Rest of Africa and Mauritius	**293,0**	26,6	260,5	24,5
	Australasia and Pacific islands	**261,0**	23,7	248,8	23,4
	South East Asia	**58,6**	5,4	109,9	10,3
	Middle East and Other	**–**			
		1 100,6	100,0	1 062,6	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 separate 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.

1. Property, plant and equipment

	Land and buildings Rm	Owned plant, equipment and vehicles Rm	Leased plant, equipment and vehicles Rm	**Total Rm**
2011				
Cost				
At beginning of year – historical cost	926,6	8 099,9	105,4	**9 131,9**
Foreign exchange movements	5,2	223,9	(3,9)	**225,2**
Additions	78,7	1 736,5	2,8	**1 818,0**
Acquisition/disposal of business	32,0	67,8		**99,8**
Disposals	(7,0)	(462,7)		**(469,7)**
Reclassifications	5,3	29,4	(34,7)	
At end of year	1 040,8	9 694,8	69,6	**10 805,2**
Accumulated depreciation				
At beginning of year – historical cost	166,3	3 780,3	39,2	**3 985,8**
Foreign exchange movements	1,6	68,8	1,2	**71,6**
Current year charge	28,6	1 051,8	20,5	**1 100,9**
Acquisition/disposal of business	3,6	39,5		**43,1**
Disposals	(20,0)	(396,8)		**(416,8)**
Reclassifications		28,7	(28,7)	
At end of year	180,1	4 572,3	32,2	**4 784,6**
Net book value at end of year	860,7	5 122,5	37,4	**6 020,6**
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**
Reclassifications		(478,3)	(5,1)	**(483,4)**
Disposals	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**

	2011 Rm	2010 Rm
1. Property, plant and equipment (continued)		
Land and buildings comprise:		
Freehold	**978,9**	876,0
Long leasehold	**61,9**	50,6
	1 040,8	926,6
Replacement value of assets for insurance purposes	**6 926,1**	8 885,3

Rates and methods of depreciation	Method	2011 Rate	2010 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 is	**32,5**	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.)

2. Goodwill and other intangibles

	Goodwill Rm	Indefinite useful life trademarks Rm	Brand names Rm	Customer lists Rm	Know-how Rm	**Total Rm**
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 1 July 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**
Acquired in business combination	254,8		23,6	87,5	16,3	**382,2**
Amortisation			(2,4)	(13,1)	(8,7)	**(24,2)**
Goodwill impaired						
Foreign exchange movements	37,5					**37,5**
Balance at 30 June 2011	1 315,8	37,9	26,5	74,40	26,4	**1 481,0**

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 Ltd.
- Perth Building company Pty Ltd.

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 14,15% (2010: 15,47%). The average growth rate used to extrapolate the cash generating units beyond the three-year period is 5% (2010: 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 Ltd merged with LTA Limited to become Grinaker LTA Limited (R15 million) as well as to the acquisition of Built Environs Pty Ltd 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.

	2011 Rm	2010 Rm
3. Investment in associates and joint ventures		
Opening balance	**116,8**	107,5
Disposals	**(14,1)**	(10,7)
Dividends received	**(35,2)**	(25,7)
Exchange difference movements	**2,1**	(5,0)
Loans advanced/(repaid)	**34,8**	(10,2)
Fair value adjustment	**(5,0)**	
Share of results before taxation	**(1,5)**	64,0
Share of taxation	**(6,1)**	(3,1)
At end of year	**91,8**	116,8
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	**82,9**	30,7
Current assets	**149,5**	261,2
	232,4	291,9
Current liabilities	**149,3**	164,6
Interest-bearing debt	**9,6**	
Non-interest-bearing debt	**9,9**	18,5
Equity	**63,6**	108,8
	232,4	291,9
Revenue	**400,8**	702,5
Expenses	**(403,9)**	(641,5)
Net finance income	**1,6**	3,0
(Loss)/income before taxation	**(1,5)**	64,0
Taxation	**(6,1)**	3,1
(Loss)/income after taxation	**(7,6)**	60,9
Net cash outflow from operating activities	**(0,3)**	(41,8)
Net cash (outflow)/inflow from investing activities	**(60,5)**	15,5
Net cash inflow/(outflow) from financing activities	**9,9**	(18,1)
Net decrease in cash and cash equivalents	**(50,9)**	(44,4)
Cash and cash equivalents at beginning of year	**(10,2)**	34,2
Cash and cash equivalents at end of year	**(61,1)**	(10,2)
Loans to the associate companies are unsecured, interest free and have no fixed repayment terms.		
Directors' valuation of unlisted associates	**91,8**	116,8
There are no individually significant associates and joint ventures included in the above carrying value and all operate within the construction and engineering sector.		

	2011 Rm	2010 Rm
4. Available-for-sale investments		
At beginning of year	**94,1**	11,8
Acquisitions	**46,6**	82,3
Fair value adjustments	**5,2**	
Impairment	**(14,6)**	
At end of year	**131,3**	94,1
Balance at end of year comprises:		
N3 Toll Concession company (Pty) Limited	**11,8**	11,8
Goldfields Mall (Pty) Limited	**72,9**	67,7
GoldlinQ	**46,6**	
Vexicom		14,6
Total available-for-sale investments	**131,3**	94,1

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.

For available for sale financial investments, the group assesses at each reporting date whether there is objective evidence that an investment or 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. The group has reassessed the future prospects and business model of Vexicom (Pty) Ltd have determined that an impairment of R14,6 million exists which is recognised in operating profit in the statement of comprehensive income and disclosed in Note 15.

The directors estimate the value of these unlisted investments at not less than their book value.

There is no current intention to dispose of these investments.

	2011 Rm	2010 Rm
5. Deferred tax asset		
Balance at beginning of year	**981,7**	612,2
Transfer (to)/from statement of comprehensive income – current year	**(3,6)**	29,7
– prior year		(17,4)
Effect of change in tax rate		(1,2)
Exchange difference movements	**41,1**	5,2
Reclassified from deferred tax liability		353,2
Balance at end of year	**1 019,2**	981,7
Balance at end of year comprises:		
Accelerated capital allowances	**14,4**	43,7
Provisions	**387,3**	478,8
Unrealised foreign exchange loss	**0,5**	7,4
Other	**400,4**	393,2
Assessed losses carried forward	**216,6**	58,6
	1 019,2	981,7

		2011 Rm	2010 Rm
6.	**Inventories**		
	At cost, net of impairment provisions		
	Raw materials	**991,8**	921,9
	Consumable stores	**113,0**	158,1
	Work in progress	**65,5**	33,5
	Finished goods	**947,4**	981,8
	Properties held for development and resale	**0,4**	3,1
	Less: Impairment provisions	**(51,6)**	(71,2)
		2 066,5	2 027,2
	Inventories expensed during the year	**7 293,7**	6 858,5
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	**25 151,0**	35 178,5
	Amounts receivable in excess of amounts billed	**(21 275,5)**	(31 063,5)
		3 875,5	4 115,0
	Advances receivable in excess of work performed	**(486,9)**	(1 476,9)
	Gross amounts due on contracts	**3 388,6**	2 638,1
	Retentions receivable	**165,3**	147,0
	Gross amounts due from customers	**3 553,9**	2 785,1
	Allowance for impairment on receivables	**(100,7)**	(105,7)
	Net amount due from customers	**3 453,2**	2 679,4
	Trade and other receivables		
	Gross trade receivables	**1 614,5**	1 572,2
	Gross other receivables	**2 105,4**	1 827,5
	Prepayments and other	**1 056,7**	823,3
	Gross trade and other receivables	**4 776,6**	4 223,0
	Allowance for impairment on receivables	**(97,8)**	(39,5)
	Net amount due from customers	**4 678,8**	4 183,5
	Total receivables	**8 132,0**	6 862,9
	The maximum exposure to credit risk in relation to trade and other receivables	**7 273,8**	6 184,8

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 while within the terms of the original contract.

