AVENG GROUP

Leaders in infrastructure development

Integrated Report 2012

Diverse operational capability

The Aveng Group comprises the following operating groups:

AVENG GROUP
Leaders in infrastructure development

(100%) McCONNELL DOWELL CREATIVE CONSTRUCTION™

(75%) Aveng (Africa) Limited

(75%) AVENG TRIDENT STEEL

AVENG GRINAKER-LTA

AVENG MINING

AVENG epc ENGINEERING & PROJECTS COMPANY

AVENG WATER

AVENG*

AVENG MOOLMANS

AVENG MINING

Aveng Manufacturing includes:
Aveng Manufacturing Infraset
Aveng Manufacturing Duraset
Aveng Manufacturing Steeledale
Aveng Manufacturing Lennings Rail Services
Aveng Manufacturing DFC

Scope and boundaries

The Aveng Group is a leading infrastructure development company listed on the JSE since 1999. This, our second integrated report, is intended to provide stakeholders with an understanding of the group's business, performance and strategy for the financial year ended 30 June 2012.

The Aveng Group consists of Aveng Limited and its subsidiaries, and the report is intended to provide stakeholders with an appreciation of the overall environment in which the group operates.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements and recommendations of the South African Companies Act, 71 of 2008, as amended, the Listings Requirements of the JSE Limited and the King Report on Governance of South Africa 2009 (King III). These financial statements have been independently audited by Ernst & Young Inc.

In reporting on the sustainability aspects, the group has been guided by the Listings Requirements of the JSE SRI Index, King III, as well as various standards and codes that govern specific areas which include the Department of Trade and Industry (DTI) Black Economic Empowerment (BEE) Codes of Good Practices.

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

The Aveng Group is the largest infrastructure development company in 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 multidisciplinary 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 values-based culture of safety, honesty and accountability across all levels of the group

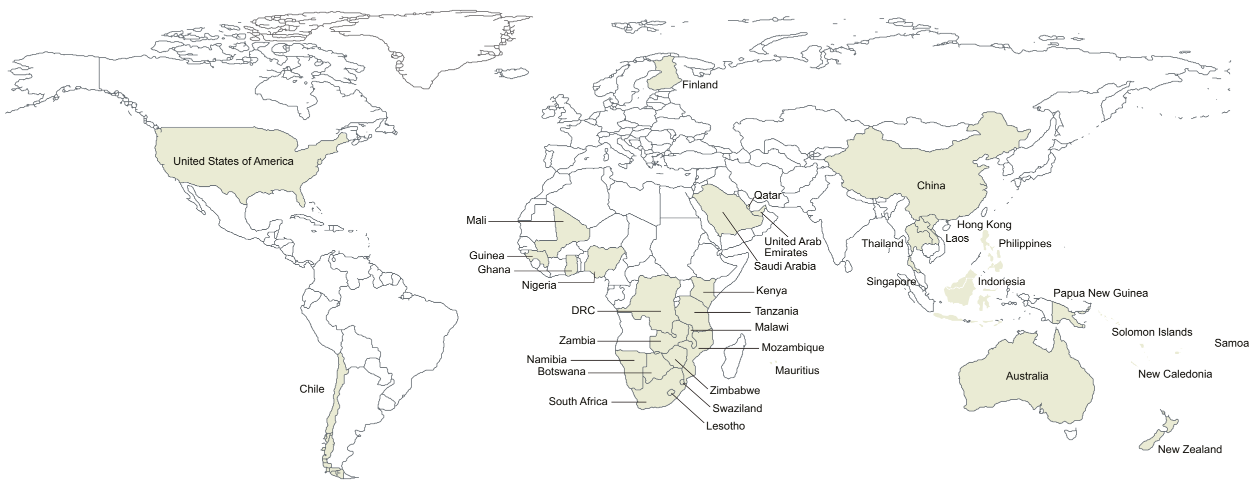
» Our commitment to prioritising people, equality and fairness in all relationships and partnerships we forge with stakeholders

» Our active contribution to social development and sustainability

Contents

Sandton City Phase II complete, Johannesburg, South Africa

Depth of capabilities



The table below reflects the current geographic spread and depth of Aveng capabilities:

OPERATING GROUP	COUNTRIES OF OPERATION	KEY SERVICES AND EXPERTISE
AVENG GRINAKER-LTA see page 72	Botswana, Ghana, Lesotho, Mauritius, Mozambique, Namibia, South Africa, Tanzania, Swaziland, Zambia, Zimbabwe	Civil engineering, earthworks engineering, road construction, motorway rehabilitation, mine infrastructure, multidisciplinary construction and engineering works, structural, mechanical, electrical, instrumentation, piping, transport infrastructure, industrial, oil and gas, power and water, retail and commercial construction, project management and facades
McCONNELL DOWELL see page 76	Australia, China, Hong Kong, Indonesia, Laos, New Caledonia, New Zealand, Papua New Guinea, Philippines, Qatar, Samoa, Saudi Arabia, Singapore, Solomon Islands, Thailand, United Arab Emirates	Design, construction and maintenance-related services that include civil, building, electrical, mechanical, marine, pipeline, tunnelling and rail in the transport, water, oil and gas, power, mining and metals, ports, commercial building, defence, and heavy industrial processing sectors, including fabrication facilities supplying structural steel, piping and precast concrete elements
AVENG epc ENGINEERING & PROJECTS COMPANY see page 80	Malawi, Mozambique, Namibia, South Africa, Zambia	Execution of projects ranging from feasibility studies, front-end engineering design, engineering, project delivery services, and maintenance of metallurgical processing plants
AVENG see page 84	Australia, Botswana, Finland, Ghana, Lesotho, Mozambique, Namibia, South Africa, Swaziland, Tanzania, USA, Zambia, Zimbabwe	Products and services in 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. Mine roof support products. Rail track construction, rehabilitation and mechanised maintenance. Supply and construction of reinforced steel and mesh fencing wire. Supply of values for mineral processing and water
AVENG TRIDENT STEEL see page 86	Botswana, DRC, Ghana, Kenya, Mauritius, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Zambia, Zimbabwe	Supply of plate and structural steel products to the domestic and international steel markets and the domestic automotive industry
AVENG MINING see page 88	Botswana, Chile, Ghana, Guinea, Mali, Namibia, South Africa, Tanzania, Zambia	Open cut mining services and operations, shaft sinking, underground development and contract mining, mine rehabilitation and mine infrastructure
AVENG WATER see page 82	Australia, Namibia, South Africa	Design, build and operation of seawater desalination installations, and of mine water, conventional water, conventional waste water and waste water reuse treatment plants

Beauty World Station Tunnelling – *Singapore*

Star & Comet Pit, Geita Gold Mine – *Tanzania*

eMalahleni Phase II extension project – *South Africa*

Gautrain track maintenance – *South Africa*

Kayelekera Acid Mine Operation – *Malawi*

Sappi, Mpumalanga – *South Africa*

HOME WITHOUT HARM
EVERYONE EVERYDAY

Service provider for the motor industry – *South Africa*

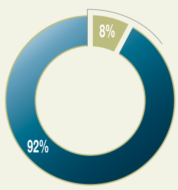
Group overview

Further information on these operating groups is provided on page 72 – 88

	AVENG GRINAKER-LTA	McCONNELL DOWELL	AVENG E+PC ENGINEERING & PROJECTS COMPANY
OPERATING OVERVIEW	Aveng Grinaker-LTA is a multidisciplinary 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.	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.	Aveng E+PC Engineering & Projects Company offers engineering, design and project delivery services as well as the operation and maintenance of metallurgical processing plants.
CONTRIBUTION TO GROUP REVENUE	23% (23% / 77%)	42% (42% / 58%)	1% (1% / 99%)
REVENUE (RM)	11: 8 855; 12: 9 216	11: 13 281; 12: 17 122	11: 468; 12: 390
SAFETY PERFORMANCE (RIFR)	11: 1,06; 12: 0,88	11: 1,24; 12: 1,79	11: 0,65; 12: 1,14
EMPLOYEES	15 086	7 400	317
TRAINING INVESTMENT	R25 423 499	R9 187 088	R504 920
ADDITIONAL INFORMATION	More information at *www.avenggrinaker-lta.co.za*	More information at *www.mcconnelldowell.com*	More information at *www.avenge-pc.co.za*

AVENG MANUFACTURING

Aveng Manufacturing manufactures and supplies a diverse range of steel and concrete products, water valves, services and engineered solutions in the mining, construction and building sectors and also undertakes rail construction and maintenance projects in the rail sector.



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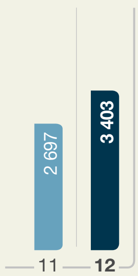

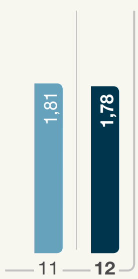

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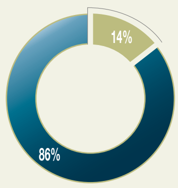
R2 732 164

More information at
www.avengman.com

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. Aveng Trident Steel is also a leading supplier to the automotive industry.



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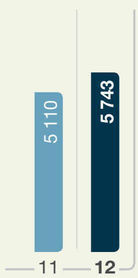

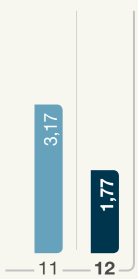

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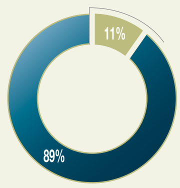
R6 603 534

More information at
www.avengtridentsteel.co.za

AVENG MOOLMANS

Aveng Moolmans owns and operates heavy mining equipment and is a major open cut mining contractor in Africa. It offers contract mining services that include short- and medium-term planning, drilling and blasting, selective mining and general waste removal for selected clients.



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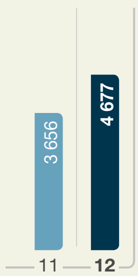

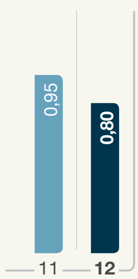

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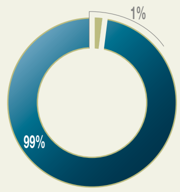
R5 853 612

More information at
www.avengmoolmans.co.za

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.



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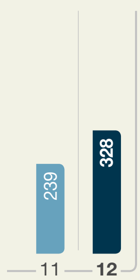

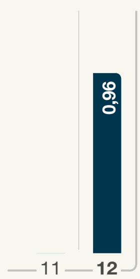

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R296 761

More information at
www.avengwater.co.za

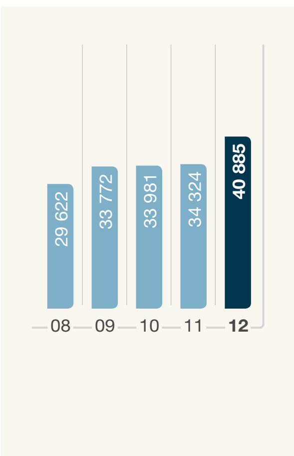
Performance highlights

	2012 Rm	2011 Rm	% change	2012 US $m	2011* US $m
Financial results					
Revenue	**40 885**	34 324	19	**5 304**	4 870
Operating profit before depreciation and amortisation	**2 020**	2 615	(23)	**262**	371
Operating profit before non-trading items	**504**	1 490	(66)	**65**	211
Headline earnings	**495**	1 191	(58)	**64**	169
Ordinary share performance (cents per share)					
Headline earnings	**128,1**	306,4	(58)	**16,6**	43,5
Diluted headline earnings	**119,8**	286,6	(58)	**15,5**	40,7
Dividend paid	**60,0**	145,0	(59)	**7,8**	20,6
Cash flow					
Cash generated by operations	**2 223**	2 430	(9)	**288**	345
Exchange rate					
Rand to US $ – Closing rate	**8,21**	6,79	21		
– Average rate	**7,71**	7,05	9		
Rand to AUD $ – Closing rate	**8,41**	7,28	16		
– Average rate	**8,01**	6,95	15		

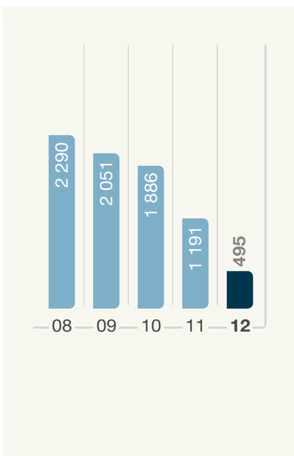
	2012	2011
Environmental		
Energy consumption (electrical) (kWh)	**142 624 604**	39 355 819
Water consumption (municipal (kℓ)	**11 685 673****	1 334 244
Carbon emissions (tCO^2e)	**585 869**	449 229*
Social		
Recordable injury frequency rate (RIFR)	**1,19**	1,22
CSI spend (Rm)	**12,2**	22,6
Enterprise development spend (Rm) (Two year cumulative investment)	**287**	
Cultural		
Average training spend per employee (R)	**1 948**	3 058
Training investment (Rm)[A]	***50,6***	46

*Figure restated as a result of improved reporting
**Increase due to significant water consumption on one new project
[A]Limited assurance, only includes direct costs

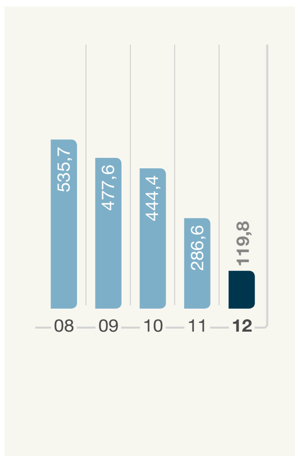
Revenue (R million)



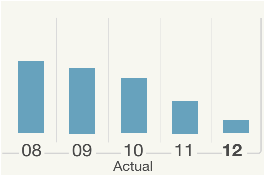
Headline earnings (R million)



Diluted headline earnings per share (cents)

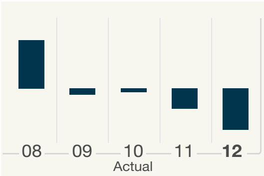


Return on average equity (%)



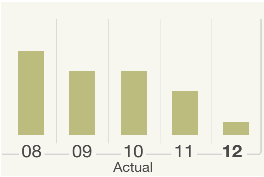
	2008	2009	2010	2011	**2012**
CPI	9,3	10,2	5,7	3,9	**5,9**
Actual	21,3	19,2	16,3	9,5	**3,8**

Growth in diluted headline earnings per share (%)



	2008	2009	2010	2011	**2012**
CPI	9,3	10,2	5,7	3,9	**5,9**
Actual	85,0	(10,9)	(7,0)	(35,5)	**(58,2)**

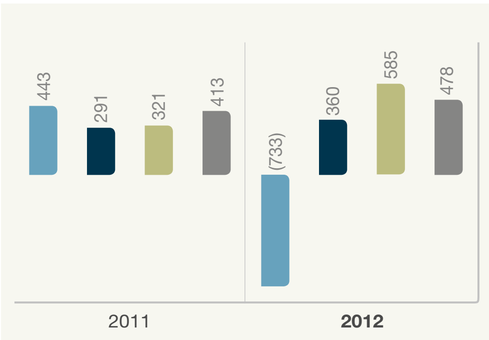
Earnings before interest and taxation (EBIT margin) (%)



	2008	2009	2010	2011	**2012**
Actual	8,2	6,2	6,2	4,3	**1,2**

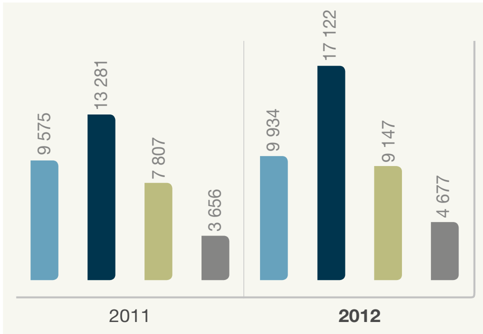
Operating profit and revenue by segment

Operating profit
(R million)



Construction and Engineering South Africa
Manufacturing and Processing
Construction and Engineering Australia
Open cut mining

Revenue
(R million)



Construction and Engineering South Africa
Manufacturing and Processing
Construction and Engineering Australia
Open cut mining

A summary of key achievements in the year under review

Financial	People	Health and Safety	Ethics	Corporate governance	Communities	Environment
Maintained strong balance sheet	Training increased to R50,6 million	78% improvement visible in leadership visits	Continued rollout of anti-corruption framework	Revised all committee charters	CSI spend up to 2% of headline earnings	75% of operating groups (by revenue) maintained ISO 14001 certification
Order book growth	Emerging talent identified in group-wide succession review	Health and wellness policy developed	Business code of conduct signed by staff	Appointment of additional executive director	Third annual staff volunteerism programme in communities	Environmental policy and framework developed
Efficiency improvements	Strengthened management team	3% reduction in RIFR (1,19)	Refresher training on competition law	Appointment of two additional independent non-executive directors	CSI spend of R35 million (over two years)	Carbon Disclosure Project (CDP) score of 66%

Five-year financial review

	Years ended 30 June				
	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm
Consolidated statement of financial position					
Property, plant and equipment	**6 664**	6 021	5 146	5 062	3 513
Goodwill and other intangibles	**1 549**	1 481	1 085	1 093	823
Investments	**251**	223	211	119	108
Deferred tax	**1 373**	1 019	982	612	680
Inventories and receivables	**12 909**	10 198	8 890	7 919	7 393
Cash and cash equivalents	**5 203**	5 611	7 828	7 910	9 491
Total assets	**27 949**	**24 553**	**24 142**	**22 715**	**22 008**
Deferred tax	**674**	832	655	240	324
Payables	**13 092**	10 512	10 900	11 110	10 552
Borrowings	**1 271**	294	367	479	603
Total liabilities	**15 037**	**11 638**	**11 922**	**11 829**	**11 479**
Non-controlling interests	**10**	(3)	5	21	13
Total equity attributable to owners of the parent	**12 912**	**12 915**	**11 917**	**10 886**	**10 529**
Consolidated statement of comprehensive income					
Revenue	**40 885**	**34 324**	**33 981**	**33 772**	**29 622**
Operating profit before depreciation	**2 020**	2 615	3 171	3 032	3 077
Depreciation	**1 479**	1 101	1 063	936	653
Amortisation of intangibles	**37**	24	17	17	
Operating profit before non-trading items	**504**	**1 490**	**2 091**	**2 079**	**2 424**
Non-trading items	**31**	(14)	(13)	49	11
Operating profit	**535**	**1 476**	**2 078**	**2 128**	**2 435**
Share of profits and losses from associates and joint ventures	**41**	(7)	61	67	19
Income from investments	**226**	347	472	757	946
Operating income	**802**	**1 816**	**2 611**	**2 952**	**3 400**
Interest paid	**76**	59	17	42	80
Profit before taxation	**726**	**1 757**	**2 594**	**2 910**	**3 320**
Taxation	**203**	584	722	809	1 011
Profit for the period	**523**	**1 173**	**1 872**	**2 101**	**2 309**
Other comprehensive income/(loss) for the year:					
Exchange differences on translation of foreign operations	**472**	209	1	(266)	
Total comprehensive income for the year	**996**	**1 382**	**1 893**	**1 835**	**2 309**
Profit for the year attributable to:					
Equity holders of Aveng Limited	**521**	1 177	1 873	2 091	2 301
Non-controlling interests	**2**	(4)	(1)	10	8
Profit for the year	**523**	**1 173**	**1 872**	**2 101**	**2 309**
Total comprehensive income attributable to:					
Equity holders of Aveng Limited	**993**	1 386	1 874	1 827	2 301
Non-controlling interests	**3**	(4)	(1)	8	8
	996	**1 382**	**1 873**	**1 835**	**2 309**
Determination of headline earnings					
Profit for the year attributable to equity holders of Aveng	**521**	1 177	1 873	2 091	2 301
Headline earnings adjustment	**(26)**	14	13	(40)	(11)
Headline earnings	**495**	**1 191**	**1 886**	**2 051**	**2 290**
Consolidated statement of cash flows					
Cash available from operating activities	**1 007**	390	1 793	2 635	4 970
Dividends paid	**(561)**	(565)	(579)	(1 138)	(331)
Net cash from operating activities	**446**	**(175)**	**1 214**	**1 497**	**4 639**
Net cash utilised in investing activities	**(1 908)**	(2 000)	(1 175)	(2 491)	(1 412)
Net cash realised/(utilised) from financing activities	**922**	(55)	(90)	(482)	(3 678)
Net decrease in cash and cash equivalents	**(540)**	**(2 230)**	**(51)**	**(1 476)**	**(451)**

	Years ended 30 June 2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm
Share performance (cents per share)					
Headline earnings	**128,1**	306,4	483,6	528,5	591,4
Diluted headline earnings	**119,8**	286,6	444,4	477,6	535,7
Earnings	**134,9**	302,9	480,3	538,8	594,2
Diluted earnings	**126,1**	283,3	441,3	487,0	538,3
Cash flow	**423,3**	230,0	667,8	1 000,9	1 413,6
Net asset value	**3 309,6**	3 287,0	3 084,5	2 743,7	2 639,4
Dividend	**60,0**	145,0	145,0	145,0	145,0
Dividend – special					145,0
Closing share price	**3 580**	3 580	3 445	3 500	5 800
Returns and productivity					
Borrowings – increase/(decrease)	**1 385**	2 144	(30,0)	1 457	(607,0)
Borrowings – net debt to equity (%)	**(30,5)**	(41,2)	(61,1)	(68,3)	(84,4)
CPI (%)	**5,9**	3,9	5,7	10,2	9,3
Current ratio (times)	**1,3**	1,5	1,5	1,4	1,5
Dividend cover (times)	**2,1**	2,1	3,3	3,6	4,0
Effective tax rate before non-trading items and associated companies (%)	**31,1**	32,8	28,3	28,9	30,7
Margin – gross (%)	**11,8**	15,5	16,2	16,9	17,3
– EBIT (%)	**1,2**	4,3	6,2	6,2	8,2
– EBITDA (%)	**4,9**	7,6	9,3	9,0	10,4
Net interest cover (times)	**(3,8)**	(5,1)	(4,7)	(3,1)	(2,8)
Property, plant and equipment – expansion (Rm)	**1 220,1**	1 140,5	925,7	1 695,2	923,6
– replacement (Rm)	**867,1**	677,5	252,8	1 018,8	865,1
Return on average capital employed (%)	**5,6**	14,2	21,9	25,8	28,6
Return on average equity (%)	**3,8**	9,5	16,3	19,2	21,3
Revenue per employee (R'000)	**1 230,7**	1 110,8	982,2	1 047,0	1 168,0
Total liabilities as a % of total shareholders' equity (%)	**116,5**	90,1	97,6	108,7	109,0
Total equity to total assets (%)	**46,2**	52,6	60,6	47,9	47,8
Number of permanent employees at year-end	**33 221**	30 900	34 597	32 256	25 361
Number of shares (million)					
In issue	**389,8**	393,0	396,0	396,0	398,5
Weighted average	**386,0**	388,7	390,0	388,0	387,3
Diluted weighted average	**412,9**	415,5	424,4	429,4	428,2
Stock exchange performance (cents per share)					
Market value per share					
– at year-end	**3 580**	3 580	3 445	3 500	5 800
– highest	**4 260**	4 500	4 700	6 992	6 830
– lowest	**3 187**	3 265	3 280	2 365	4 567
– volume weighted average price	**3 615**	3 812	3 844	3 807	5 761
Earnings yield (%)	**7,5**	11,9	13,0	19,0	6,9
Dividend yield (%)	**4,1**	4,1	4,2	4,1	1,5
Market capitalisation at closing prices (Rm)*	**13 956,2**	14 115,0	13 642,0	13 860,2	23 111,8
Price earnings ratio at year-end	**13,3**	8,4	7,7	5,3	14,5
Value of shares traded (Rm)	**9 618,0**	12 478,9	23 769,8	24 561,0	23 695,2
Number of shares traded (million)	**266,1**	327,3	618,4	645,2	411,3
Average price per share traded (cents)	**3 603**	3 828	3 837	3 966	5 747
Percentage of market capitalisation traded (%)	**68,9**	88,4	174,2	177,2	102,5
Liquidity (%)	**70,7**	86,3	161,8	169,4	107,8
Weekly Rand volume (Rm)	**192**	250	474	491	476
Rand to AUD Dollar					
Closing	**8,41**	7,28	6,51	6,3	7,58
Average	**8,01**	6,95	6,67	6,63	6,56
Rand to US Dollar					
Closing	**8,21**	6,79	7,66	7,78	7,88
Average	**7,71**	7,05	7,62	8,83	6,56

** Market cap based on shares in issue as at year-end.*

Group strategy

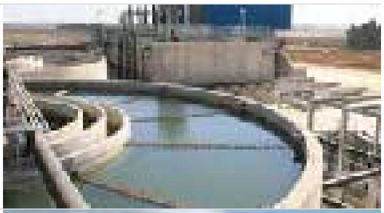
Strategy overview

The strategy of the Aveng Group is focused on:

» Enhancing the profitability of the existing portfolio
» Increasing operational efficiency and improving project execution
» 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 player in Australasia
» Expanding its portfolio by further exploiting the infrastructure value chain internationally to produce value-added services and solutions

Short-term

» Enhance current portfolio profitability
» Focus on project execution and management
» Increase offering in the water and power sectors
» Leverage group capabilities for profitable growth



Strategic acquisitions/joint ventures

Medium-term

» Expand geographic footprint in Africa and Middle East
» Increase the water and power offering
» Become a leading rail player in Africa and Australia
» Expand the scale and breadth of steel operations

Long-term

» Pursue geographic growth in other areas
» Consolidate the water, power and rail businesses

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 performance is 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 2012

As part of its ongoing portfolio review process, the Aveng Group undertook the following interventions in 2012:

» Aveng Grinaker-LTA, due to the protracted infrastructure slowdown, embarked on a restructure to flatten the organisational structure, integrate business units into regional entities and streamline overhead costs
» Aveng Manufacturing continued its implementation of operational improvement initiatives, with a focus on the restructuring of Aveng Manufacturing Infraset, and has made headway in its African expansion initiatives with a focus on the rebar market and rail
» Aveng Trident Steel continued with initiatives to strengthen its market position and improve profitability, focusing in particular on operational efficiencies, entering additional value-added product areas and undertaking an organisational redesign in support of its strategy
» Aveng Moolmans finalised the turnaround of its South African operations, initiated in 2010. The Aveng Group's open cut and underground mining activities were consolidated under the newly formed Aveng Mining operating group with effect from 1 July 2012
» McConnell Dowell continues to strengthen its management interventions, taking initiatives to improve its project execution capabilities with a focus on the pipelines and mechanical businesses
» Strengthened commercial and project execution capabilities to reduce and mitigate the risk of loss-making projects within Aveng Grinaker-LTA and McConnell Dowell

Strategic growth focus

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

» A continued focus on driving efficiencies, through procurement and continuous improvement initiatives, within Aveng Grinaker-LTA, Aveng Manufacturing, Aveng Mining and Aveng Trident Steel
» Further strengthening the commercial and project execution capabilities within the construction and engineering operating groups
» Continuous review of the group's portfolio to optimise the business model and more effectively realise synergies from cross-sector projects
» Optimising of the group's capital structure to enhance shareholder returns

2. Build centre-led capabilities

Rationale

The Aveng Group continues to evolve from a silo-orientated group to a centre-led group with specialist capacity at the corporate office. Its subsidiaries maintain their operational autonomy while leveraging group strengths and opportunities in a coordinated manner.

Progress in 2012

The focus was on continuing to implement the initiatives started in 2010/11, including a more robust capital allocation process, risk management framework, talent development plan, succession plan, group procurement initiatives and a balanced scorecard process, and to position the Aveng Group for growth, particularly in renewable energy, nuclear power and water.

Strategic growth focus

In 2013, the Aveng Group will continue to focus on leadership development to drive sustainable growth and ensure efficient project execution.

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

Rationale

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

The Aveng Group seeks to expand its footprint in the rest of Africa, where growth is expected to outpace that of South Africa, particularly due to buoyant mining activity and rapid urbanisation.

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

Progress in 2012

The Aveng Group continues to identify steps to extend its geographic expansion.

- Mozambique: In line with the group strategy, an Aveng Group office has been established in Mozambique to coordinate opportunities in construction and manufacturing. The first contracts in rail and manufacturing have already been awarded to the Aveng Group
- Ghana and Tanzania: Country offices have been opened
- Middle East and North Africa: McConnell Dowell has won contracts in Saudi Arabia, but further expansion activities have been delayed due to recent political instability in the region
- Hong Kong: McConnell Dowell reopened its office in Hong Kong and has won its first contract

Strategic growth focus

The Aveng Group will continue to drive geographic growth, with a focus on sub-Saharan Africa, and is considering opening manufacturing plants in certain SADC countries.