As at 30 June, trade receivables and contract debtors with a nominal value of R198,5 million (2010: R145,2 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 2009	121,5
Charge for the year	23,7
Utilised during the year	—
Balance as at 30 June 2010	145,2
Charge for the year	102,6
Utilised during the year	(49,3)
Balance as at 30 June 2011	198,5

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
2011	7 273,8	198,5	4 061,8	2 165,2	345,7	502,6
2010	6 184,8	145,2	5 531,4	265,8	130,6	111,8

8. Share capital

	2011 Rm	2010 Rm
Authorised		
Ordinary share capital		
882 034 263 ordinary shares of 5 cents each	44,1	44,1
Issued		
Ordinary share capital		
Opening balance of 389 988 186 (2010: 389 982 186) shares of 5 cents each	19,5	19,5
Repurchase of 3 005 337 (2010: Nil) shares of 5 cents each	(0,2)	
Movement of nil (2010: 6 000) treasury shares		*
Closing balance of 386 982 849 (2010: 389 988 186) shares of 5 cents each	19,3	19,5

** Amounts below R100 000.*

	2011	2010
8.1 Treasury shares		
Shares held by the Aveng Limited Share Purchase Trust		
– Market value	215,5	207,3
– Number of shares	6 018 386	6 018 386
8.2 Reconciliation of issued shares		
Number of shares in issue	393 001 235	396 006 572
Number of shares held in trust by the Aveng Limited Share Purchase Trust	(6 018 386)	(6 018 386)
Net shares issued to the public	386 982 849	389 988 186

	2011 Rm	2010 Rm
9. Share premium		
Balance at the beginning of the year	**1 981,0**	1 981,0
Repurchase of 3 005 337 (2010: nil) shares of 5 cents each	**(117,1)**	
Balance at the end of the year	**1 863,9**	1 981,0
10. Non-distributable reserves		
Balance at end of the year comprises:		
Capital redemption reserve fund	**0,2**	0,2
Foreign currency translation reserve	**61,6**	(145,6)
Guardrisk Life Fund and other reserves	**72,7**	68,4
	134,5	(77,0)
11. Borrowings		
11.1 Non-current and current borrowings		
Summary of interest-bearing borrowings by maturity		
Overdrafts	**211,0**	197,3
Current portion included in short-term borrowings	**34,9**	141,2
Total current portion of borrowings	**245,9**	338,5
Non-current borrowings	**48,1**	28,4
Non-interest bearing*	**46,6**	
Interest bearing	**1,5**	28,4
Total borrowings	**294,0**	366,9

**Non-interest-bearing borrowings represent a deferred equity commitment to acquire 10% of the shares in GoldlinQ Holdings (Pty) Limited.*

11. Borrowings (continued)

11.2 Analysis of borrowings

	Final repayment date	Rate of interest per year (payable half-yearly) 2011 %	2010 %	2011 Rm	2010 Rm
*Secured loans**					
	2011	**6,1 – 15**	6,1 – 15	**245,9**	338,5
	2012	**6,1 – 15**	6,1 – 15	**1,5**	28,4
				247,4	366,9
Non-interest-bearing borrowings	2014			**46,6**	
Total borrowings			Note 11.1	**294,0**	366,9

* *There were no unsecured borrowings in the current or prior year.*

11.3 Borrowings and cash analysis

	2011 Rm	%	2010 Rm	%
Gross borrowings – geographic				
South Africa	**213,1**	72,5	109,8	29,9
Foreign	**80,9**	27,5	257,1	70,1
	294,0	100,0	366,9	100,0
Cash – geographic				
South Africa	**2 517,1**	44,9	4 624,3	59,1
Foreign	**3 093,9**	55,1	3 203,6	40,9
	5 611,0	100,0	7 827,9	100,0

	2011 Gross Rm	Cash Rm	Net Rm	%
Fixed and variable (interest rates)				
Fixed – long term	**1,5**		**1,5**	
– short term	**34,9**		**34,9**	**(0,7%)**
Variable	**211,0**	**(5 611,0)**	**(5 400,0)**	**100,7%**
	247,4	**(5 611,0)**	**(5 363,6)**	**100%**

11. Borrowings (continued)

11.3 Borrowings and cash analysis (continued)

	2010 Gross Rm	Cash Rm	Net Rm	%
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

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.

	2011 Rm	2010 Rm
Total variable borrowings	**211,0**	197,3
Effect on profit before tax – plus 50 basis points	**(1,1)**	(1,0)
– minus 50 basis points	**1,1**	1,0

12. Deferred tax liability

	2011 Rm	2010 Rm
At beginning of year	**655,1**	239,9
Transfer from statement of comprehensive income – current year	**140,5**	57,8
– prior year	**1,2**	2,7
Exchange difference movements	**11,4**	0,9
Effect of change in foreign tax rate	**(0,2)**	0,1
Acquisition of business	**24,3**	0,5
Reclassified to deferred tax asset		353,2
At end of year	**832,3**	655,1
Balance at end of year comprises:		
Accelerated capital allowances	**515,8**	562,1
Other	**316,5**	63,0
Withholdings tax on future dividends		30,0
	832,3	655,1

13. Trade and other payables

	2011 Rm	2010 Rm
Trade	**2 563,4**	2 171,5
Contracts in progress due to customers	**2 440,3**	2 947,0
Cheques not presented	**421,7**	266,8
Due to subcontractors	**220,5**	332,1
Accrued expenses	**3 519,6**	3 335,2
	9 165,5	9 052,6
IFRS 2 share-based payment provision	**19,1**	35,5
Other employment-related provisions	**1 163,1**	1 632,3
	10 347,7	10 720,4

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 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)**
Reallocation	(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**
Charge for the year	346,6	156,1	**502,7**
Utilised during the year	(878,9)	(86,9)	**(965,8)**
Currency adjustment	(5,8)	(0,3)	**(6,1)**
Balance as at 30 June 2011	951,3	211,8	**1 163,1**

- 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.

	2011 Rm	2010 Rm
14. Revenue		
Sale of goods	**7 807,2**	6 937,0
Construction contract revenue	**25 333,1**	25 810,4
Operating lease revenue	**458,8**	452,7
Rendering of services	**724,5**	781,0
Revenue	**34 323,6**	33 981,1

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.

		2011 Rm	2010 Rm
15. Operating profit disclosures			
In arriving at operating profit the following items have been taken into account:			
Income			
Profit/(loss) on disposal of property, plant and equipment		**0,9**	(0,3)
(Loss) on disposal of investments		**(0,1)**	
Settlement of Marikana dispute		**87,5**	
Expenses			
Auditor's remuneration	– fees for audit	**31,9**	29,0
	– fees for other services	**0,9**	1,3
	– expenses	**1,0**	1,7
Depreciation	– land and buildings	**28,6**	19,9
	– owned plant, equipment and vehicles	**1 051,8**	1 030,3
	– leased plant, equipment and vehicles	**20,5**	12,4
Amortisation of intangibles	– brand names	**2,4**	0,7
	– customer lists	**13,1**	10,1
	– know-how	**8,7**	6,2
Foreign exchange gains		**(14,9)**	(104,2)
Impairment of goodwill			12,8
Impairment of investments		**14,6**	
Impairment charges on receivables		**102,6**	23,7
Operating leases	– land and buildings	**44,9**	103,1
	– plant, equipment and vehicles	**10,9**	4,1
Professional fees	– managerial, legal, financial and technical	**16,3**	9,4
Staff costs	– salaries and wages	**7 994,8**	7 891,3
	– contributions to defined contribution funds	**195,4**	188,7
	– contributions to medical funds	**124,1**	111,5
	– share-based payment expenses	**19,1**	32,7
Competition Commission administrative penalty		**128,9**	
16. Income from investments			
Dividends – unlisted		**34,6**	
Interest – external cash investments at amortised cost		**312,3**	471,6
		346,9	471,6
Interest has been earned at prevailing market rates in South Africa (5% to 9%). Rates are applicable for 2011 and 2010.			
17. Finance cost			
Interest expense on financial liabilities		**58,5**	17,2
No borrowing costs have been capitalised during the year (2010: Nil).			
Interest has been charged at prevailing market rates in South Africa (9% to 15%) with the exception of the convertible bonds which attracted a fixed interest rate of 6,125% in 2009. Rates are applicable for 2011 and 2010.			
18. Non-trading items			
(Profit)/loss on disposal of property, plant and equipment		**(0,9)**	0,3
Loss on disposal of investments		**0,1**	
Impairment of investment		**14,6**	
Impairment of goodwill			12,8
		13,8	13,1

	2011 Rm	2010 Rm
19. Taxation		
South African normal taxation – current	**236,7**	257,8
Foreign normal taxation – current	**175,0**	350,4
Foreign normal taxation – prior	**(30,5)**	35,4
Taxation – STC	**57,4**	28,6
Deferred tax – current	**144,1**	28,1
Deferred tax – prior	**1,2**	20,1
Deferred tax – foreign rate change	**(0,2)**	1,2
	583,7	721,6
Reconciliation of rate of taxation (%)	**%**	%
Standard rate of company taxation	**28,0**	28,0
Adjusted for:		
Assessed loss utilised	**(2,4)**	(1,3)
Current year's tax losses not utilised	**6,7**	1,7
Disallowable expenditure	**6,5**	0,5
Exempt income	**(1,7)**	(0,3)
Foreign tax adjustment	**0,2**	(0,2)
Income from associates	**0,3**	(0,1)
Other	**(3,2)**	(0,8)
Prior years	**(1,1)**	0,3
Change in tax rate	**(0,1)**	0,1
Effective taxation rate	**33,2**	27,9
Effective rate of taxation for the year before non-trading items and associated companies	**32,8**	28,3

The estimated losses which are available for the reduction of future taxable income, and for which deferred taxation has been recognised, are R249,1 million (2010: R451,1 million).

South African income tax is calculated at 28% (2010: 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%.*

	2011 Rm	2010 Rm
20. Earnings and headline earnings per share		
Weighted average number of shares:		
Weighted average number of shares in issue by company	**394 697 457**	396 006 572
Less: Weighted average number of treasury shares	**(6 018 386)**	(6 023 482)
Weighted average number of shares in issue	**388 679 071**	389 983 090
Add: Convertible bond dilution effect		
Add: Contingently issuable shares	**26 833 103**	34 432 532
Diluted weighted average number of shares in issue	**415 512 174**	424 415 622
Determination of headline earnings:		
Profit for the year attributable to equity holders of Aveng	**1 177,2**	1 872,9
Loss/(profit) on disposal of property, plant and equipment (refer to note 18)	**(0,9)**	0,3
Profit on disposal of investments (refer to note 18)	**0,1**	
Impairment of goodwill (refer to note 18)		12,8
Impairment of investments (refer to note 18)	**14,6**	
Headline earnings	**1 191,0**	1 886,0
Determination of diluted earnings:		
Profit for the year attributable to equity holders of Aveng	**1 177,2**	1 872,9
Diluted earnings	**1 177,2**	1 872,9
Determination of diluted headline earnings:		
Headline earnings	**1 191,0**	1 886,0
Diluted headline earnings	**1 191,0**	1 886,0
Earnings per share (cents)	**302,9**	480,3
Earnings per share – diluted (cents)	**283,3**	441,3
Headline earnings per share (cents)	**306,4**	483,6
Headline earnings per share – diluted (cents)	**286,6**	444,4
Dividend per share	**145,0**	145,0

	2011 Rm	2010 Rm
21. Notes to the statement of cash flows		
21.1 Cash retained from operations		
Profit before tax	**1 757,1**	2 593,9
Adjusted for:		
Loss/(Income) from associates and joint ventures	**7,6**	(60,9)
Income from investments	**(346,9)**	(471,6)
Interest paid	**58,5**	17,2
	1 476,3	2 078,6
21.2 Non-cash and other movements		
Profit on disposal of property, plant and equipment	**(35,6)**	(3,3)
Surplus on disposals of investments	**0,1**	
Impairment of investments	**14,6**	12,8
(Gains)/losses on foreign exchange	**(14,9)**	17,1
Other non-cash items	**(135,5)**	14,0
	(171,3)	40,6
21.3 Working capital movements		
Decrease/(increase) in inventories	**28,7**	(409,6)
Decrease in trade and other payables	**(956,7)**	(105,4)
Increase in trade and other receivables	**(945,2)**	(510,8)
	(1 873,2)	(1 025,8)
21.4 Interest paid		
Interest paid as per statement of comprehensive income	**58,5**	17,2
21.5 Normal taxation paid		
Amounts unpaid at beginning of year	**180,0**	341,9
Amounts charged to the statement of comprehensive income	**438,6**	672,2
Amounts unpaid at end of year	**(163,5)**	(180,0)
	455,1	834,1
21.6 Dividends paid		
Amounts charged to equity	**565,1**	579,4
21.7 Associated companies and joint ventures		
Disposal of associates and joint ventures	**14,1**	10,7
Dividends received	**35,2**	25,7
Net loans (advanced)/repaid	**(34,8)**	10,2
	14,5	46,6
21.8 Cash and cash equivalents		
Deposits and cash — Note 11.3	**5 611,0**	7 827,9
Overdrafts — Note 11.1	**(211,0)**	(197,3)
	5 400,0	7 630,6

22. Business combinations and acquisition of non-controlling interests

Acquisitions during the year ended 30 June 2011:

Subsidiary company Aveng (Africa) Limited acquired 100% of the equity of Dynamic Fluid Control (Pty) Limited effective 1 October 2010, and Aveng (Australia) Limited acquired 100% in Perth Building company Pty Limited effective date 1 July 2010. These acquisitions have been assessed in terms of the appropriate accounting standards applicable to subsidiaries, associates and investments. The description, applicable holding and value of these investments is shown in the table below. All goodwill and other intangibles raised on these investments have been assessed for impairment and no impairment was considered necessary. Refer to note 2.

Entity	% holding	Acquisition value of investment Rm
Dynamic Fluid Controls (Pty) Limited	100	338,6
Perth Building company Pty Limited	100	48,5
		387,1

Acquisitions during the year ended 30 June 2010:

There were 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
Anderson & Hurley Instruments (Pty) Limited	100	16,5
CMM Consultants (Pty) Limited	100	5,5
		31,2

The aggregated fair value of the identifiable assets and liabilities of the group's investments and acquisitions as at the date of acquisition were:

	2011 Rm	2010 Rm
Cash and cash equivalents	**58,5**	7,8
Trade and other receivables	**86,1**	31,2
Inventories	**68,0**	19,9
Total current assets	**212,6**	58,9
Plant and equipment	**56,7**	6,5
Deferred tax assets	**3,3**	
Intangible assets	**126,6**	
Total non-current assets	**186,6**	6,5
Trade and other payables	**120,0**	61,1
Short-term borrowings	**18,6**	
Total current liabilities	**138,6**	61,1

	2011 Rm	2010 Rm
22. Business combinations and acquisition of non-controlling interests (continued)		
Deferred tax liability	**26,4**	0,5
Long-term borrowings	**101,9**	0,5
Total non-current liabilities	**128,3**	1,0
Fair value of identifiable net assets	**132,3**	3,3
Amounts written off		12,8
Goodwill arising on consolidation	**254,8**	15,1
Investment in subsidiary	**387,1**	31,2
Cost of the combination		
Cash paid	**343,7**	31,2
Estimated payment to come	**43,4**	
	387,1	31,2
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	**58,5**	7,8
Cash paid	**(343,7)**	(31,2)
Net consolidated cash outflow	**(285,2)**	(23,4)
23. Commitments		
Capital commitments		
Capital expenditure authorised – contracted for	**287,8**	525,1
– not contracted for	**205,1**	541,1
	492,9	1 066,2
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	**154,4**	152,4
– more than one year and less than five years	**299,1**	315,6
– more than five years	**68,8**	64,6

	2011 Rm	2010 Rm
24. Contingent liabilities		
Contingent liabilities at reporting date, not otherwise provided for in the annual financial statements, arising from:		
– performance guarantees	**502,0**	1 054,8
– performance bonds	**4 089,5**	2 118,0
– contractual claims – Gabon housing project (settled during 2011)		142,1
– other contract claims		5,2
– letters of credit	**0,4**	91,8
	4 591,9	3 411,9

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.

On 15 April 2011, certain divisions of Aveng (Africa) Limited submitted applications relating to the Competition Commission's fast track settlement process. The company is unable to provide any further information until the Competition Commission has had the opportunity to evaluate the applications and has completed its investigation.