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

Water

Rationale

The Aveng Group 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 from municipal and industrial users in South Africa and elsewhere for high-quality potable water.

Progress in 2012

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

- Aveng Water is currently treating 51 megalitres of AMD water per day (the largest in AMD water treatment). Repeat AMD business has been secured, including the eMalahleni Phase 2 expansion, and Optimum is in operation
- Dynamic Fluid Control, a leading manufacturer of water and mining valves in South Africa, has been successfully integrated into Aveng Manufacturing

Strategic growth focus

Looking forward, Aveng Water will focus on:

- Expanding Aveng Water's footprint and strengthening its market leadership position in South Africa, Australia and elsewhere, by investing in innovative means to treat AMD
- Increasing the group's water footprint within the seawater desalination, waste water and industrial effluent treatment markets in South Africa by considering partnerships and acquisitions

4. Grow and expand new product areas such as water, power, concessions and rail (continued)

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 2012

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

- Positioning the Aveng Group as a leading developer of nuclear power projects in South Africa by appointing a leading nuclear expert, building a nuclear team and finalising partnership agreements
- Continued construction work on the Medupi and Kusile power stations for Eskom
- The award as preferred bidder of two renewable energy projects (solar and wind), positioning the Aveng Group for additional project opportunities
- Exploring manufacturing-related renewable energy localisation projects

Strategic growth focus

In 2013, the Aveng Group will continue to grow its capabilities in renewable energy and nuclear power through the following initiatives:

- Execution of two renewable energy projects and continuing evaluation of other renewable energy projects
- Evaluation of renewable energy and nuclear power localisation opportunities
- Continuing to position the Aveng Group as a leading developer of nuclear power projects in South Africa

Concessions

Rationale

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

Progress in 2012

The Aveng Group has centralised its concessions business, appointing a senior executive to take this business forward. The group has tendered for a number of opportunities, of which two of the renewable energy project bids were successful. Recent concession projects awarded to the group and its investment partners include:

- Gold Coast Rapid Rail Transit Project in Australia
- The Department of Environmental Affairs to design, construct, finance and operate an office campus in central Pretoria, South Africa

Strategic growth focus

The Aveng Group's concessions business will focus on ensuring the financial close of the successful renewable energy projects. The group will continue to focus on investing in water, power and infrastructure projects.

Rail

Rationale

The Aveng Group has identified rail as a sector of the infrastructure market which holds significant opportunity for growth in both freight and passenger-related activities. Opportunities associated with the transport of mineral resources are particularly attractive in the Aveng Group's primary markets of Africa and Australia. Through Aveng Manufacturing Lennings Rail Services and Aveng Manufacturing Infraset in South Africa, the Aveng Group has a strong base that can be leveraged as it provides a complete range of rail products and services, and is a leading rail sleeper manufacturer.

Progress in 2012

Several significant milestones have been reached in the Aveng Group's rail business through its efforts to expand into the African and Australian markets, including:

- The award of a railway sleeper project in Mozambique
- The award of the Aveng Group's first rail project in the Australian market

Strategic growth focus

Looking forward, the Aveng Group plans to build on its early successes in expanding its rail business into new markets by growing its Australian footprint, positioning itself in the Mozambican rail construction and sleeper market, pursuing opportunities in West Africa and capitalising on its South African rail business to expand into local manufacturing.

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, despite the slowdown in Chinese growth and metal price declines from historically elevated levels » Largest growth opportunities expected in open cut mining and among junior mining houses	» Aveng Group has mining operations in nine countries » Over 35% of the group's revenue is from mining-related activities » Leader in open cut mining in Africa – active in eight African countries » One of only four deep-level shaft sinking companies worldwide, with contracts in South Africa (Wesizwe), Zambia (KCM) and Chile (Chuquicamata) » Provider of products to the mining industry ranging from stand-up support to valves » Provider via Aveng E+PC of operations and maintenance services to the mining sector » Providing construction and transport infrastructure to leading mining companies in sub-Saharan Africa, Australasia	» Formed Aveng Mining to combine capabilities in mining infrastructure, shaft sinking and contract mining in one operating group » 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 open cut mining in Africa
Steel	» South African steel demand is likely to remain under pressure due to flat construction and mining markets, and uncertainty in the global economy » Global steel demand growth is expected to continue but at a slower rate, driven by developing economies » No significant improvement in steel prices is anticipated	» Leading provider of steel products and services to the South African market – Merchanting – Automotive – Structural steel – Rebar/mesh – Tubular steel	» Strengthen position in steel merchanting and processing » Expand product mix » Growth through African exports » Ongoing focus on operational efficiency and customer service
Public infrastructure	» Increasing competitiveness and margin pressure » Slow speed of infrastructure spend in South Africa, but significant opportunities in Africa » Slowing Chinese economy impacting mining and associated infrastructure projects in Australia	» 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 Australasian market by maintaining profitability » Restoring profitability in the sub-Saharan market » 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							Manufactured products
		Transport	Power	Mining	Water and environment	Infrastructure	Commercial	Industrial	– Steel – Concrete
The Aveng Group segments	Building	✔	✔	✔	✔	✔	✔	✔	✔
	Civil engineering	✔	✔	✔	✔	✔	✔	✔	✔
	Concessions	✔	✔		✔	✔			
	Concrete and steel manufacturing and processing	✔	✔	✔	✔	✔	✔	✔	✔
	Detailed multidisciplinary engineering	✔	✔	✔	✔	✔			
	Roads and earthworks	✔	✔	✔	✔	✔	✔	✔	
	Marine infrastructure	✔		✔		✔		✔	✔
	Mechanical and electrical/ fabrication	✔	✔	✔	✔	✔	✔	✔	✔
	Open cut mining			✔					
	Underground mining			✔					
	Deep shaft sinking			✔					
	Plant operations			✔	✔	✔			
	Pipelines	✔	✔	✔	✔	✔		✔	✔
	Process engineering		✔	✔	✔				
	Project and construction management	✔	✔	✔	✔	✔	✔	✔	
	Rail construction and maintenance services	✔	✔	✔		✔		✔	✔
	Tunnelling	✔	✔	✔	✔	✔			

The current global uncertainty and volatility has resulted in major shifts in the global risk landscape. Accordingly, the continual management of risk is becoming increasingly important to the ongoing wellbeing and 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, businesses, health and safety, the environment, the economy, commerce and talent management, among others.

The effective management of risk is a key component of the group's business strategy. The major risks, which are managed using both a top-down and bottom-up approach through the group's risk management process are:

- The top-down focus determines the overall strategic risks that could have an adverse impact on the group's overall 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, at each functional business unit and operating group level 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 group by line management to evaluate the project's risk profile, potential risk mitigation measures and overall alignment to the group's strategic focus.

Key risks impacting the group (this table sets out key risk summaries, in no particular order)

Risk	Description	Mitigating strategies
Highly competitive markets	The global contraction in the construction sector has resulted in an erosion of margins and highly competitive margins, together with competitors in certain instances accepting onerous terms and conditions.	Rigorous proactive internal risk management. Stronger focus on project execution to entrench position as contractor of choice.
Challenging contract conditions	Increasingly difficult contract terms and conditions required by clients resulting in the transfer of 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	Delays in the project coming to market, tender postponements, particularly in the public service sector in South Africa, and potential slowdown in private sector expenditure continues to impact work availability.	Ongoing engagement with relevant clients. Consideration of alternative delivery mechanisms and solutions with clients. Provision of cross-functional, value-enhancing solutions.
Skills shortages	The sourcing and retention of skilled and professional resources remain key challenges.	Continue to source, retain and focus on talent development plans, succession planning and skills development. Provision of the relevant leadership, training, coaching facilities and enabling an appropriate working environment.
Project execution risks	Project execution risks remain a priority due to the major impact they have on returns for the group.	Stronger focus on project execution excellence, and understanding project risk profile and key project staffing. Monitoring of project key indicators on a monthly basis and the undertaking of peer reviews on major projects at an early stage in the project lifecycle to ensure that potential challenges are identified at the earliest possible opportunity. Clearly understand the impacts of change on the project.

Key risks impacting the group (continued)

Risk	Description	Mitigating strategies
Cost containment	Costs associated with poor productivity, materials, plant, processing and production are continually escalating.	Smart procurement, production efficiencies, the reduction of general overhead costs, and enhanced productivity.
Cash flow and working capital	Slow and/or delayed payments, late certification, impact of unresolved commercial issues and project losses.	Monitor cash flow on all projects, ensure capex procurement is in line with the project plan, awareness of payment terms and resolution of commercial issues at the earliest possible opportunity.
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 reputation impacting immediate and longer-term economic sustainability.	Relevant training, incident reporting and action to be taken in the event of any transgressions. Behave in an ethical and fair manner with all stakeholders.
Transformation	Transformation to reflect the imperative 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.

Strategic risks are those that could cause severe financial loss, fundamentally undermine the competitive position of the group, affect its reputation or adversely impact 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 half-yearly basis and is reported to the board risk committee and the board. The information is then utilised by the group in determining the strategic interventions and mitigation measures required to minimise the impact of these risks to the group as a whole.

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 divided into two categories – those which the group can control and external factors outside 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
- 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 risks onto the contractor. 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 introduction of a 20% peer review mechanism has been included in the project execution phase to ensure that potential challenges and emerging risks are identified at the earliest possible opportunity in the project lifecycle, to clearly understand their impacts on the project, and ensure that mitigation measures are timeously instituted.

The risk system has been fully updated during the 2012 financial year and enhanced with the roll-out of risk software that enables a continuous learning system to be included in the risk management process. 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 addition of a risk maturity analysis process has enabled the requisite planning of training and support for all parties to ensure continuous risk management process improvements occur on a continuous basis.

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

Looking forward

Strategic objectives	Desired outcomes
» 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 roll out and implement the updated 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 refresher training on the macro principles of risk management and the group risk framework	» Continuous improvements in the understanding and effectiveness of risk management
» Risk champion and risk system users to receive refresher training on the details of the risk management framework and the 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 in the group and monitor the progress using the risk maturity evaluation tool

Engagement with stakeholders

The group's approach to stakeholder engagement is based on mutual trust and respect. The group recognises the importance of identifying and responding to issues of shared interest. Building positive and meaningful relationships with stakeholders is fundamental to creating sustainable value and therefore their viewpoints are integrated in our overall decision-making process.

The table below outlines key stakeholder groups, the nature of engagement, issues and concerns raised by stakeholders, and details on how the Aveng Group is addressing these:

Stakeholder group	Nature of engagement	Issues and concerns raised	What we are doing about it
Employees	» Employee engagement forums » DNA sessions and communication » Management safety walk-abouts » Intranet and training sessions » Internal newsletters, poster campaigns, toolbox talks at remote sites and factories, and handbooks » CEO video messages and blog and regular CEO letters » Performance reviews » Employee surveys and wellness days » Community projects and staff volunteerism campaigns » Leadership conferences	» Health and safety performance and awareness » Ethical conduct » More open communication between employees and managers » Ongoing development and career planning » Performance management » Change management » Operational performance	» Ongoing and holistic safety programme » Stronger health and wellness focus » Training and awareness on ethical conduct » Training managers on employee engagement » Roll-out of integrated DNA across group » Increased focus on talent management » Succession planning process implemented » Finalising individual development plans » Performance management implemented to link rewards and performance
Customers and clients	» Contracts and service agreements » Customer meetings and site visits » Written communication » Conferences, events and exhibitions » Presenting value proposition to existing and prospective clients	» Project execution » Project and related costs » Market conditions » Transformation » Capacity and capability to deliver	» Enhanced integrated contract risk management system » Focused cost management » Improved B-BBEE rating » Maintaining strong balance sheet » Integrated value proposition » Group project management forum established » Improve project execution
Shareholders and investors	» Annual and interim reports and SENS announcements » Results presentations and roadshows » Annual general meetings, one-on-one meetings and teleconferences » Webcast sessions and website » Site visits	» Delivering sustainable returns » Project execution » Safety performance » Corporate governance and ethics » Sector performance and outlook » Skills and talent retention and development » Cash flow » Competition Commission	» Ongoing and holistic safety programme » Enhanced integrated contract risk management system » Regular contact with customers and public sector regarding new projects » Maintaining strong balance sheet
Trade unions	» Regular meetings at the relevant levels in South Africa, rest of Africa, Australasia and the Pacific Rim with all active trade unions in the operations	» Wage increases » Conditions of employment » Engagement on safety, health and wellness issues » Productivity improvement » Labour flexibility » Training	» Wage negotiations » Regular review of conditions of employment » Ongoing focus on labour and employee relations » Group safety, health and wellness framework » Continuous improvement initiatives » Training and development
Major contractors, suppliers, service providers and business partners	» Contracts and service agreements » Supplier meetings, workshops, presentations » Industry body meetings » Events and exhibitions » Project steering committees » Site and project visits	» Health and safety performance » Project execution » Cost management » On-time delivery » Quality of products and services » Reliability of supply » Enterprise development	» Ongoing and holistic safety, health and wellness programme » Enhanced integrated contract risk management system » Focused cost management » Cost and quality reviews » Organised black suppliers summit » Enterprise development workshops

Stakeholder group	Nature of engagement	Issues and concerns raised	What we are doing about it
Government, local authorities and regulatory bodies	» Formal and informal meetings » Consultations and workshops » Written communication » Conferences, seminars and presentations » Tender submissions » Submission of compliance reports	» Skills development and job creation » Empowerment, transformation and adherence to B-BBEE codes » Competition Commission » Environmental legislation » General compliance with all legislation	» Skills development and job creation addressed by continued thrust on artisan training and skills development » Enterprise development workshops » Continued focus on transformation and empowerment, underpinned by employment policy » Continued Competition Commission compliance through internal initiatives – DNA – Code of business conduct – Anti-competitive training » Environmental framework developed
Communities	» Ongoing corporate social investment projects in communities » Sponsorships and donations	» Increased unemployment » Skills shortage » Employment opportunities and environmental impacts » Supporting key community development issues » Sustainability of CSI investment	» Ongoing focus on key flagship projects with key sustainability and scalability » Impact studies conducted » Skills development through CSI projects » Maths and science education
Industry	» Representation on key industry bodies » Meetings, correspondence, newsletters » Sponsorships	» B-BBEE challenges in the construction industry » Current economic downturn » Increased unemployment » Skills requirements and training	» Improved B-BBEE rating » Liaise with government and industry on sustainable, long-term infrastructure plan to be implemented » Investment in skills development and training

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 into account:

» The group's strategy and core values
» Key macro-environmental issues that impact on the industry, including regulatory and legal matters
» Principal issues raised by stakeholder groups
» Significant business risks, as identified through the risk management process and monitored by the board

	Material issues	Aveng commitment
Economic sustainability	Growth	To deliver sustainable value for stakeholders, the Aveng Group optimises the performance of its existing portfolio and expands in selected geographies and markets that offer the greatest potential for sustainable growth
	Liquidity	To facilitate its strategic objectives, the group ensures that it has sufficient liquidity and capital to support business development and growth
	Project execution	The Aveng Group has aligned its human capital, systems capacity and capital deployment to support the efficient delivery of quality projects
Social sustainability	People	The group empowers and upskills its people to ensure that they are able to meet the needs of the group's business environment and achieve personal growth
	Safety	Safety is paramount, never to be compromised in the pursuit of any objective. Our safety policy and framework supports our vision of "Home Without Harm Everyone Everyday"
Environmental sustainability	Environmental impact	The Aveng Group recognises the impact of its activities and operations on the environment and has developed a policy and framework to guide its management and mitigation of environmental impacts

Board of Directors

Angus Band (60)

Independent non-executive chairman
BA, BAcc, CA(SA)

Chairman of the board
Member of: investment committee; risk committee; remuneration and nomination committee; social, ethics and transformation committee; tender risk committee

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.