	Foreign amount millions		Rand millions	
Foreign currency payables and receivables	**2011**	2010	**2011**	2010
25. Foreign exchange exposure				
Forward exchange contracts on imports				
Swedish Krona		2,8		2,7
Euro	**22,0**	29,3	**218,7**	301,2
UK Pound	**0,2**	2,6	**2,6**	28,9
US Dollar	**18,1**	12,0	**124,1**	94,8
			345,4	427,6
Forward exchange contracts on exports				
Euro	**9,0**		**89,0**	
US Dollar	**3,2**	0,8	**21,9**	6,6
			110,9	6,6

Foreign currency payables and receivables	Foreign amount millions 2011	Foreign amount millions 2010	Rand millions 2011	Rand millions 2010
25. Foreign exchange exposure (continued)				
Total payables				
Australian Dollars	**339,7**	252,2	**2 472,6**	1 324,8
Botswana Pula	**138,1**	133,2	**140,9**	141,8
Euro	**22,2**	0,6	**218,2**	5,7
Fiji Dollars	*	0,1	*	0,3
Indonesian Rupiah	**0,8**	3 317,0	*	2,8
Libyan Dinars	*	*	**0,1**	*
Mozambican Metical	**67,3**	39,9	**16,3**	9,1
New Zealand Dollars	**59,6**	42,4	**335,3**	224,6
Papua New Guinea Kina	**8,1**	18,7	**23,9**	50,9
Philippine Peso	**7,6**	50,4	**1,2**	8,3
Singapore Dollars	**42,0**	84,1	**220,6**	459,0
Solomon Island Dollars	*	12,5	*	11,5
Tanzanian Shilling	**1 644,4**	9,3	**7,0**	0,1
Thai Baht	**8,1**	784,4	**1,8**	183,9
UK Pound	**6,1**	4,0	**66,6**	46,4
United Arab Emirates Dirham	**1,5**	*	**2,7**	*
US Dollar	**57,9**	52,4	**392,9**	401,9
Zambian Kwacha	**98 471,8**	62 759,1	**139,7**	91,6
			4 039,7	2 962,7
Total receivables				
Australian Dollars	**262,4**	478,0	**1 909,9**	2 458,2
Botswana Pula	**96,5**	110,7	**98,5**	117,8
Chinese Yuan	**0,4**	*	**0,4**	*
Euro	**0,3**	2,8	**2,5**	26,4
Indonesian Rupiah	**0,6**	3 887,2	*	3,2
Malaysian Ringgit	*	0,9	*	*
Mozambican Metical	**49,8**	84,5	**12,1**	19,3
New Zealand Dollars	**48,0**	46,1	**269,9**	244,1
Papua New Guinea Kina	**3,6**	51,1	**10,7**	138,5
Philippine Peso	**2,0**	608,8	**0,3**	99,9
Saudi Riyal	*	0,2	*	0,4
Singapore Dollars	**61,3**	56,5	**322,0**	308,5
Solomon Island Dollars	*	7,0	*	6,5
Tanzanian Shilling	**24 649,1**	5 183,8	**104,9**	27,6
Thai Baht	**16,8**	593,1	**3,7**	139,0
UK Pounds	**4,8**	3,5	**52,1**	40,9
US Dollars	**71,2**	30,2	**483,2**	231,9
Zambian Kwacha	**130 138,3**	129 404,0	**184,7**	188,8
			3 454,9	4 051,0

** Amounts less than R100 000.*

Foreign exchange rate table – material currencies	2011 Closing	2011 Average	2010 Closing	2010 Average
25. Foreign exchange exposure (continued)				
Australian Dollars	**7,28**	6,95	6,51	6,67
Euro	**9,82**	9,57	9,39	10,54
UK Pounds	**10,90**	11,18	11,50	12,04
US Dollars	**6,79**	7,05	7,66	7,62

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.

	2011	2010
The principal group funds are:		
Number of members		
Aveng Group and Industry retirement plans	**15 013**	13 986
McConnell Dowell Corporation Limited Plan	**6 334**	8 121
Trident Steel Retirement Fund (transferred to Aveng Group plan 2011)		435
	21 347	22 542
Total number of employees	**30 900**	34 597
Cover ratio	**69%**	65%

The group's retirement expense was R180,3 million (2010: R188,7 million) .

	2011 Rm	2010 Rm
26. Employee benefits (continued)		
26.2 Defined benefit plan		
Valuation method:		
Projected unit credit method	**Yes**	Yes
Principal assumptions:		
Discount rate (%)	**8,50**	9,00
Expected return on assets (%)	**8,50**	9,00
General inflation (%)	**6,00**	6,00
Pension increase allowance	**6,00**	6,00
Real discount rate (%)	**2,36**	2,83
Present value of obligation:		
Opening balance at 1 July	**218,2**	235,4
Interest cost on opening balance	**18,8**	20,9
Actuarial gain/(loss)	**4,3**	(19,9)
Benefits paid	**(17,9)**	(18,2)
Closing balance at 30 June	**223,4**	218,2
Surplus apportionment	**62,5**	66,7
Total liabilities	**285,9**	284,9
Fair value of plan assets:		
Opening balance at 1 July	**282,5**	338,4
Prior year adjustment		(0,4)
Expected return on fund assets	**24,5**	29,3
Contributions received	**2,1**	
Actuarial gain/(loss)	**2,7**	(21,5)
Benefits paid	**(25,8)**	(64,1)
Sanlam demutualisation shares		0,8
Closing balance at 30 June	**286,0**	282,5
Actual return on plan assets	**22,9**	7,8
Net benefit income not recognised:		
Interest cost on opening balance	**(24,5)**	(29,6)
Actuarial loss/(gain)	**0,4**	(2,4)
Expected return on fund assets	**24,5**	29,3
Net benefit income not recognised	**0,4**	(2,7)
Funded status	**62,6**	64,3
Actuarial loss	**(0,1)**	2,4
Surplus apportionment	**62,5**	66,7

	2011 %	2010 %
26. Employee benefits (continued)		
26.2 Defined benefit plan (continued)		
Money market	**78,1**	77,2
Insured policy (Momentum)	**21,9**	22,8

Amounts for current and previous four periods are as follows:

	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
Fair value of assets	**286,0**	282,5	338,4	320,4	290,5
Employer's accrued liability	**(223,4)**	(218,2)	(235,4)	(228,2)	(206,3)
Funded status	**62,6**	64,3	103,0	92,2	84,2

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 a limit of 5% (presently 19 650 062 shares) of the issued share capital. No one participant may acquire shares in excess of 2% (presently 7 860 025 shares) of the issued share capital of the company.

	Weighted average exercise price 2011 R	Number of options 2011	Weighted average exercise price 2010 R	Number of options 2010
The movements during the year under review were as follows:				
Balance at the beginning of the year	**38,17**	**4 995 846**	32,30	5 397 226
Options granted	**36,76**	**5 099 233**	40,30	976 180
Options exercised	**18,55**	**(1 004 112)**	9,57	(942 000)
Options forfeited/cancelled	**39,38**	**(638 885)**	31,99	(435 560)
Balance at the end of the year	**39,56**	**8 452 082**	38,17	4 995 846
Options exercisable at year-end	**35,80**	**2 100 877**	28,57	1 969 670

		2011 R	2010 R
Range of market price at dates of exercising option or taking delivery	Cost	**18,55**	8,64
	Low	**33,85**	35,00
	High	**45,00**	47,00
	Weighted average	**42,53**	46,12

26. Employee benefits (continued)

26.3 Executive share incentive scheme (continued)

	Subscription price R	**Number of options 2011**	Number of options 2010
The options outstanding at 30 June 2009 become unconditional between the following dates:			
29 November 2002 and 29 November 2010	5,80	**58 300**	451 125
23 March 2005 and 23 March 2013	8,61	**217 500**	318 875
1 October 2005 and 1 October 2013	7,20	**95 000**	95 000
1 September 2005 and 1 September 2013	8,70	**6 250**	6 250
14 September 2007 and 14 September 2015	16,40	**62 500**	287 500
1 October 2007 and 1 October 2015	53,16	**922 362**	934 612
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	**927 605**	1 139 463
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
9 September 2011 and 9 September 2019	40,30	**624 109**	936 239
8 September 2012 and 8 September 2020	37,70	**3 463 455**	
13 May 2013 and 13 May 2021	33,85	**1 248 219**	
		8 452 082	4 995 846

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 2011 (2010: 6 018 386 ordinary shares).

The trust's financial results are consolidated with that of the group.