Roger Jardine (47)

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

Chairman of executive committee
Member of: risk committee; safety, health and environmental committee

Roger was appointed to the board as chief executive officer in July 2008.

He serves on the boards of group companies Aveng (Africa), McConnell Dowell Corporation and Aveng Trident Steel Holdings.

Roger was national coordinator 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 and Natal Sharks.

Peter Erasmus (59)

Independent non-executive director
Pr Eng, BSc (Civil) (Hons), BCom (cum laude), MSAICE

Chairman of risk committee
Member of tender risk committee

Peter was appointed to the board in 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 partnership 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.

May Hermanus (52)

Independent non-executive director
BSc (Geology) MSc (Physical Metallurgy) Takemi Fellow, Harvard University, Fellow: SAIMM

Chairman of safety, health and environmental committee

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, the Minerals and Mining Development Board of the Department of Mineral Resources, Sacred Heart College and is Chairperson of the Bokamoso Trust, the employee share option scheme of AngloGold Ashanti.

Rick Hogben (66)

Independent non-executive director
BCom

Chairman of remuneration and nomination committee
Member of: audit committee; safety, health and environmental committee

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.

Michael Kilbride (60)

Independent non-executive director
BSc (Hons) Mining Engineering, MDP (Unisa), SEP (London Business School)

Member of risk committee

Michael was appointed to the board on 4 July 2012.

Michael's career includes working for Anglo American in the gold mining sector as well as serving as an executive director of both Kumba Resources and Exxaro Resources. He brings extensive experience in mining to the board.

Juba Mashaba (46)

Group human resources director
BA, LLB (Swaziland), Human Resources Executive Programme (University of Michigan Business School)

Member of executive committee

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 HR director of Simba, and that 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).

Thoko Mokgosi-Mwantembe (51)

Independent non-executive director
Dip Education (Swaziland), BSc (Swaziland), MSc (UK), SEP (Harvard), MCRP (IMD)

Member of: social, ethics and transformation committee; remuneration and nomination committee

Thoko was appointed to the board in 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 and Knorr-Bremse SA.

Stephen Pell (54)

Executive director
BSc (Building Management)

Chairman of tender risk committee
Member of: executive committee; risk committee

Stephen was appointed to the board on 1 June 2012.

Stephen Joined Murray & Roberts in 1979 as a student and over his employment period held many senior leadership positions, including, managing director of Murray & Roberts Namibia, managing director of Murray & Roberts Gillis Mason and managing director of Murray & Roberts Construction. Stephen was appointed to the Murray & Roberts Limited board in 2002.

He joined Stocks Building Africa in 2006 as a director of the board and managing director of SADC Construction. He was appointed as CEO of Stocks Building Africa in 2007 and led the merger with Stefanutti & Bressan Holdings in 2008, to form Stefanutti Stocks.

He was an executive director of Stefanutti Stocks Holdings and COO of that group before joining the Aveng Group.

His career spans over 30 years across the construction industry with a geographical spread across South Africa, the African continent and the Middle East.

David Robinson (58)

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

Member of executive committee

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 chief executive officer of 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.

Myles Ruck (57)

Independent non-executive director
BBusSc (Actuarial Science), PMD (Harvard)

Chairman of investment committee
Member of audit committee

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 deputy chief executive of the Standard Bank Group and joined its board. 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.

Mahomed Seedat (56)

Independent non-executive director
BEng (Electrical), PMD, GCC

Member of safety, health and environmental committee

Mahomed was appointed to the board on 4 July 2012.

Mahomed is chairman of Eastern Platinum Limited and Western Platinum Limited. He is also a non-executive director of Lonmin plc and an independent non-executive director of Mechel Mining OAO. He was previously chief operating officer of Lonmin plc and served as president of Lonmin South Africa and as president of Energy Coal of BHP Billiton plc. Mahomed also served as president and chief operating officer of Ingwe Collieries Limited (BHP Billiton Energy Coal South Africa Limited) and as president and chief operating officer Aluminium Southern Africa, with responsibility for the operations at the Hillside and Bayside Aluminium Smelters in Richards Bay, South Africa and the Mozal Aluminium Smelter in Maputo, Mozambique. He started his career in the minerals industry in 1980.

Nkululeko Sowazi (49)

Non-executive director
BA, MA (UCLA)

Chairman of social, ethics and transformation committee
Member of: remuneration and nomination committee; investment committee

Nkululeko was appointed to the board in March 2007.

He serves on the board of Aveng (Africa).

Nkululeko is chairman of Kagiso Tiso Holdings, an investment holding company with interests in media, infrastructure, power, resources and financial services sectors. He also serves on the boards of Exxaro Resources Limited and Actom Holdings. He is also chairman of Idwala Industrial Holdings, Litha Healthcare Group 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.

Kobus Verster (46)

Financial director
BCom (Hons), MBL, EMP

Member of: executive committee; tender risk committee

Kobus was appointed to the board as financial director in September 2010.

He serves on the boards of various group companies including Aveng (Africa), McConnell Dowell and Aveng Trident Steel.

Prior to joining the Aveng Group, Kobus was the chief financial officer at ArcelorMittal (South Africa) and also held various senior management positions at ArcelorMittal.

Peter Ward (59)

Independent non-executive director
BCom, CA(SA)

Chairman of audit committee
Member of: risk committee; tender risk committee

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.

**Details correct as at 28 September 2012*

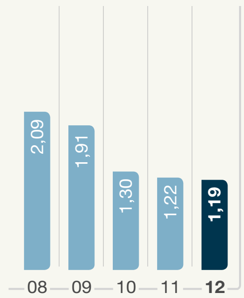
Joint chairman's and chief executive officer's review

Angus Band » Chairman
Roger Jardine » Chief executive officer

Salient features

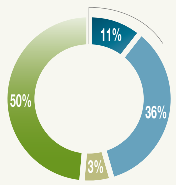
- » Revenue up 19% year-on-year
- » Headline earnings and headline earnings per share down 58%
- » Order book year-on-year increased by 26,8%
- » Strong balance sheet with net cash of R3,9 billion

Safety: recordable injury frequency rate



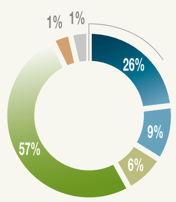
» Improved by 3%

Two-year order book by sector



11% Power
36% Mining
3% Water and environmental
50% Public sector infrastructure, commercial, industrial, etc

Two-year order book by geography



26% South Africa and Rand monetary area
9% Africa
6% South East Asia
57% Australasia and Pacific
1% Middle East
1% South America

Approach

In this year's integrated report, we have made further progress in aligning the Aveng Group with the King III code of corporate governance guidelines for integrated reporting. We recognise that the roles of chairman and chief executive officer (CEO) are separate and, accordingly, they operate under separate board-approved mandates. Our presentation of a combined chairman's and CEO's review is based on a practical decision to avoid duplication and provide the reader with a succinct account of how the Aveng Group is integrating sustainable development into everything it does. We have provided cross references and information outlining both the challenges and successes in executing our strategic goals as we continue on our journey of positioning the Aveng Group for sustainable growth.

Overview

The Aveng Group was tested on a number of fronts in 2012. The sustained economic downturn took a heavy toll on the domestic construction industry and this was compounded by delays in the South African government's infrastructure development programme. Against this backdrop, the construction and engineering businesses in South Africa recorded substantial losses which were largely attributable to losses on the group's DSE steel fabrication contract, the cost of restructuring Aveng Grinaker-LTA, and a provision for a potential Competition Commission fast-track settlement.

In addition, the group experienced execution difficulties on some major projects in the Australian and South African construction businesses, which adversely impacted its financial results and offset strong performances on other contracts. There has been an exceptionally strong focus on the resolution of these challenges. Encouraging progress on site and constructive engagement with our customers has resulted in a material improvement in the performance of these projects, although this is not evident in the financial results for the year to 30 June 2012. The mining and manufacturing operations improved their operating performances significantly, and solid progress was made in repositioning Aveng for growth.

In spite of a major drive to improve safety across all of the operations, which is reflected in an improving trend in all of the leading safety indicators, the number of fatalities remains at an unacceptably high level and plans are being implemented to translate the much-improved safety indicators into the elimination of fatalities.

While the Aveng board supports and has cooperated with the Competition Commission in its investigation into historic anti-competitive practices in our industry, the impact has been disruptive and divisive and Aveng seeks a rapid finalisation of the Commission's fast-track process.

Financial performance

Improved financial performances by all operating units were overshadowed by the impact of difficult trading conditions in the South African construction environment, project execution challenges in both Australia and South Africa and a provision for a potential Competition Commission fast-track settlement.

The combined impact of these factors was that although the Aveng Group reported a 19% increase in revenue to R41 billion for the year, operating profit decreased by 64% to R535 million. The group's headline earnings fell by 58% from R1 191 million to R495 million as a result of reduced operating profit and lower investment income due to lower cash balances. Accordingly, headline earnings per share declined to 128,1 cents from 306,4 cents in 2011.

Cash generated by operations declined by 9% to R2 223 million as a result of lower profitability. Capital expenditure of R2,1 billion, share repurchases of R449 million, a dividend payment of R561 million, together with an investment in working capital, resulted in a reduction in net cash from R5,3 billion to R3,9 billion.

The group's two-year order book increased by 27% from R37 billion at 30 June 2011 to R47 billion at 30 June 2012 (a 2% increase over the R46 billion reported in December 2011). The Australian order book increased by 58% from R18,9 billion to R29,9 billion. In Australian Dollar terms the order book increased by 20% to AU$3,6 billion over the period. The total opportunity pipeline remains stable at R109,3 billion (2011: R112,4 billion). The geographic composition of the order book has changed with McConnell Dowell now comprising 64% of the order book, compared to 51% in 2011.

Although the Aveng Group's dividend practice has been to declare 25% of headline earnings as an annual dividend, the group deviated from this in recent years primarily because the balance sheet benefited in 2007 from the Holcim sale proceeds. On 3 September 2012 the board approved a consistent dividend policy of a 30% declaration of headline earnings and declared a dividend of 60 cents per share in respect of the financial year ending 30 June 2012.

Business environment

South Africa

The Aveng Group's order book in South Africa has declined since the infrastructure boom in the period leading up to the 2010 Soccer World Cup and it accounted for 26% of the group's two-year order book at 30 June 2012, compared to 35% in 2010. This is a stark reflection of the current state of the South African construction and engineering industry which has been deeply impacted by ongoing delays in the implementation of the public sector infrastructure investment programme and a cautious approach to investment by the private sector. The public sector spend in the group's order book declined from 10,5% in 2010 to 3,6% in 2012. This set of circumstances has been compounded by the challenges contractors have experienced on major projects as a result of delays and late changes to scope or design.

The 17 Strategic Infrastructure Projects approved by the South African government as part of its Presidential Infrastructure Coordinating Commission's second infrastructure investment plan, indicate a renewed commitment by government to expedite expenditure of the R845 billion budgeted for infrastructure projects to expand and maintain South Africa's power, transport and social infrastructure over the next three years. The domestic construction industry has demonstrated its capacity to deliver major infrastructure projects and we maintain our view that public private partnerships that leverage this capacity are an effective approach to fast-track public infrastructure programmes. The private sector's project management capacity can help to overcome inadequate project planning and costly scope creep. We urge government and the state-owned enterprises to negotiate contracts based on the sharing of risks and reward. Such risk-reward systems have been successful elsewhere in aligning the interests of the contractor and the client.

Rest of Africa

Africa continues to record robust growth in contrast to the economic contraction of developed economies. Higher commodity prices along with rapid urbanisation, improved macro-economic environments and increasing political stability have supported this growth trend in recent years and the continent's untapped potential continues to attract significant investment from developed and BRIC economies into the minerals, energy and infrastructure development sectors.

The World Bank's Global Economic Prospects report forecasts GDP growth rates of 5% for sub-Saharan Africa in 2012 up from 4,7% in 2011, while growth of 5,3% is forecast for 2013, assuming that domestic and international demand remain robust. Excluding South Africa, which accounts for more than one-third of the region's GDP, growth in the rest of sub-Saharan Africa was even stronger at 5,6% in 2011, making it one of the fastest-growing developing regions.

Australasia and the Pacific

The group's project work in Australasia and the Pacific Rim accounted for 64% of the two-year order book at year-end, reflecting a record volume of work in hand for McConnell Dowell in markets that continue to be driven by strong demand for commodities from Asia, particularly China.

Australia recorded relatively weak GDP growth of 1,9% in 2011, reflecting a two-speed economy in which investment in mining and construction remains robust, while sectors impacted by a strong Australian Dollar and weak business and consumer sentiment are underperforming. The Reserve Bank of Australia is forecasting real GDP growth of 3% for 2012, partially supported by unprecedented growth in the number of major infrastructure projects underway or planned to serve growing investment in resources.

The New Zealand economy has been heavily impacted by global economic forces and the effects of damaging earthquakes in recent years. The reconstruction programme following the earthquakes is now gaining momentum after long delays, and the Aveng Group has been awarded the largest proportion of the contracts allocated thus far. This, together with investment in the infrastructure development, mining and power sectors, is expected to drive medium-term growth in New Zealand.

The construction sectors in most Asian countries are experiencing growth as a result of ongoing investment to overcome capacity constraints, and this trend continues to be strongest in Indonesia, Malaysia, the Philippines, Singapore and Hong Kong, which are Aveng's target markets.

Delivery on our strategy

The Aveng strategy aims to optimise and enhance the performance of the group's existing portfolio to generate greater shareholder value, and to expand in the short to medium term in selected geographies (rest of Africa, Middle East, South East Asia) and markets (power, water, rail, steel) that offer the greatest potential for sustainable growth.

In the year under review, the group entered four new markets (Hong Kong, Saudi Arabia, Chile, Malaysia) and was awarded preferred bidder status for two renewable energy projects. We made progress in our strategy of becoming a leading rail player in the rest of Africa and Australia by being awarded a project to construct 250km of rail in Western Australia. A strong focus on project execution together with leveraging group capabilities for profitable growth will continue to be a major focus.

In the year under review, a number of initiatives have taken place in line with this strategy:

The Construction and Engineering businesses in South Africa were substantially restructured during the year to address market and systemic challenges that have impeded their performance. Aveng Grinaker-LTA has rationalised its business to become more efficient, customer-focused and improve its capability to offer and deliver major multidisciplinary projects. This has been a painful and unsettling, but necessary, process to remove historic impediments to performance and unlock value. Aveng E+PC has been repositioned for significant future opportunities in the power and energy sectors and continues to build critical mass in its minerals and processing capacity.

Operational improvements implemented in the Manufacturing and Processing segment have resulted in a sustainable improvement in performances and positioned the businesses for growth. Aveng Manufacturing has achieved considerable cost-reduction and efficiency gains from the operational improvement programme initiated in its Steeledale and Duraset businesses in 2011 and extended to Aveng Manufacturing Infraset in 2012. The Aveng Group has achieved important milestones in its strategy to become a leading participant in the rail markets in Africa and Australia. The award to Aveng Manufacturing Lennings Rail Services of its first rail construction project in Australia, with McConnell Dowell, is a key development in this regard. In addition, Aveng Manufacturing was awarded a contract to supply railway sleepers in Mozambique. Aveng Trident Steel has strengthened its operational capacity and embarked on a campaign to drive future growth by diversifying its market segments and product range as well as strengthening its marketing and sales functions. The investment in a new Schuler blanking press line in the Port Elizabeth manufacturing facility has contributed substantially to growth in volumes from the automotive industry.

Aveng Moolmans improved the operational performance of its South African operations during the year and advanced its financial restructuring by concluding two commercial loan facilities to support the funding of its investment in new equipment. Aveng Mining was established to leverage the collective capacity of the group's open cut and underground mining services to pursue significant growth opportunities in domestic and international markets. On the strength of its experience in deep shaft sinking (over 1 500 metres) at Konkola Copper Mine in Zambia, the operation gained an important foothold in Chile with the award of a contract to sink a 975 metre shaft at Codelco's Chuquicamata Copper Mine and won another deep shaft contract in South Africa to sink a 930 metre shaft at Wesizwe Mine.

An ongoing focus on strengthening McConnell Dowell's distinct Australian and Overseas operations has positioned the business to participate as a first-tier contractor in the resources-driven construction boom in Australia, while also focusing on expansion in other growth markets in South East Asia and the Pacific Rim.

In particular, the business has established a presence as a leading contractor in New Zealand with the award of major contracts in transport and energy infrastructure development and the rebuilding of Christchurch. Its reputation also facilitates opportunities for other group operations to enter Australasian markets. An example of this is the award to McConnell Dowell and Aveng Manufacturing Lennings Rail Services of a rail construction project for Fortescue Metals Group (FMG) in the Pilbara region of Western Australia.

In the power market, Aveng was awarded preferred bidder status for two renewable energy contracts (75MW solar and 138MW wind) in the second round of the South African government's renewable energy procurement programme, establishing Aveng as a strong player in this market. The group is in the process of bringing the projects to financial close by early 2013.

Investing in growth and new market development

The Aveng Group is leveraging the strength of its balance sheet with investments in concessions and capacity expansion within the Manufacturing and Processing segment. The group plans to spend a total of R1,3 billion on these opportunities.

Aveng is well placed to respond to concession opportunities in South Africa and Australia and has the capability to differentiate itself in this market based on its strong financial position and ability to design, build and operate infrastructure projects. The group has centralised its concessions business and appointed a senior executive to develop opportunities across the renewable energy, rail and construction sectors. Aveng tendered for a number of significant public private partnerships in South Africa and Mauritius during the year and was awarded preferred bidder status on two renewable energy projects and a contract to design and build a new head office in Pretoria for the Department of Environmental Affairs. The group is positioning itself for a number of other opportunities in Australia and South Africa.

The Aveng Group will also make further investment in capacity expansion within the Manufacturing and Processing segment. In the automotive sector a number of additional investments in plant and equipment are planned at Aveng Trident Steel. In Mozambique, the construction of an Aveng manufacturing facility for construction and rail products is underway.

In Africa the Aveng Group is well positioned to participate in the continent's growth. Aveng Grinaker-LTA and Aveng Manufacturing Lennings Rail Services have both tendered for work on rail projects in Mozambique to serve significant mining investment in the country. Aveng Manufacturing Lennings Rail Services is also pursuing rail opportunities in West Africa and Australia.

According to the Integrated Resource Plan, more nuclear energy plants will need to be commissioned from 2023/24. Government will set high localisation thresholds for all of the generation options. This means that although Aveng will play to its strengths in construction, particularly civils, significant opportunities will also emerge in steel supply and manufacturing. Because of the special quality requirements of the nuclear sector, Aveng has established a strong team of nuclear specialists and has been laying the groundwork for local and international partnerships too. While nuclear power provides a low-carbon baseload alternative, we are aware of the debates around costs, financing options, institutional arrangements, safety, environmental costs and benefits, localisation and employment opportunities in comparison with other resources such as shale gas in South Africa which, according to the United States Energy Information Administration, is the fifth largest reserve globally. We believe that both options have their merits and do not see them as mutually exclusive.

Safety management

Safety is a core value of the Aveng Group and integral to the way we do business. We have focused on extending our campaign to inculcate a safety culture across all of our operations because we recognise that we can only achieve our vision of "Home Without Harm Everyone Everyday" if each employee adopts it as a value and if we, as leaders, visibly demonstrate our commitment. During the period under review, the improved trend in safety incidents continued, with the lost-time injury frequency rate (LTIFR) declining by 20% to 0,24 and the recordable injury frequency rate (RIFR) down 3% to 1,19. Unfortunately, this achievement was in stark contrast to the fatalities that occurred.

It is with deep regret that we report that 12 people died in workplace accidents at our operations during the year, six of whom were subcontractors. Seven of these accidents occurred in our domestic operations and five in our international operations. Three of the fatalities occurred as a result of accidents in company vehicles on public roads. There was an in-depth investigation into each fatal accident and a review by the safety, health and environmental committee. Two key actions that have been implemented as a result of these investigations are the appointment of a transport safety executive to manage compliance with the group's vehicle and driver safety policy, and early engagement with subcontractors to ensure that they understand and comply with Aveng safety standards.

Competition Commission

The reputation of the South African construction industry is at an all-time low as a result of historic anti-competitive practices which have been the subject of a widespread investigation by the Competition Commission. There has been a general acknowledgement in the industry of the need to eradicate unethical practices, and to cooperate with the fast-track settlement process to encourage full disclosure. A group subsidiary, Aveng (Africa) Limited, has submitted a comprehensive application to the commission detailing anti-competitive conduct of which it had knowledge and we are engaging with the commission in respect of finalising this process. The group has implemented an intensive group-wide programme in recent years to root out anti-competitive conduct and continues to educate all staff to ensure compliance with relevant legislation.

It is now time to move forward, but in doing so we hope that government, having penalised wrongdoers, will support the country's construction industry to develop a sustainable future. South Africa can draw on international experience to establish a workable model: After a 2009 probe by the Office of Fair Trading (OFT) into cover pricing activities in the United Kingdom, a code of conduct was implemented by the industry to promote compliance with local and EU competition laws. The OFT advised that contractors that had been fined should not be barred from public sector contracts as this would reduce competition.

The Aveng Group is committed to ethical business conduct and supports the call by Economic Development Minister, Ebrahim Patel, for an "integrity pact". We also believe it is necessary to adopt an industry-wide code of conduct that addresses endemic practices of the past and formalises the commitment of industry participants to compete ethically. There is no doubt that an efficient and competitive economic environment, focused on sustainable development, benefits all South Africans.

People

Our people enable our business and are therefore a critical source of the Aveng Group's competitive advantage. We recognise that to achieve the sustained high performance that is necessary for Aveng to meet the demands of its business environment, it needs to attract, retain and continuously develop its employees – from the workforce to leadership teams.

At the heart of the group's business strategy is the delivery of multidisciplinary projects across the infrastructure value chain in its domestic and international markets. To achieve this, the group must leverage its combined capacity. The Aveng DNA programme, which has introduced common cultural and behaviour standards across the group, is intended to leverage the group's untapped synergies, scale and capabilities and ultimately contribute to a greater willingness to work in the best interests of the whole Aveng Group rather than just its individual business units.

Investment in learning and development remains a top priority across the group, which invested R50,6 million in a range of training, learning and career development opportunities during the year. The Aveng Leadership Development Programme completed its fourth year with 2 000 employees having benefited from the programme, and McConnell Dowell partners with the University of Melbourne to develop project leaders. A graduate development programme and the Aveng bursary scheme ensure that Aveng attracts an ongoing pipeline of engineering talent.

Shortages in skills across the spectrum of our industry from engineering to trade skills continue to have a negative impact on productivity, and this trend is exacerbated by the dual impact of limited technical educational opportunities and increasing demands on contractors to employ local labour. Aveng Grinaker-LTA, which has for many years operated civil engineering and mining engineering training centres, introduced a new welding school at its Vanderbijlpark premises in December 2011 to address the dire shortage of skills in the domestic mechanical and piping construction industry. The school will meet its initial target to train 250 welders and in the longer term Aveng will seek industry partnerships to extend training to other critical trades.

Strengthening leadership capacity

Specialist capacity in our central leadership team was reviewed and strengthened in 2012. Stephen Pell, who has extensive experience in the construction industry, was appointed executive director of the Aveng Group in June 2012 with responsibility for continuous improvement and project assurance to strengthen project execution in our domestic and international markets. Dr Rob Adam, former CEO of the South African Nuclear Energy Corporation, was appointed Aveng nuclear executive in February 2012 to drive growth opportunities across the power value chain.

Operational management was also strengthened during the year with Grahame McCaig assuming the role of managing director of Aveng Grinaker-LTA in August 2011 and Gavin Young appointed managing director of Aveng E+PC in March 2012. Brian Wilmot was appointed group executive of Aveng Mining and Stuart White was appointed managing director of Aveng Moolmans with effect from 1 July 2012. We welcome the new executives to the Aveng Group and congratulate those who were promoted from within our ranks.

Operational overview

Construction and Engineering: South Africa and Africa

This segment comprised Aveng Grinaker-LTA's Building, Civil Engineering, Earthworks Engineering, Mechanical and Electrical, and Underground Mining divisions, Aveng E+PC and Aveng Water at 30 June 2012. The Underground Mining division was consolidated into Aveng Mining from 1 July 2012.

The segment reported a 4% increase in revenue to R9,9 billion in spite of the depressed domestic construction sector but incurred a material operating loss which reflects the impact of project delays and cancellations, severe margin erosion, smaller project execution challenges and a provision for a potential Competition Commission settlement. These issues were compounded by the ongoing problems in the steel fabrication subcontract between DSE and Genrec for the Medupi and Kusile power stations which resulted in a loss for the year. Claims against Genrec for historic losses incurred have not yet been resolved. Aveng is pursuing its contractual rights and continues to engage with the parties involved with a view to settlement. DSE has now contracted directly with the ultimate client Hitachi to supply the outstanding steel volumes on improved terms and believes that the risk of future losses on the contract has been mitigated.

Aveng Grinaker-LTA's **Building** division increased its revenue by 21% to R2,6 billion, but operating profits declined as a result of margin erosion and holding costs associated with work that did not materialise.

In a competitive market with limited new opportunities, the **Civil Engineering** division was negatively impacted by the suspension in July 2011 of a significant civils contract for the KCM Konkola CRO plant in Zambia and underperformance on two mining projects. This resulted in unchanged revenue of R1,5 billion and an operating loss for the year. The Aveng Group is involved in a number of large civil engineering, mechanical and electrical, and building contracts for Eskom's thermal power station projects. The Medupi civil contract in which the group participates as a joint venture partner, experienced considerable delays and scope changes in its initial stages. The strain that this placed on Aveng's financial position was largely alleviated during the year by a renegotiation of the programme with Eskom.

The suspension of Phase 2 of the Gauteng Freeway Improvement Programme and ongoing uncertainty in the mining sector contributed to a 19% decline in revenue to R940 million and an operating loss in the **Earthworks Engineering** division. The business sought to mitigate this impact by diversifying into the water infrastructure and asphalt products sectors.

The **Mechanical and Electrical** operation increased revenue by 5% to R2,2 billion but profitability was severely impacted by difficulties experienced in the DSE subcontract. A second project in alliance with Alstom to install mechanical and electrical equipment at Kusile was awarded during the year.

The **Underground Mining** division maintained its revenue at R2 billion and the operating profit margin also remained consistent with the previous year's performance. Significant new shaft sinking and mine access and development projects were won in Chile and South Africa.

The revenue of **Aveng E+PC** declined by 16% to R390 million, while **Aveng Water** increased its revenue by 37% to R328 million in spite of a competitive environment with limited opportunities and delays or downscaling of the scope of many projects that were awarded. Higher levels of activity in coal mining and the award of preferred bidder status on two renewable energy contracts bode well for Aveng E+PC in 2013, while existing operate and manage contracts provide a baseload of work for Aveng Water as it pursues growth in the domestic and Australian AMD markets.

Construction and Engineering: Australasia and Pacific

This business segment comprises McConnell Dowell's Australia and Overseas Construction, Tunnelling, Electrical and Pipeline divisions.