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:

	2011	2010
Expected volatility	**22,5%**	34,7%
Expected dividend yield	**4,05%**	4,2%

The risk free rates were interpolated from a term structure of interest rates. These rates were obtained by bootstrapping the following market rates:

One and three month JIBAR rates

The three-month forward agreement rates

Three month swap rates

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
2011			
Available-for-sale investments**			**131,3**
Trade and other receivables**	**7 273,8**		
Cash and cash equivalents*	**5 611,0**		
Trade and other payables**		**9 169,9**	
Interest-bearing borrowings*		**294,0**	
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	

* *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, while 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%
2011					
Australian Dollars	**6,95**	**7,30**	**6,60**	**(28,3)**	**28,3**
New Zealand Dollars	**5,35**	**5,62**	**5,08**	**(3,2)**	**3,2**
US Dollar	**7,05**	**7,40**	**6,70**	**4,5**	**(4,5)**
Euro	**9,57**	**10,05**	**9,09**	**(6,7)**	**6,7**
Botswana Pula	**1,03**	**1,08**	**0,98**	**(2,1)**	**2,1**
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

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 2011 and 30 June 2010.

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 919 million (2009: R12 214 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.

		2011 Rm	2010 Rm
Key management and directors	Short-term employee benefits	**329,2**	267,2
	Post-retirement benefits	**17,1**	18,6
	Termination benefits	**23,1**	25,1
	Share-based payments	**14,8**	15,5
		384,2	326,4

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 2011						
HJ Verster (appointed September 2010)	**2 350**	**150**		**1 250**		**3 750**
JJA Mashaba	**2 777**	**177**		**354**	**234**	**3 542**
WR Jardine	**3 814**	**244**		**609**	**551**	**5 218**
SJ Scott (resigned September 2010)	**613**	**61**				**674**
DG Robinson	**7 036**	**1 050**	**403**	**1 761**	**695**	**10 945**
	16 590	**1 682**	**403**	**3 974**	**1 480**	**24 129**
Executive directors						
For the year ended 30 June 2010						
DR Gammie (retired March 2010)	1 842	182	211			2 235
JJA Mashaba	2 620	167		667	667	4 121
WR Jardine	3 403	217		1 251	1 501	6 372
SJ Scott (appointed August 2009)	2 218	219		729		3 166
DG Robinson	6 337	947	4 456	4 476		16 216
	16 420	1 732	4 667	7 123	2 168	32 110

**Payable in equal instalments over three years.*

30. Directors' remuneration and interests (continued)

	Fees as director R'000	Chairman fees R'000	Attendance subsidiary boards R'000	Committee fees R'000	Training travel other R'000	Total R'000
Non-executive directors						
For the year ended 30 June 2011						
AWB Band	**257**	**480**	**750**	**335**	**175**	**1 997**
K Rumble	**236**			**266**	**18**	**520**
M Hermanus	**257**			**52**	**18**	**327**
MJD Ruck	**236**	**24**		**118**	**18**	**396**
PK Ward	**257**	**88**		**406**	**40**	**791**
RL Hogben	**236**	**178**		**239**		**653**
PJ Erasmus (appointed April 2011)	**60**			**15**		**75**
TM Mokgosi-Mwantembe (appointed January 2011)	**120**					**120**
VZ Mntambo (retired October 2010)	**56**	**15**		**11**	**18**	**100**
	1 715	**785**	**750**	**1 442**	**287**	**4 979**
Non-executive directors						
For the year ended 30 June 2010						
AWB Band	203	428	716	337	210	1 894
K Rumble (appointed September 2009)	169	20		77		266
M Hermanus (appointed 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

30. Directors' remuneration and interests (continued)

Interest of directors of the company in share capital	**Ordinary shares 2011**	Ordinary shares 2010
Executive directors	**Nil**	Nil
	Nil	Nil
Non-executive directors		
RL Hogben	**16 770**	16 770
PK Ward	**2 000**	2 000
	18 770	18 770
Total	**18 770**	18 770
% 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 2011 to the date of this report.

Executive share options exercised

No executive share options were exercised in the current year.

	Date from which exercisable	Date on which expires	Strike price	Number entitled to at 1 July 2010	Number granted during the year	Number redeemed or taken up during the year	Number entitled to at 30 June 2011
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
	Sep 2012	Sep 2020	37,70		54 021		54 021
	Sep 2013	Sep 2021	37,70		54 021		54 021
	Sep 2014	Sep 2022	37,70		54 021		54 021
	Sep 2015	Sep 2023	37,70		54 021		54 021
				442 766	216 084		658 850

30. Directors' remuneration and interests (continued)

Executive share incentive scheme entitlement

	Date from which exercisable	Date on which expires	Strike price	Number entitled to at 1 July 2010	Number granted during the year	Number redeemed or taken up during the year	Number entitled to at 30 June 2011
HJ Verster	Sep 2012	Sep 2020	37,70		66 246		66 246
(appointed September 2010)	Sep 2013	Sep 2021	37,70		66 246		66 246
	Sep 2014	Sep 2022	37,70		66 246		66 246
	Sep 2015	Sep 2023	37,70		66 246		66 246
					264 987		264 987
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
	Sep 2012	Sep 2020	37,70		18 486		18 486
	Sep 2013	Sep 2021	37,70		18 486		18 486
	Sep 2014	Sep 2022	37,70		18 486		18 486
	Sep 2015	Sep 2023	37,70		18 486		18 486
				383 522	73 944		457 466
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
	Sep 2012	Sep 2020	37,70		16 649		16 649
	Sep 2013	Sep 2021	37,70		16 649		16 649
	Sep 2014	Sep 2022	37,70		16 649		16 649
	Sep 2015	Sep 2023	37,70		16 650		16 650
				203 856	66 597		270 453

31. Subsequent events

There have been no material events up to the sign off date that could have a material effect on the financial statements, could require adjustment or additional disclosure.

Company statement of financial position

at 30 June 2011

	Note	2011 Rm	2010 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	1	**3,8**	2,1
Investment in subsidiary companies	2	**2 342,2**	2 342,2
Deferred tax	9	**7,1**	7,6
		2 353,1	2 351,9
Current assets			
Other receivables		**9,2**	27,5
Amounts owing by subsidiaries	3	**2 949,8**	1 247,1
Cash and cash equivalents	10.3	**1 799,7**	3 585,2
		4 758,7	4 859,8
TOTAL ASSETS		**7 111,8**	7 211,7
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	4	**19,6**	19,8
Share premium	5	**1 869,0**	1 986,0
Non-distributable reserves		**(53,9)**	(53,9)
Distributable reserves		**4 125,1**	4 102,9
Total equity		**5 959,8**	6 054,8
Current liabilities			
Trade and other payables	6	**37,2**	38,4
Amounts owing to subsidiaries	3	**1 108,3**	1 108,3
Taxation		**6,5**	10,2
		1 152,0	1 156,9
TOTAL EQUITY AND LIABILITIES		**7 111,8**	7 211,7

Company statement of comprehensive income

for the year ended 30 June 2011

	Note	2011 Rm	2010 Rm
Revenue	7	**810,1**	598,7
Operating expenses		**91,5**	64,2
Operating profit	8	**718,6**	534,5
Profit before taxation		**718,6**	534,5
Taxation	9	**122,6**	119,7
Profit and total comprehensive income for the year		**596,0**	414,8
Profit and total comprehensive income attributable to:			
Equity holders of Aveng Limited		**596,0**	414,8
Non-controlling interests			
Profit and total comprehensive income for the year		**596,0**	414,8

Company statement of changes in equity

for the year ended 30 June 2011

	Share capital Rm	Share premium Rm	Non-distributable reserves Rm	Distributable reserves Rm	Total Rm
Balance at 30 June 2008	19,9	1 900,8	(53,9)	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			
Repurchase programme	(0,4)			(414,3)	(414,7)
Dividends paid				(1 155,6)	(1 155,6)
Balance at 1 July 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
Profit and total comprehensive income for the year 2011				596,0	596,0
Share repurchase programme	(0,2)	(117,0)			(117,2)
Dividends paid				(573,8)	(573,8)
Balance at 30 June 2011	19,6	1 869,0	(53,9)	4 125,1	5 959,8

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

Company statement of cash flows

for the year ended 30 June 2011

	Note	2011 Rm	2010 Rm
Cash retained from operating activities		**(1 665,5)**	(670,2)
Cash generated by operations	10.1	**198,6**	156,9
Income from investments		**614,3**	476,3
Increase in working capital	10.2	**(1 778,8)**	(614,0)
Cash generated by operating activities		**(965,9)**	19,2
Taxation paid	10.4	**(125,8)**	(115,2)
Cash available from operating activities		**(1 091,7)**	(96,0)
Dividends paid		**(573,8)**	(574,2)
Investing activities			
Investment in property, plant and equipment	1	**(2,8)**	(0,8)
		(2,8)	(0,8)
Financing activities			
Share repurchase programme		**(117,2)**	—
		(117,2)	—
Net decrease in cash and cash equivalents		**(1 785,5)**	(671,0)
Cash and cash equivalents at beginning of year		**3 585,2**	4 256,2
Cash and cash equivalents at end of year	10.3	**1 799,7**	3 585,2