McConnell Dowell's revenue grew by 29% to R17,1 billion and operating profit also improved substantially, supported by a strong Australian Dollar and solid performances by the offshore construction and electrical businesses. However, the business segment was impacted by significant provisions that were raised against project execution challenges at the Queensland Curtis LNG (QCLNG) large diameter export pipeline project and the Hay Point Berth project. The Adelaide Desalination and Komo Airfield projects which were identified as problem contracts in June 2011 both made good progress and contributed positively to earnings in 2012. The Pinkenba malting facility in Queensland was completed during the year.

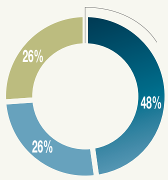
The **Australia Construction** division maintained steady growth, reporting a 22% increase in revenue to R7,9 billion in a project environment that continued to be driven by investment in general domestic infrastructure as well as infrastructure for the mining and oil and gas markets. The Hay Point Berth project in Queensland experienced delays as a result of design changes, start-up delays and difficult ground conditions. Although the project is at an early stage, these delays increase its risk profile. McConnell Dowell is working with the client to partially mitigate the delays with an accelerated work programme.

The **Overseas Construction** division continued to perform well in competitive markets, with ongoing growth in South East Asia and the Middle East contributing to revenue growth of 64% to R3,7 billion. The operation was awarded a jetty design and construct contract for Vale SA in Malaysia and strengthened its position in New Zealand with the award of major new contracts in the Christchurch rebuild programme and the transport and power infrastructure sectors.

The **Pipelines** division reported a 50% increase in revenue to R2,8 billion. Work on a number of significant contracts on coal seam methane projects secured in Queensland in the previous financial year gained momentum during the year, but profits were impacted by slower than expected initial progress on the QCLNG project. Good progress was achieved in the welding, trenching and pipe lowering productivities during the second half of the year and the project was 55% complete at year-end and on schedule to achieve full completion by September 2013. The QCLNG project involves detailed design and construction work for a 540 kilometre one-metre underground gas pipeline network that will transport coal seam gas from QGC's gas fields in the Surat Basin of Southern Queensland to a LNG export facility at Curtis Island near Gladstone. The work includes a marine crossing from the mainland to Curtis Island. McConnell Dowell and its joint venture partner are applying their considerable experience in large diameter pipelines to install Australia's longest one-metre diameter underground pipeline.

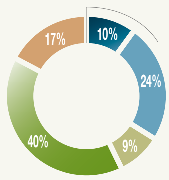
Two-year order book by business unit

Aveng Grinaker-LTA



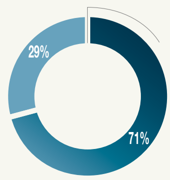
48% Building
26% Mechanical and Electrical
26% Civils, Earthworks Engineering and Mining

McConnell Dowell



10% Electrical
24% Pipelines
9% Tunnels
40% Australia Construction
17% Overseas Construction

Aveng Mining



71% Moolmans
29% Underground mining

The **Tunnelling** division reported a decline in revenue to R1,0 billion and lower profits, reflecting the impact of the Adelaide Desalination project, as well as a shortage of new work secured in 2011 and the delayed start of projects secured in 2012. The Adelaide Desalination Plant, which was initially delayed by geotechnical and weather challenges, reached an important milestone in October 2011 with the successful commissioning of the first of two 50 gigalitre plants. Since then the pump station and transfer pipeline have been distributing drinking quality water to water storage facilities in South Australia, and the project is on schedule to achieve full capacity of 100 gigalitres of desalinated water per annum in December 2012. The Adelaide Desalination Plant is a landmark project – it is the largest of its kind in the world and has confirmed McConnell Dowell's position as a first-tier contractor, able to successfully deliver large and complex industrial projects. The award of major projects in New Zealand is expected to have a positive impact on revenue and profits in 2013.

The **Electrical** division achieved significant growth across all of its key business sectors in Australia and New Zealand, increasing revenue by 36% to R1,9 billion. The business renewed maintenance contracts with most of its long-term customers in the electrical sector and has continued to diversify successfully into the gas maintenance sector as gas-related infrastructure investment continues to grow.

Open cut mining: Aveng Moolmans

Aveng Moolmans delivered a strong financial performance with revenue growing by 28% to R4,7 billion in a generally busy environment, and the operating margin improving from 8,9% to 10,2%, with the Marikana settlement stripped out of the 2011 results. Aveng Moolmans' comparative EBITDA margin remained consistent at 22%, excluding the impact of Marikana in 2011. The key factors that contributed to this performance were a steady workload, no significantly underperforming contracts, and improved utilisation rates and efficiencies. In the South African market, Aveng Moolmans secured a new contract on the Tshipi Borwa open cut manganese mine in the Northern Cape in November 2011. In Africa, the business was awarded a contract at the Kansanshi Copper Mine and commenced work on the Chimiwungo open cut for the Lumwana Mining Company (Barrick Gold) in north western Zambia.

Manufacturing and Processing

This business segment comprises Aveng Manufacturing and Aveng Trident Steel.

Aveng Manufacturing performed strongly in a generally depressed market, reporting revenue growth of 26% to R3,4 billion and a turnaround in operating profit as all operating units, with the exception of Aveng Manufacturing Infraset, delivered growth in revenue and profit. A number of factors contributed to the improved performance, including a significant contribution by Dynamic Fluid Control (DFC) which was acquired in 2011 and is reporting its first full year as part of the Aveng Group, the negative impact of the Competition Commission settlement of R129 million in the previous year and considerable cost-reduction and efficiency gains from the ongoing operational improvement programme.

In a challenging market characterised by unreliable supply from domestic steel mills in the first half of the financial year which resulted in the segment's steel imports increasing by 25%, and a slowdown in public sector demand in the second half, Aveng Trident Steel was able to increase revenue by 12% to R5,7 billion, due largely to increasing demand from the automotive industry and an 11% increase in average steel prices.

A strong focus on operational efficiencies, together with the benefits of improved inventory optimisation and a broader product offering, helped Aveng Trident Steel to offset the impacts on the profit margin of ongoing competition in the market.

Sustainability

Sustainable development is a business imperative and is encapsulated in the Aveng Group's corporate mission to leave 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 the group operates. This commitment to sustainable development is driven at a group level, endorsed and measured by the board, and implemented across the operating groups. The chairman and directors, through their involvement on various board committees, are accountable for group sustainability performance. Details are outlined on pages 40 to 67.

Environmental responsibility

The Aveng Group is committed to conducting its operational activities in an environmentally responsible and sustainable manner. The group has participated in the JSE's Socially Responsible Investment (SRI) Index since the inception of the SRI Index in 2004 and has frequently been recognised as the top performer in the high environmental impact category. The group continues to participate in the Carbon Disclosure Project survey. Progress in monitoring and mitigating the impact of group operations on the environment is detailed on pages 54 to 57. Progress with "green building" practices, sustainable use of water and other resources, and the prevention and mitigation of environmental pollution by minimising waste sent to landfills and reduced greenhouse gas emissions are also included.

During the year, the Aveng Group developed an environmental policy and framework to guide Aveng operations and employees in the development and management of their environmental programmes and strategies.

Transformation

It is our vision to make the Aveng Group a home for all South Africans, where there are no divisions or boundaries and where no one feels structurally excluded. A living example of our commitment to transformation is the group's BEE arrangement.

The Aveng BEE deal reached maturity in 2011 and was successfully restructured and extended during the current financial year to 2014. Over the period since its initiation in 2004, the BEE deal has created wealth of R942 million for our BEE partners, of which R339 million has been realised by the Tiso Group, R301 million by the Aveng Community Investment Trust and the balance of R301 million by our employees.

The R301 million endowed to the Aveng Community Investment Trust has allowed us to extend the value generated by our operations to the communities in which we work. During the year, the group committed over R12 million to CSI initiatives with the aim of making positive, lasting impacts in these communities. Our focus is on skills training, and maths and science education. The Trust selects projects based on their ability to be sustainable and scalable. We also invest strongly in the development of small, medium and micro enterprises (SMMEs) to ensure the sustainability of our suppliers. Capacity-building initiatives include skills transfer through training and development workshops and mentorship programmes, and technical and operational support to established SMMEs and exempt micro enterprises.

Governance

This integrated report outlines how the group is progressing with its journey to apply 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 and the Listings Requirements of the JSE Limited.

Board of directors

Keith Rumble resigned as an independent non-executive director with effect from 1 December 2011 due to an onerous overseas travel schedule. We thank Keith for his valuable contribution to the board.

Mahomed Seedat and Michael Kilbride were appointed as independent non-executive directors with effect from 4 July 2012. Mahomed and Mike both have extensive experience in the mining industry. Mahomed was previously chief operating officer of Lonmin and a senior executive at BHP Billiton and Anglo American Coal. Mike was an executive director of Kumba Resources and Exxaro.

Stephen Pell was appointed as an executive director on 1 June 2012. Stephen has worked in senior executive positions at Murray & Roberts, Stocks Building Africa and Stefanutti Stocks in a career that has spanned 30 years.

We welcome Mahomed, Mike and Stephen to the board and look forward to the depth of experience and expertise they will bring to key strategic areas of our business.

Outlook and prospects

The Aveng Group anticipates that infrastructure investment by the public sector in South Africa will remain under pressure and is expected to regain momentum in the next 18 to 24 months. Private sector growth will be primarily driven by the mining, oil and gas and renewable energy sectors, with mining growth dependent on the resilience of China's demand. In sub-Saharan Africa, GDP is expected to remain strong at 5,3% in 2013 and numerous opportunities exist for our business units to expand their current footprint. The primary focus for Aveng Grinaker-LTA is to realise the benefits of the restructuring, return to profitability and secure work outside South Africa.

Australia's recent construction boom is beginning to slow down. Economic slowdown in China, Australia's main export market for commodities, from over 10% in the last five years to an expected 6% to 8% over the next five years, is dampening capital investment in mining and infrastructure projects, including railways and ports. The Aveng Group's strong market positioning, together with the robust prospects in South East Asia and the Pacific Rim, should place McConnell Dowell in a strong position to continue its growth trajectory. From an operational perspective, the primary focus will be given to resolving the current problem contracts.

Aveng Mining is well placed to participate in the ongoing growth in mining activities on the African continent. This segment will continue to benefit from long-term relationships with clients, a diversified commodity and geographical mix, and continued focus on operational efficiencies.

Aveng Manufacturing will pursue significant opportunities in the local and African rail infrastructure and mining sectors. Underlying the strategy will be an ongoing focus on driving efficiencies, reducing costs and providing value-added products and services to our customers.

Indications are that the global steel industry will remain under pressure with no significant improvement in prices anticipated in 2013 and this will continue to present challenges for our steel businesses. Further impetus will be given to operational efficiencies.

Despite the cautious construction outlook, our strong two-year order book, and improved operational performance and project execution, should contribute to a substantially better contribution from our construction businesses.

The Aveng Group has a well-balanced portfolio, geographical diversity and multidisciplinary capability across the infrastructure value chain. The group will continue to focus on project execution and reduction of the financial impact of challenging contracts. Special attention will be given to improve the overall performance of the local construction segment, the QCLNG Export Pipeline and Hay Point Berth projects in Australia. These interventions and the continued improvement from our other operations should position the group well for the coming year.

Appreciation

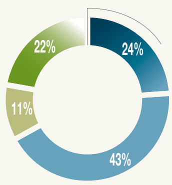
We extend our gratitude to our board for their wise counsel and our executive team for responding to the increasingly difficult demands of our business environment in a year in which we have all worked hard to reposition Aveng for growth. We also thank our people who continue to deliver extraordinary projects that sustain economic development in the markets we serve. Without their dedication and the ongoing support of our clients, suppliers and partners we would not be able to sustain our business. We are confident that we have the capacity to continue fulfilling our vision of being a leader in our chosen infrastructure development markets in South Africa, Africa, Australasia and the Pacific.

Angus Band
Chairman

Roger Jardine
Chief Executive Officer

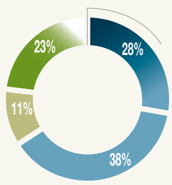
Kobus Verster » Financial director

The group's operating segments reflected either steady or improved financial performance compared with the comparative period, other than Construction and Engineering: South Africa which incurred a substantial loss. Encouraging progress was made on previously reported problem contracts in both the Australian and South African construction businesses.



Revenue by segment 2012

24% Construction and Engineering: SA
43% Construction and Engineering: Australia and Pacific
11% Open cut mining
22% Manufacturing and Processing



Revenue by segment 2011

28% Construction and Engineering: SA
38% Construction and Engineering: Australia and Pacific
11% Open cut mining
23% Manufacturing and Processing

Performance overview

The group's two-year order book grew by 2% from R46,0 billion at 31 December 2011 to R47,0 billion at 30 June 2012. This increase emanates primarily from the group's South African construction business. The Australian order book decreased by 2% from R30,6 billion to R29,9 billion. In Australian Dollar terms the order book decreased by 3% to AU$3,6 billion.

On a year-on-year basis, the group's order book has grown by 27% from R37 billion in June 2011 to the current R47,0 billion. This includes a 58% growth in orders secured by the group's Australian-based operations. In Australian Dollar terms, the Australian-based order book has grown by 20% from AU$3,0 billion to AU$3,6 billion.

The group's revenue increased by 19% to R40,9 billion on the comparable period, with significant revenue growth being experienced in the group's Australasia and Pacific construction business, open cut mining and local manufacturing and processing businesses.

The weaker average ZAR/AUD exchange rate of R8,01 (R8,41 at 30 June 2012) against an average of R6,95 for the comparative period (R7,28 at 30 June 2011) provided leverage to the results of the Construction and Engineering: Australasia and Pacific segment.

The group's operating segments reflected either steady or improved financial performance compared with the comparative period, other than Construction and Engineering: South Africa which incurred a substantial loss. Encouraging progress was made on previously reported problem contracts in both the Australian and South African construction businesses. Further additional provisions to de-risk some new loss-making construction contracts were considered necessary. This resulted in a decline in operating income, before financing costs of 56% to R802 million. A reduction in investment income, net of financing costs by R138 million to R150 million from lower average cash reserves and the tax charge of R203 million resulted in headline earnings for the period of R495 million. Headline earnings per share of 128,1 cents were down by 58%.

Cash, net of interest-bearing borrowings (net cash position), of R3,9 billion was below the previous year's R5,3 billion mainly due to lower cash generated by operations, a net investment in working capital of R60 million, capital equipment purchases of R2,1 billion, dividends paid of R561 million and the share reduction programme of R449 million, which combined, resulted in a return of cash to shareholders of R1,0 billion during the year.

The ROE for the group reduced to 3,8% for the 2012 financial year compared to the 9,5% achieved in the prior year.

Share performance

As a result of the reduction in headline earnings by R696 million to R495 million, earnings per share of 134,9 cents were 56% lower than in the prior financial year. Headline earnings per share of 128,1 cents for the period were 58% lower than the previous year's 306,4 cents per share. Diluted headline earnings per share were down by an equivalent 58% at 119,8 cents against the comparative period.

The repurchase of 11,75 million shares and the issue of 8,5 million treasury shares in respect of the BEE transaction resulted in a reduction in the number of shares in issue by 11,75 million as the 8,5 million shares are regarded as unissued treasury shares. The number of diluted weighted average shares in issue reduced by 2,6 million. The contingently issuable shares in respect of the empowerment transaction remain unchanged at 26,8 million.

Statement of comprehensive income

The group recorded revenue of R40,9 billion for the year, which was 19% or R6,6 billion higher than last year. Despite the strong revenue growth, profit before tax declined by 59% to R726 million on last year.

Construction and Engineering: South Africa

The segment recorded overall revenue of R9,9 billion, up 4% on the corresponding period and a net operating loss of R733 million compared to a net operating profit of R443 million last year. Within the segment, Aveng Grinaker-LTA reported a 4% increase in revenue to R9,2 billion, Aveng E+PC's revenue declined by 20% to R390 million and Aveng Water revenue improved by 38% to R328 million. Revenue growth at Aveng Grinaker-LTA emanated primarily from the Building and Mechanical and Electrical divisions which recorded growth of 21% and 5% respectively.

The substantial losses in the segment were mainly attributable to:

- Aveng Grinaker-LTA's steel fabrication unit DSE recorded operating losses, including further loss provisions on the steel fabrication contract with Genrec. The primary difficulty on this contract was the flow and quality of technical information which led to multiple overruns. Slow progress has been made in resolving the claims and entitlements and in mitigation of risks previously recognised entitlements which have not been certified have accordingly been reclassified as claims. A separate supply agreement with Hitachi to fabricate the remaining volumes has been agreed.
- losses on a number of smaller contracts
- the cost pertaining to the restructuring
- the cost of maintaining skills and related capacity in anticipation of improved market conditions
- provision for a potential Competition Commission fast-track settlement
- the general absence of the close out of large projects which enhanced the profitability in the previous financial year.

Construction and Engineering: Australasia and Pacific

Revenue at McConnell Dowell increased by 29% to R17,1 billion and operating profit by 24% to R360 million. In Australian Dollar terms, revenue improved by 12%. Revenue growth was supported by strong performance from Overseas construction and Pipelines which recorded top-line growth of 64% and 50% respectively. The Australian Construction division, which accounted for 45% of the McConnell Dowell revenue in 2012, increased by 22% while Tunnelling decreased by 26%, reflecting the shortage of work in this division. The Electrix business recorded continued solid growth of 35% focusing on servicing the power and utilities market in Australia and New Zealand.

Operating profit at McConnell Dowell, although significantly improved, was adversely affected by delays on the QCLNG Export Pipeline and the Hay Point Berth projects. The problematic projects identified in June 2011, the Adelaide Desalination Plant and the Komo Airfield, have both made good progress during the financial year, contributing positively toward earnings. The Overseas Construction and the Electrix divisions showed a substantial increase in their contribution to the profits of the Australian operations.

Good progress has been made on the welding, trenching and pipe-lowering activities on the QCLNG Pipeline project, which was 55% complete at year-end, but timely project execution remains a significant risk to the project. The target date for completion of the project is September 2013.

The Hay Point Berth project has experienced delays with substantial design changes, start-up delays and difficult ground conditions. Although at an early stage, these delays increase the project's risk profile. Given the level of uncertainty, McConnell Dowell has taken substantial provisions against these two projects.

Manufacturing and Processing

The Manufacturing and Processing segment, which includes Aveng Trident Steel, increased revenue by 17% to R9,1 billion with double-digit growth in all business units with the exception of Aveng Manufacturing Infraset where revenue increased by 3%. Revenue growth was supported by a good performance from the mining segment, sleeper supply and mechanised track maintenance while an improvement in volumes in the landscaping and building products market was mainly supported by low-cost housing demand. The segment experienced a large decline in the infrastructure market while rebar volumes to the construction market maintained prior year levels. Overall steel volumes were impacted by the depressed domestic infrastructure market, steel supply shortages and labour disruptions during the first half of the year.

The segment's 82% improvement in operating profit to R585 million, is partly due to the absence of non-recurring expenses in the current year's results.

Aveng Moolmans

The revenue in this open cut mining business grew by 28% to R4,7 billion and operating profit increased by 15% to R478 million due to the turnaround of underperforming contracts and improved efficiencies and plant utilisation. Excluding the Marikana (Aquarius) settlement of R88 million in the previous financial year, operating profit improved by 46% on an underlying basis.

The underground mining business of Aveng Grinaker-LTA is to be reorganised and combined with Aveng Moolmans to form a new segment, Aveng Mining for the 2013 financial year. In anticipation of this reorganisation long-term financing of R657 million was raised at the end of the financial year.

Taxation

The tax rate for the Aveng Group of 28% (June 2011: 33%) includes a R57 million Secondary Tax on Companies (STC) payment arising from the October 2011 dividend, assessed losses within some group operations, a partial reversal of the 2011 deferred tax asset and a foreign tax rate differential. The negative impact of the higher effective tax rates from our African operations was to a large extent offset by the lower effective tax rate from McConnell Dowell's offshore operations.

Statement of financial position

The group's balance sheet remains strong despite a challenging financial year with weaker headline earnings and deterioration in the net cash position by R1,4 billion. Inventories increased by R401 million to R2,5 billion mainly due to higher steel stocks in the Manufacturing and Processing segment. Aveng Manufacturing and Aveng Trident Steel increased stock levels to alleviate the impact of steel supply disruptions from local suppliers on operations and customers. Capital expenditure increased by R269 million to R2,1 billion for the year (2011: R1,8 billion). Of the R2,1 billion capital spend, R900 million was spent on replacement of existing equipment and R1,2 billion on increased capacity.

Capital structure optimisation

The formation of Aveng Mining is the first phase of optimising the capital structure of the Aveng Group which will gain further traction in the coming financial year.

As part of the process to optimise the group's capital structure and to more effectively manage the impact of a large capital intensive business like Aveng Moolmans on the cash flow of the group, Aveng Moolmans assets are in the process of being transferred to a separate legal entity. Finance to the value of R657 million was introduced with the intention to fund future capital requirements from internally generated cash and the Aveng Moolmans standalone balance sheet.

Property, plant and equipment

Capital expenditure of R2,1 billion for the year was mainly within Aveng Moolmans and McConnell Dowell with R900 million spent to maintain current capacity and R1,2 billion on capacity expansion.

Aveng Moolmans' capital expenditure for the year of R934 million was to maintain current equipment and to equip the operations for three new contracts awarded on the Tshipi Borwa open cut manganese mine in the Northern Cape, the Kansanshi Copper Mine and the Chimiwungo open cut in north western Zambia, as well as the extension and increased volume of the contract for Kumba Iron Ore's Sishen mine.

Aveng Manufacturing's capital expenditure of R198 million is comprised primarily of replacement assets and expenditure necessary for the completion of the new cutting Ficep lines, additions to the motor fleet and the new Peeler line at Aveng Trident Steel.

McConnell Dowell invested R611 million, of which approximately 40% was for construction camps and related equipment, which are largely expensed as project costs.

Aveng Grinaker-LTA invested R328 million in replacement equipment and capacity building.

No significant impairments of property, plant and equipment occurred during the year.

Investments, goodwill and intangible assets

Goodwill and other intangibles of R1,5 billion at 30 June 2012 remain consistent with what was reported last year which included the acquisition of the Perth Building Company and Dynamic Fluid Control (Pty) Limited. Both acquisitions are subject to profit-based earned-out settlements which have been either settled, or provided for during 2012.

Goodwill is tested for impairment annually. A comprehensive impairment test was conducted during the year on all group investments. No investments were impaired during the year under review.

Working capital

Net working capital increased by R209 million for the year. The increase in inventory levels at year-end within the Manufacturing and Processing segment, the increase in debtors' days within the Construction and Engineering businesses, and a R2,5 billion increase in accounts payable due to increased activities have contributed to this increased investment in working capital.

Inventory at year-end amounted to R2,5 billion against R2,1 billion at the last year-end. This increase is attributable to the group's decision to increase stock holding to mitigate mainly against the risk of shortage of steel supply. Despite good progress in working down inventory levels in the second half of the year, the progress was aggravated by a slow-down in economic activity. There have been no significant inventory write-downs during the period under review. Inventory days (measured at a group level) were 25, which is marginally lower than that recorded for 2011 (26 days).

Accounts receivable of R10,4 billion at 30 June 2012 reflects a deterioration in absolute terms of R2,3 billion against that reported for 2011 of R8,1 billion. Accounts receivable days were 93 days which was a deterioration on the 86 days achieved for the 2011 reporting period.

Group accounts payable days as measured at year-end was 130 days which is consistent with the 130 days recorded at the end of the previous financial year. In absolute Rand terms, accounts payable reflected an increase of R2,5 billion, which served to offset the increase in outstanding accounts receivable.

Total share-based payment and related employment obligations of R1,5 billion were marginally higher than in the previous financial year following the introduction of the employee share appreciation rights scheme, detailed more fully in the remuneration section of this report.

Net cash position and cash equivalents

The net cash and cash equivalent position of R3,9 billion was below that recorded at 30 June 2011 of R5,3 billion. Cash reserves deteriorated as a consequence of lower than anticipated cash generated from operations, the maintenance of the above policy dividend payment, capital purchases, the share repurchase programme and resultant lower net investment income.

Shareholders' analysis

Aveng Limited shares continue to be actively traded during the 2012 financial year with liquidity at 70,7% (2011: 86,3%). Approximately 266 million shares were traded during the period (2011: 327 million), representing a value traded of R9,6 billion, at a volume weighted average price of R36,03 (2011: R38,28).

Weighted average number of shares	2012	2011
Weighted average number of shares in issue by company	**397 676 896**	394 697 457
Less: Weighted average number of treasury shares	**(11 648 939)**	(6 018 386)
Weighted average number of shares in issue	**386 027 957**	388 679 071
Add: Contingently issuable shares	**26 833 103**	26 833 103
Diluted weighted average number of shares in issue	**412 861 060**	415 512 174

Dividend declaration

Total shareholder distributions for 2012 consist of two elements:
» the share repurchase programme
» declaration of an ordinary dividend.

Following the October 2010 and 2011 annual general meetings, the group has a general authority to repurchase a maximum of 20% of the fully diluted weighted average number of shares in issue. In May and June 2012 it fully transacted the 2012 repurchase programme by acquiring 2,9% of the issued share capital for a total consideration of R449 million.

The board has revised the group's dividend practice from a payout ratio of 25% to a dividend policy of 30% of headline earnings. Although not all shareholders are equally affected, a higher dividend payout ratio of 30% is deemed appropriate in order to compensate the affected shareholders for the change in South African dividend tax regime.

After consideration of the group's cash and working capital requirements and order book, the board has declared a final dividend of 60 cents per share in respect of the financial year ended 30 June 2012. This constitutes a dividend payment ratio of 47% of the group's headline earnings per share for the period.

The salient dates for the payment of the dividend are as follows:

» Last date to trade cum dividend	5 October 2012
» Commence trading ex dividend	8 October 2012
» Record date	12 October 2012
» Payment date	15 October 2012

The dividend will be payable in South African Rand on Monday, 15 October 2012.

This is a dividend as defined in the Income Tax Act, 1962. Dividends will be paid net of dividend tax to be withheld and paid to the South African Revenue Service on behalf of the company. Such tax must be withheld unless beneficial owners of the dividend have provided the necessary documentary proof to the company's regulated intermediary (Computershare Investor Services) that they are exempt therefrom, or entitled to a reduced rate as a result of a double taxation agreement between South Africa and the country of tax *domicile* of such owner. The withholding tax, if applicable at the standard rate of 15%, will result in a net cash dividend per share of 51 cents. No STC credits were utilised when determining the net dividend.

The company's income tax number is 9756252715.

The company had 389 838 097 ordinary shares in issue on 30 June 2012 of which 14 604 979 are held by the group entities as treasury shares.

Kobus Verster
Financial Director

Independent assurance report to the directors of the Aveng Group

for the period ended 30 June 2012

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 2012 (the Report) for the period ended 30 June 2012, 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 Index) for a High Impact business, and whether the following key performance indicators (specified KPIs) contained in the report have not been prepared in all material respects in accordance with the criteria disclosed in the footnotes on the relevant pages:

» Recordable injury frequency rate for the 12 months ended June 2012 as disclosed on pages 47 and 48
» Lost time injury frequency rate (LTIFR) for the 12 months ended 30 June 2012 as disclosed on page 47
» Carbon footprint (Scope 1 – diesel) for the 12 months ended 30 June 2012 as disclosed on page 55
» CSI trust payments for the 12 months ended 30 June 2012 as disclosed on page 66
» Number of employees who underwent HIV/Aids training for the 12 months ended 30 June 2012 as disclosed on page 51
» Investment in training (Rand) for the 12 months ended 30 June 2012 as disclosed on page 8.

The specified KPIs noted above have been highlighted in bold, italics in the report and annotated with an 'A' 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 2012 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.

We have complied with the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a multidisciplinary team of health, safety, social, environmental and assurance specialists with extensive experience in sustainability reporting.

The Aveng Group has elected to prepare the report in accordance with the principles and listings 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 controls 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 on page 41.

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. Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods adopted for the definition and gathering of information. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements.

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
  - 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 2012 has not been prepared, in all material respects, in accordance with the principles and listings requirements of the JSE SRI for a High Impact business
- The specified KPIs contained in the report have not been prepared in all material respects in accordance with the respective criteria noted in the corresponding footnotes.

Other matter

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 2012 Sustainability overview 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 2012

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, considering the impact of socio-economic and environmental challenges and limited natural resources.