Notes to the company annual financial statements

for the year ended 30 June 2011

	2011 Rm	2010 Rm
1. Property, plant and equipment		
Owned plant, equipment and vehicles		
Beginning of the year		
– Cost	**5,2**	4,4
– Accumulated depreciation	**(3,1)**	(2,4)
Net book value	**2,1**	2,0
Current year movements		
– Additions	**2,8**	0,8
– Disposals	**–**	–
– Depreciation	**(1,1)**	(0,7)
Net book value at end of year	**3,8**	2,1
Made up as follows:		
– Cost	**8,0**	5,2
– Accumulated depreciation	**(4,2)**	(3,1)
Net book value at end of year	**3,8**	2,1
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	**1 247,1**	732,6
Current year movements	**1 702,7**	514,5
Balance at end of year	**2 949,8**	1 247,1
Comprising:		
– Interest-bearing	**2 488,0**	1 240,1
– Non-interest-bearing	**461,8**	7,0
	2 949,8	1 247,1
Amounts owing to subsidiaries		
Balance at beginning of year	**1 108,3**	1 099,7
Current year movements	**–**	8,6
Balance at end of year	**1 108,3**	1 108,3
Comprising:		
– Non-interest-bearing	**1 108,3**	1 108,3
	1 108,3	1 108,3
Total net indebtedness	**(1 841,5)**	(138,8)
Interest is charged at normal rates. These loans have no fixed terms of repayment.		
No amounts were written off during the year.		

for the year ended 30 June 2011

		2011 Rm	2010 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 (2010: 394 076 109) ordinary shares of 5 cents each	**19,8**	19,8
	Repurchase of 3 005 337 (2010: Nil) shares of 5 cents each	**(0,2)**	
	Closing 393 001 235 (2010: 396 006 572) shares of 5 cents each	**19,6**	19,8
5.	**Share premium**		
	Balance at beginning of year	**1 986,0**	1 986,0
	Repurchase of 3 005 337 (2010: Nil) shares	**(117,0)**	
	Balance at end of year	**1 869,0**	1 986,0
6.	**Trade payables and provisions**		
	Other payables	**31,6**	26,8
	IFRS 2 share-based payment provision	**5,6**	11,6
		37,2	38,4
7.	**Revenue**		
	Turnover	**85,6**	87,8
	Dividends – unlisted	**395,5**	93,8
	Dividends – preference	**93,2**	98,0
	Interest – investments	**125,6**	284,5
	Interest – subsidiary companies	**110,2**	34,6
	Income from investments	**724,5**	510,9
	Total revenue	**810,1**	598,7
8.	**Operating income disclosures**		
	In arriving at operating income the following items have been taken into account:		
	Auditors' remuneration		
	– fees for audit	**1,8**	1,5
	Depreciation	**1,1**	0,7
	Operating lease expenses	**5,5**	4,0
	Professional fees – managerial, legal, financial and technical	**12,4**	8,7
	Contributions to retirement contribution funds	**1,7**	3,1

	2011 Rm	2010 Rm
9. Taxation		
South African – taxation normal	**64,7**	113,6
South African – taxation deferred	**0,5**	6,1
Secondary tax on companies	**57,4**	23,2
	122,6	119,7
Reconciliation of rate of taxation (%)		
Standard rate	**28,0**	28,0
Exempt income	**(19,0)**	(10,0)
Disallowable expenditure	**0,1**	0,1
Secondary tax on companies	**8,0**	4,3
Effective rate of taxation for the year	**17,1**	22,4
Deferred taxation		
At the beginning of the year	**7,6**	13,7
Transfer from statement of comprehensive income – current year	**(0,5)**	(6,1)
At the end of the year	**7,1**	7,6
Comprising:		
Provisions and accruals	**7,1**	7,6
	7,1	7,6
10. Notes to the statement of cash flows		
10.1 Cash generated from operations		
Income before taxation	**718,6**	534,5
Adjusted for:		
– depreciation	**1,1**	0,7
– income from investments	**(614,3)**	(476,3)
– non-cash preference dividend receivable	**93,2**	98,0
	198,6	156,9
10.2 Decrease in trade and other receivables		
Decrease in trade and other receivables	**18,3**	8,1
Decrease in trade and other payables	**(1,2)**	(18,2)
Movements in amounts owing to/from subsidiaries	**(1 795,9)**	(603,9)
	(1 778,8)	(614,0)
10.3 Cash and cash equivalents		
Deposits and cash at bank	**1 799,7**	3 585,2
	1 799,7	3 585,2
10.4 Taxation paid		
Opening balance	**10,2**	11,8
Current year's charge	**122,1**	113,6
Closing balance	**(6,5)**	(10,2)
Paid during the year	**125,8**	115,2

Company schedule of investments

at 30 June 2011

Direct subsidiaries and investments in joint ventures

	Issued share capital		% held		Investment value		Net indebtedness due by/(to) companies	
	2011 Rm	2010 Rm	**2011**	2010	**2011 Rm**	2010 Rm	**2011 Rm**	2010 Rm
Aveng Australia Holdings Pty Limited	**730,9**	730,9	**100**	100	**768,8**	768,8	**51,4**	
Aveng Management company (Pty) Limited (dormant)			**100**	100			**(101,9)**	(101,9)
Grinaker-LTA Properties (Pty) Limited			**75**	75				
Grinaker-LTA Intellectual Property (Pty) Limited			**100**	100	**15,0**	15,0		
Aveng (Africa) Limited	**28,7**	28,7	**75**	75	**1 058,1**	1 058,1	**2 303,4**	659,4
Qakazana Investment Holdings (Pty) Limited	**0,1**	0,1			**496,0**	496,0	**364,5**	271,1
Richtrau No 191 (Pty) Limited			**100**	100			**6,1**	6,1
Steelmetals (Pty) Limited	**1,6**	1,6	**100**	100	**3,9**	3,9	**(43,1)**	(47,3)
Trident Steel Holdings (Pty) Limited			**75**	75	**0,4**	0,4	**(690,0)**	(599,9)
Aveng Limited Share Purchase Trust							**(48,7)**	(48,8)
					2 342,2	2 342,2	**1 841,7**	138,7

Interest-bearing loans bear interest at commercial rates. These loans have no fixed terms of repayment and it is the directors' intention not to settle them within the next 12 months.

The above entities are incorporated in the Republic of South Africa, with the exception of Aveng Australia Holdings Pty Limited which is incorporated in Australia.

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 (now Aveng Water (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	Aveng Trident Steel (Pty) Limited		75,0
2000/024996/07	Aveng 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	3 November 2011
Publication of results –	
• Half-year ended 31 December 2011	14 March 2012
• Year ended 30 June 2012	5 September 2012

Dividend

Dividend number	13
SA cents per share	145
Date declared	Monday, 5 September 2011
Last date to trade cum dividend	Friday, 7 October 2011
Trading ex dividend commences	Monday, 10 October 2011
Record date to receive dividends	Friday, 14 October 2011
Payment date	Monday, 17 October 2011

Shares may not be dematerialised/rematerialised between Monday, 10 October 2011 and Friday, 14 October 2011, both days included.

Shareholders' analysis

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	2 918	51,17	1 233 213	0,31
1 001 – 10 000 shares	1 860	32,61	6 012 413	1,52
10 001 – 50 000 shares	422	7,40	9 786 946	2,49
50 001 – 500 000 shares	385	6,75	62 333 480	15,86
500 001 – 1 000 000 shares	50	0,88	36 422 841	9,27
1 000 001 shares and over	68	1,19	277 212 342	70,54
Totals	5 703	100,00	393 001 235	100,00
Distribution of shareholders	Number of shareholders	%	Number of shares	%
Banks	136	2,38	98 105 332	24,96
Close corporations	66	1,16	102 904	0,03
Endowment funds	51	0,89	1 339 122	0,34
Individuals	3 789	66,44	7 026 043	1,78
Insurance companies	74	1,30	51 319 421	13,02
Investment companies	48	0,84	9 931 401	2,52
Medical schemes	25	0,44	1 370 316	0,35
Mutual funds	286	5,01	109 727 548	27,92
Nominees and trusts	779	13,66	4 070 968	1,03
Other corporations	29	0,51	22 217	0,01
Own holdings	1	0,02	1 265 319	0,32
Private companies	119	2,09	1 032 636	0,26
Public companies	8	0,14	72 139	0,02
Retirement funds	291	5,10	102 862 802	26,09
Share trust	1	0,02	6 018 386	1,53
Totals	5 703	100,00	393 001 235	100,00
Public/non-public shareholders	Number of shareholders	%	Number of shares	%
Non-public shareholders	5	0,09	7 302 475	1,85
Directors and associates	3	0,05	18 770	0,00
Own holdings	1	0,02	1 265 319	0,32
Share trust	1	0,02	6 018 386	1,53
Public shareholders	5 698	99,91	385 698 760	98,14
Totals	5 703	100,00	393 001 235	100,00
Beneficial shareholders holding 3% or more			Number of shares	%
Government Employees Pension Fund			66 650 100	16,90
Old Mutual			35 626 910	9,04
Skagen Funds			23 712 094	6,01
Liberty Group			12 576 849	3,19
Totals			138 565 953	35,15
Foreign custodians in excess of 3%				
State Street Bank & Trust Co (custodian)			29 974 022	7,60
JP Morgan (custodian)			23 423 282	5,94
Totals			53 397 304	13,54
Geographical holdings by owner	Number of shareholders	%	Number of shares	%
South Africa	5 291	92,78	241 319 074	61,40
United States	107	1,88	90 911 824	23,13
Norway	1	0,02	23 712 094	6,03
United Kingdom	128	2,24	21 451 933	5,46
Europe and other	176	3,09	15 606 310	3,97
Totals	5 703	100,00	393 001 235	100,00

Breakdown of non-public holdings

	No of shares	%
Directors		
Hogben, RL	**16 770**	**0,00**
Hogben Family Trust	8 770	0,00
Hogben, RL	8 000	0,00
Ward, PK	**2 000**	**0,00**
Ward, PK	2 000	0,00
Totals	**18 770**	**0,00**
Share trust		
Aveng Ltd Share Purchase Trust	**6 018 386**	**1,53**
Aveng Ltd Share Purchase Trust	6 018 386	1,53
Totals	**6 018 386**	**1,53**

Notice of annual general meeting

Notice is hereby given to shareholders recorded in the company's securities register on Friday, 30 September 2011, that the sixty-seventh annual general meeting of Aveng Limited ("Aveng" or "company") will be held in the boardroom of the company, 204 Rivonia Road, Morningside on Thursday, 3 November 2011 at 10:00 to (i) deal with such business as may lawfully be dealt with at the meeting and (ii) consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act 71 of 2008, as amended (Act), as read with the Listings Requirements of the JSE Limited (JSE Listings Requirements) on which exchange the company's ordinary shares are listed, which meeting is to be participated in and voted at by shareholders as at the record date of Thursday, 13 October 2011.

Kindly note that the meeting participants (including shareholders and proxies) are required to provide satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

1. ***Presentation of the directors' report, annual financial statements and audit committee report***
   The consolidated audited annual financial statements of the company and its subsidiaries (as approved by the board of directors of the company), incorporating the external auditor, audit committee and directors' reports for the year ended 30 June 2011, have been distributed and will be presented.

2. ***Ordinary resolution 1: Re-appointment of the external auditor***
   That, upon the recommendation of the current audit committee of Aveng, Ernst & Young Inc be re-appointed as the auditors of the company until the next annual general meeting and that Mr WK Kinnear be reappointed as the individual registered auditor who undertakes the audit of the company for that period.

3. ***Ordinary resolution 2: Re-election of director***
   That Mr AWB Band, who retires by rotation in terms of the company's Memorandum of Incorporation (MoI) and who is eligible and available for re-election, be re-elected as a director of the company.
   A profile of Mr AWB Band can be found on page 26 of the Aveng integrated report.

4. ***Ordinary resolution 3: Re-election of director***
   That Mr RL Hogben, who retires by rotation in terms of the company's MoI and who is eligible and available for re-election, be re-elected as a director of the company.
   A profile of Mr RL Hogben can be found on page 26 of the Aveng integrated report.

5. ***Ordinary resolution 4: Re-election of director***
   That Mr DG Robinson, who retires by rotation in terms of the company's MoI and who is eligible and available for re-election, be re-elected as a director of the company.
   A profile of Mr DG Robinson can be found on page 27 of the Aveng integrated report.

6. ***Ordinary resolution 5: Re-election of director***
   That Mr NL Sowazi, who retires by rotation in terms of the company's MoI and who is eligible and available for re-election, be re-elected as a director of the company.
   A profile of Mr NL Sowazi can be found on page 27 of the Aveng integrated report.

7. ***Ordinary resolution 6: Re-election of director***
   That Mr PJ Erasmus, who was appointed as a director of the company on 22 March 2011 and who retires in terms of the company's MoI, be re-elected as a director of the company.
   A profile of Mr PJ Erasmus can be found on page 26 of the Aveng integrated report.

8. ***Ordinary resolution 7: Re-election of director***
   That Mrs TM Mokgosi-Mwantembe, who was appointed as a director of the company on 12 December 2010 and who retires in terms of the company's MoI, be re-elected as a director of the company.
   A profile of Mrs TM Mokgosi-Mwantembe can be found on page 26 of the Aveng integrated report.

9. ***Ordinary resolution 8: Election of audit committee member***
   That Mr PK Ward be elected as a member of the company's audit committee.
   A profile of Mr PK Ward can be found on page 27 of the Aveng integrated report.

10. ***Ordinary resolution 9: Election of audit committee member***
    That Mr RL Hogben be elected as a member of the company's audit committee.
    A profile of Mr RL Hogben can be found on page 26 of the Aveng integrated report.

11. *Ordinary resolution 10: Election of audit committee member*
That Mr MJD Ruck be elected as a member of the company's audit committee.
A profile of Mr MJD Ruck can be found on page 27 of the Aveng integrated report.

12. *Ordinary resolution 11: Non-binding endorsement of the Aveng Limited Remuneration Policy*
That the remuneration policy as contained in the remuneration report for the year ended 30 June 2011 as set out on pages 109 to 111 of the Aveng integrated report be endorsed.

Shareholders are reminded that in terms of King III, the passing of this ordinary resolution is by way of a non-binding advisory vote.

13. *Special resolution 1: Remuneration of directors*
That, in terms of section 66(9) of the Act, payment of the remuneration for the services as directors of Aveng be approved as follows:
(i) for the period 1 July 2011 to 30 June 2012, as set out on pages 169 to 172 of the integrated report;
(ii) thereafter but only until the expiry of a period of 24 (twenty four) months from the date of the passing of this special resolution number 1 (or until amended by a special resolution of shareholders prior to the expiry of such period), on the same basis as above, escalated as determined by the board of Aveng.

The reason for and effect of this special resolution number 1 is to enable Aveng to comply with the provisions of sections 65(11) (h), 66(8) and 66(9) of the Act, which stipulate that remuneration to directors for their service as directors may be paid only in accordance with a special resolution approved by shareholders within the previous two years; and

To approve the proposed fees payable to non-executive directors with effect from 1 October 2011, as follows:

Board/committee	Current fee R	Number of formal meetings per annum	**Total proposed fee R**
Non-executive Chairman	726 000	5	**769 560**
Non-executive directors	239 000	5	**253 340**
Ad hoc meetings	21 000**	Ad hoc	**22 260**
Subsidiary boards	127 000	4	**134 620**
McConnell Dowell travel allowance	58 000*	Ad hoc	**61 480**
Chairman of the audit committee	213 000	4	**225 780**
Member of the audit committee	120 000	4	**127 200**
Subsidiary audit committees	65 000	4	**68 900**
Chairman of remuneration and nomination committee	161 000	4	**170 660**
Member of the remuneration and nomination committee	64 000	4	**67 840**
Chairman of the risk committee	161 000	4	**170 660**
Member of the risk committee	64 000	4	**67 840**
Chairman of the safety, health and environmental committee	139 000	4	**147 340**
Member of the safety, health and environmental committee	53 000	4	**56 180**
Chairman of the transformation committee	139 000	4	**147 340**
Member of the transformation committee	53 000	4	**56 180**
Chairman of the investment committee	8 500*	Ad hoc	**9 010**
Member of the investment committee	6 400*	Ad hoc	**6 784**
Member of the tender risk committee	5 500*	Ad hoc	**5 830**

**Per meeting attended.*
***Per meeting attended in excess of the five scheduled meetings per year.*

Further details on the directors' remuneration are set out in the remuneration report contained on pages 169 to 172 of the integrated report.

14. Special resolution 2: General authority to repurchase shares

That the company or any subsidiary of the company may, subject to the Act, the company's MoI and the JSE Listings Requirements and any other stock exchange upon which the securities in the capital of the company may be quoted or listed from time to time, repurchase ordinary shares issued by the company in terms of sections 46 and 48 of the Act, provided that:

(i) the number of ordinary shares acquired by the company in any one financial year shall not exceed 20% of the ordinary shares in issue at the date on which this resolution is passed;
(ii) the authority shall lapse on the earlier date of the next annual general meeting of the company or the date 15 months after the date on which this resolution is passed;
(iii) the price paid per ordinary share may not be greater than 10% above the weighted average market value of the ordinary shares for the five business days immediately preceding the date on which a purchase is made;
(iv) the number of shares purchased by subsidiaries of the company shall not exceed 10% in the aggregate of the number of issued shares in the company at the relevant times;
(v) 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 JSE Listings Requirements 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;
(vi) 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
(vii) the repurchase of securities will be effected through the order book operated by the JSE Limited trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited).

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 Limited 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.

This authority will be used only if the circumstances are appropriate and ordinary shares will be purchased on the JSE Limited.

The directors, after considering the effect on the company of the maximum repurchase under this general authority, 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 group annual 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.

Any repurchase of shares under the general authority must be completed within 120 business days after the board of directors of the company has acknowledged that it has applied the solvency and liquidity test, as set out in the Act, and reasonably concluded that the company will satisfy the solvency and liquidity test immediately after completing the repurchase, failing which a fresh acknowledgement must be made in terms of section 46 of the Act.

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 pursuant to special resolution number 2, the following general information is included in the integrated report:

(i) Directors (pages 26 and 27)
(ii) Major shareholders (page 184)
(iii) There have been no material changes since 30 June 2010 (page 118)
(iv) Directors' interests in securities (pages 171 and 172)
(v) Share capital of the company (page 149)
(vi) The company is not party to any material litigation nor is it aware of any pending material litigation to which it may become a party.

Voting, proxies and electronic communication

1. Each shareholder of the company is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, speak and vote in place of that shareholder at the annual general meeting.

2. All participants attending the annual general meeting of the company are required to provide satisfactory identification. The chairman of the annual general meeting must be reasonably satisfied that the right of a person to participate and vote at the annual general meeting, either as a shareholder or as a proxy for a shareholder, has been reasonably verified.

3. A proxy need not be a shareholder of the company.

4. Shareholders who are unable to attend the annual general meeting and wish to be represented thereat, should complete and return the enclosed form of proxy, in accordance with the instructions contained therein, 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 Tuesday, 1 November 2011, alternatively such proxy forms may be handed to the company secretary or chairman of the annual general meeting not later than 30 minutes prior to the commencement of the annual general meeting.

5. Shareholders who hold their dematerialised shares through a bank or broker nominee and who wish to cast their votes at this annual general meeting, or wish to attend the annual general meeting in person, must contact their bank or broker.

6. A person representing a corporation/company is not deemed to be a proxy as such corporation/company can only attend a meeting through a person, duly authorised by way of a resolution to act as representative. A notarially certified copy of such power of attorney or other 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.

7. On a show of hands every shareholder present in person or every proxy or duly authorised representative representing shareholders shall have only one vote, irrespective of the number of shareholders or shares he/she represents or holds.

8. On a poll, every shareholder present in person or represented by proxy or a duly authorised representative shall have one vote for every share held by such shareholder.

9. A resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll is demanded by any person entitled to vote at the annual general meeting. If a poll is demanded, the resolution put to the vote shall be decided on a poll.

10. In terms of section 61(10) of the Act, every shareholders' meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders.

11. Shareholders wishing to participate electronically in the annual general meeting are required to deliver written notice to the company at 204 Rivonia Road, Morningside by no later than 10:00 on 17 October 2011 (marked for the attention of the company Secretary, Karen Robinson) stating that they wish to participate via electronic communication at the annual general meeting (Electronic Notice). In order for the Electronic Notice to be valid it must contain: (a) if the shareholder is a natural person, a certified copy of his/her identity document, driver's licence and/or passport; (b) if the shareholder is not a natural person, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents, driver's licences and/or passports of the persons who passed the relevant resolution. The relevant resolution must set out who from the relevant entity is authorised to represent the relevant entity at the annual general meeting via electronic communication; (c) a valid email address and/ or facsimile number (Contact Address/Number) and (d) if the shareholder wishes to vote via electronic communication. By no later than 24 hours prior to the annual general meeting the company shall use its reasonable endeavours to notify a shareholder at their Contact Address/Number who has delivered a valid Electronic Notice of the relevant details through which the shareholder can participate via electronic communication.

The directors whose names appear on pages 26 and 27 of the integrated report collectively and individually accept full responsibility for the accuracy of the information given in this report 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

30 September 2011

Aveng Limited
204 Rivonia Road
Morningside
2057
Republic of South Africa

Form of proxy

Annual general meeting

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 at 204 Rivonia Road, Morningside on Thursday, 3 November 2011 at 10:00.

Holders of Aveng 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 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 deeming 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.	Ordinary resolution 1: Re-appointment of external auditors			
2.	Ordinary resolution 2: Re-election of director – AWB Band			
3.	Ordinary resolution 3: Re-election of director – RL Hogben			
4.	Ordinary resolution 4: Re-election of director – DG Robinson			
5.	Ordinary resolution 5: Re-election of director – NL Sowazi			
6.	Ordinary resolution 6: Re-election of director – PJ Erasmus			
7.	Ordinary resolution 7: Re-election of director – TM Mokgosi-Mwantembe			
8.	Ordinary resolution 8: Election of audit committee member – PK Ward			
9.	Ordinary resolution 9: Election of audit committee member – RL Hogben			
10.	Ordinary resolution 10: Election of audit committee member – MJD Ruck			
11.	Ordinary resolution 11: Non-binding endorsement of the Aveng Limited Remuneration Policy			
12.	Special resolution 1: Remuneration of directors			
13.	Special resolution 2: 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 in respect of which you wish to vote (see note 2).

Signed at on 2011

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 Tuesday, 1 November 2011. Alternatively, such proxy forms may be handed to the company secretary or chairman of the annual general meeting not later than 30 minutes prior to the commencement of the annual general meeting.

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.

10. A proxy need not be a member of the company.

11. On a show of hands every shareholder present in person or every proxy or duly authorised representative representing shareholders shall have only one vote, irrespective of the number of shareholders or shares he/she represents or holds.

12. On a poll, every shareholder present in person or represented by proxy or a duly authorised representative shall have one vote for every share held by such shareholder.

13. A resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the annual general meeting. If a poll is demanded, the resolution put to the vote shall be decided on a poll.

- 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 Aveng 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.
- The Aveng Group will uphold its **employment equity policy** which requires that equal opportunity be offered to all employees. The individuality of each person, their right to freedom of association and to absolute privacy in this regard will be respected. Harassment of any form, including sexual harassment, will be viewed in a very serious light and appropriate disciplinary action taken.
- The Aveng Group's **people** are unquestionably its most important asset. Through careful selection, ongoing development, performance-based management and fair reward, every person in our group will be encouraged to realise their full potential. Exceptional commitment to the group's core values of integrity, quality and entrepreneurship will be appropriately rewarded.
- 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 Aveng 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.

Corporate information

Company Secretary
KE Robinson

Business address and registered office
204 Rivonia Road
Morningside
Sandton, 2057
PO Box 6062
Rivonia, 2128
South Africa
Telephone +27 11 779 2800
Telefax +27 11 784 5030

Company registration number
1944/018119/06

Share codes
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ISIN: ZAE 000111829

Website
www.aveng.co.za

Auditors
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Registration number: 2005/002308/21
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Private Bag X14
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Telephone +27 11 772 3000
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Principal bankers
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Australia and New Zealand Banking Group Limited
Barclays Bank PLC
FirstRand Bank Limited
Investec Bank Limited
Nedbank Limited
The Hong Kong and Shanghai Banking Corporation Limited
The Standard Bank of South Africa Limited

Corporate legal advisers
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Sponsor
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