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** – remuneration and nomination committee, investment committee, risk committee, tender risk committee, social, ethics and transformation committee *(economic and social sustainability)*. **Roger Jardine** – risk committee, executive committee, safety, health and environmental committee *(economic, environmental 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, remuneration and nomination committee *(environmental and social sustainability), audit committee* **Thoko Mokgosi-Mwantembe** – social, ethics and transformation committee, remuneration and nomination committee *(social sustainability)* **Myles Ruck** – investment committee, audit committee *(economic sustainability)* **Nkululeko Sowazi** – social, ethics and transformation committee, investment committee, remuneration and nomination 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)* **Stephen Pell** – tender risk committee, risk committee, executive committee *(social and economic sustainability)* **Michael Kilbride** – risk committee *(economic sustainability)* **Mahomed Seedat** – safety, health and environmental committee *(environmental and social sustainability)*	The Aveng Group recognises its responsibility to society, economically, socially and environmentally. The group has committed to monitor its usage of natural resources, develop a base line for its carbon emissions footprint 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.	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** Risk, safety, health, wellness, environmental and human capital management at the highest level. Strong ethical culture and transformation of the business in line with the requirements of the geographies in which we operate.

Sustainability journey

Key area	Our commitment to sustainable development	2011 Achievements	2012 Achievements	Future objectives	More info
Economic sustainability	To build and maintain a robust and enduring business for the benefit of all stakeholders	Revenue of R34,3 billion, total value added of R11,3 billion	Revenue of R40,9 billion, total value added of R13,4 billion	Continued focus on creating sustainable value for all stakeholders	See the economic sustainability report on pages 44 – 45
Transformation	To achieve substantial transformation in the group's South African operations	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	Aveng (Africa) and Aveng Trident Steel rated as level 2 (156%) and level 4 (100%) 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 pages 62 – 65
Social & Ethics	To facilitate sustainable sound development and promote ethical behaviour in accordance with legislation and the recommendations of various forums	All identified employees undertook anti-corruption and Competition Commission compliance training. The group provided bursaries, developed suitable internal training schools for service skills, undertook leadership development and focused on culture alignment within the group	All employees above grade 9 signed a pledge committing to uphold the group ethical standards and agreements. Continual anti-corruption training and evaluation. The group focused on talent development and succession management, enrolling 310 apprentices, 309 learnerships and 125 bursars	Review code of conduct in line with best practice. Continue with online training and ethical evaluations	See human resources report on pages 58 – 61, transformation report on pages 62 – 65, corporate social investment report on pages 66 – 67, corporate governance report on pages 92 – 111

Sustainability journey

Key area	Our commitment to sustainable development	2011 Achievements	2012 Achievements	Future objectives	More info
Environmental sustainability	To encourage behaviour and practices that contribute to environmental stewardship	Public disclosure of CDP. Improving the measurement scope and boundary of carbon emission sources. ISO 14001 certification at two additional operating groups.	Environmental policy and framework developed. Environmental gap analysis completed. Continued improvement in measuring and reporting of carbon emissions.	ISO 14001 certification at all operations. Accurate baseline carbon and water footprint established. Implement environmental framework.	See environmental report on pages 54 – 57 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 30 000 people employed across globe. Over R40 million invested in training in SA.	As beneficiaries of the Aveng Empowerment Trust, approximately 12 900 current and retired employees of Aveng (Africa) and Aveng Trident Steel received a payout of approximately R300 million which had accrued to the trust, confirming the broad-based aspect of the Aveng BEE transaction entered into in 2004.	Raise the performance bar of talented employees, including emerging leadership talent.	See human resources report on pages 58 – 61.
Health and safety	To establish an occupational environment that protects against injury and illness, enhances wellbeing and increases productivity. To encourage behaviour and practices that entrench the group safety vision	Employee demographic profile developed. Health and wellness strategic pillars identified. Appointed group executive to lead health and wellness journey. Board safety committee mandate increased to safety, health and environmental committee. 6% improvement in the recordable injury frequency rate to 1,22. More than 95% of operations OHSAS 18001 certified.	Health and wellness policy and framework developed. Employee wellbeing programme implemented. HIV/Aids impact analysis completed. Improvement in safety climate maturity at five of seven operating groups. 78% improvement in visible safety leadership visits by senior management. 3% improvement in recordable injury frequency rate to ***1,19*** [A].	Review and update group occupational health profile. Increase opportunities for employees to know their health status. Implement health and wellness framework Eliminate fatalities and achieve a resilient culture of safety at all operations.	See safety report on pages 46 – 48 and health and wellness report on pages 49 – 53.
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	R22,7 million CSI spend on active staff volunteerism programmes. Ongoing focus on skills development.	The Aveng CSI Trust will benefit to the value of R301 million from the BEE transaction entered into in 2004 which will be used to sustain and extend the group's CSI efforts. 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.	See corporate social investment report on pages 66 – 67.

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 in 2011 and 2012 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 which the JSE is progressively including in its reporting requirements.

» 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. In July 2012 the Aveng Group pledged a recommitment to WEF Partnering Against Corruption Initiative principles.

» The group determined in 2009 that it would focus on the JSE SRI Index, EIRIS, CDP and PACI initiatives to ensure that it applied the necessary systematic approach 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 in early 2013.

» In 2011 the group developed an environmental policy, and in the first quarter of 2012 an environmental framework was developed.

[A] *Assured*

Despite a difficult financial year, the Aveng Group has continued to contribute positively to a sustainable economy, delivering a 19% increase in revenue to R40,9 billion for 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 R13,4 billion. The group's providers of goods and services benefited from expenditure of R27,7 billion on products and services from suppliers.

The Aveng Group maintained its dividend payout ratio having declared a dividend of 60,0 cents per share for 2012 (2011: 145,0 cents), resulting in a dividend cash distribution to shareholders of R233,9 million.

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

Wealth creation

The Aveng Group 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 its 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 2012

	2012 Rm	2011 Rm
Revenue	**40 885,5**	34 323,6
Net cost of products and services	**27 721,2**	23 396,5
Value added by operations	**13 164,2**	10 927,1
Income from investments and interest	**225,9**	346,9
Total value added	**13 390,1**	11 274,0
Applied as follows to:		
Employees as salaries, wages and other benefits	**11 072,4**	8 333,3
Providers of capital – financing costs	**75,7**	58,5
– dividends	**561,2**	565,1
The state as taxes	**203,1**	583,7
Total value distributed	**11 912,5**	9 540,7
Reinvested in the group – amortisation and depreciation	**1 515,6**	1 125,1
– reserves retained	**(38,0)**	608,3
Total value added	**13 390,1**	11 274,0

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 R27,7 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 R11,0 billion was paid as salaries, wages and other benefits to its 33 221 employees, supporting economic activity in their broader communities.
- 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 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.
- 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 is a core value of the Aveng Group and integral to the way it conducts business. It is demonstrated by commitment to high standards and assignment of specific responsibilities for safety.

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". The safety policy and framework supports the group safety vision, provides direction and sets standards for Aveng operations to develop and manage their safety programmes and strategies.

Unfortunately, in the period under review the group did not meet a key safety objective, to eliminate fatalities at the workplace. The group remains deeply committed to addressing the root causes of safety events to realise this objective.

The Aveng Group deeply regrets that 12 people (six employees and six subcontractors) died in workplace accidents during the financial year. Seven of these accidents occurred within the group's South African operations and five occurred within the group's international operations. Three of the fatalities involved company vehicles driven on public roads. Each fatal accident was subject to an in-depth 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, even a single fatality is unacceptable and actions are taken to avoid similar incidents. The group expresses its condolences to the families, friends and colleagues of those who passed away in work-related incidents.

For more information on the Aveng group safety policy and framework go to **www.aveng.co.za**

Highlights

- More than 95% of the group's operations continue to maintain certification for the OHSAS 18001 health and safety management standard. Maintaining certification ensures that a comprehensive, structured and systematic approach to health and safety management is in place for continued improvement in safety performance.
- Improvement in the safety climate maturity level at five of the seven operating groups, no change at one, and 1% deterioration at one operating group. This is a clear indication that the group is making steady progress along its safety journey.
- CEO safety workshop to reflect on the safety journey and key initiatives to improve the safety culture. Some of the initiatives include greater focus by management on high consequence activities, quality of leadership engagements and improving the learning culture.
- 78% improvement in the number of visible safety leadership visits by the group CEO, operating group managing directors and their management teams to 446 (F2011: 250). Demonstration of senior management commitment is a crucial pillar of the group safety journey with its effect seen in the improved performance in a number of safety indicators.
- The group continued to prioritise the development of a resilient reporting culture, recording a 140% increase in reported near-miss incidents to 288 716 (F2011: 120 390). Employees are encouraged to report unsafe conditions, hazards, ineffective procedures and anything that could potentially lead to an unwanted outcome.

Our concerns

- Twelve fatalities at the group's operations: 50% of the fatalities involved subcontractors, JV partners and service provider employees. The group is revising its approach to ensure that, wherever contractually possible, early structured engagement with clients and joint venture partners takes place to clarify systems, policies, standards and rules. Greater focus is also being placed during internal audits on planned and completed high consequence activities.
- Increase in transport incidents: Transport safety management involving heavy haulage trucks, vehicles on public roads and surface and underground mobile equipment on sites requires a strategic and systematic approach. The group has appointed a transport safety executive to lead the improvements in transport safety management. Improved focus is also being placed on monitoring of compliance with the group vehicle and driver safety policy.

Key activities during the year

The group continued to make progress with the safety journey and roadmap by continuing to focus on leadership, culture, management systems and management of high consequence activities. Key activities during the year included:

- Maintaining OHSAS 18001 certification at most of the group's operations. REHM Grinaker, Facades and Aveng Manufacturing DFC are the only operations without OHSAS 18001 certification.
- Increasing the monitoring, compliance and auditing capability by commencing with safety audits by the Aveng Group office. The group safety framework continues to guide the operating groups to implement formal safety management systems to deal with hazards relevant to their operations.
- The group continues to increase awareness and understanding of living the Aveng DNA. The Aveng DNA is the blueprint for the way we conduct business, engage stakeholders and empower employees to ensure personal and organisational success. Safety is a core value of the group and also a key enabler within the Aveng DNA.
- Demonstrating leadership in safety gained momentum with 446 visible safety leadership visits undertaken by the senior executives (CEO, MDs and their management teams). This is a clear demonstration of management's commitment to safety, leadership and engagement with employees.
- Conducting safety climate assessments across the group's operations to determine the need to improve each operation's safety culture.
- Significant focus and effort directed at embedding a resilient reporting culture with 288 716 near-miss incidents reported during the year.
- Developing and rolling out several focused safety campaigns at the operations.
- Review and strengthening of subcontractor safety protocols.

Safety performance

The performance for most of the key safety indicators was better than the goals as indicated in the table below. The lost time injury frequency rate (LTIFR)* improved by 20% to ***0,24***[A]. Although the group recognises that LTIFR is a lag indicator where lower rates do not necessarily equate to a safer workplace, it has chosen to continue reporting on LTIFR as it is a widely used industry benchmark. The group continues to promote a near-miss reporting culture where a higher number of incidents are reported as this reflects openness and enables greater learning across the group. By analysing the near-miss data, the group identifies 'free lessons' and communicates these to personnel to reduce workplace injuries.

Reporting culture

Ma'aden Aluminium – Reduction Area Mechanical and Piping Project – Saudi Arabia

The McConnell Dowell Saudi Arabia Project team at Ma'aden Aluminium – Reduction Area Mechanical and Piping Project in Saudi Arabia achieved 500 000 man hours lost-time injury free. In addition to this milestone, the project team completed over 10 000 HSE observations since November 2011. In 2009, a HSE observation card system was introduced in the Middle East operations as part of the quest to improve the safety culture. By 2010, an increase in the numbers of observation cards, coupled with a significant increase in the near-miss event reporting frequency rate, resulted in a significant reduction in the recordable injury frequency rate (from 1,8 in 2009 to 0,7 in 2011). The Ma'aden Project team has taken the lead on this and the project management has set KPIs for HSE observation reporting for all the project teams. The HSE observation reporting performance results are discussed at the weekly toolbox meeting and the weekly supervisor's meeting. The numbers of HSE observations completed each month is clearly having a direct influence on behavioural safety on the site.

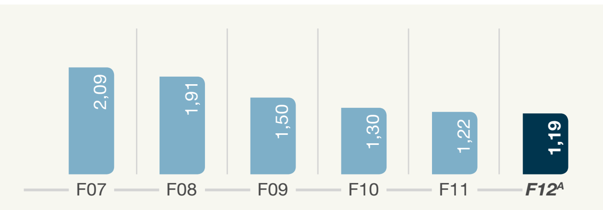
The managing directors and their reports continued to demonstrate their safety leadership commitment, with 446 engagements conducted across the group, a 78% improvement compared to the previous financial year. This is the second year where the group has used its internally developed capabilities to conduct safety climate assessments. An 18% improvement in the safety climate maturity level to 3,04 was achieved when compared to the baseline maturity level of 2,57 in the previous financial year.

The group will continue to report on a broader injury rate called the recordable injury frequency rate (RIFR). The historical performance of the RIFR is shown in the table on page 48. 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. The Aveng Group recorded a 3% improvement in RIFR. While this improvement is praiseworthy, it nonetheless means that 838 people were involved in incidents with the outcomes ranging in severity from fatalities, lost-time injuries and restricted work cases to medical treatment injuries.

Safety performance indicators

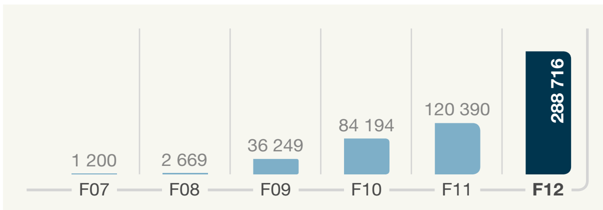
Indicator	Goal 2012	Actual 2012	Actual 2011	Performance
Number of fatalities	**0**	**12**	8	Worse than goal
Fatality frequency rate	**0**	**0,017**	0,012	Worse than goal
Lost-time injury frequency rate*	**0,29**	***0,24***[A]	0,3	Better than goal
Number of visible safety leadership engagements	**444**	**446**	250	Better than goal
Health and safety management system certification (OHSAS 18001)	**>95%**	**>95%**	>95%	Goal met
Near-miss to all injury ratio***	**>25**	**88**	33	Better than goal
Safety climate maturity level	**>2,75**	**3,04**	2,57	Better than goal

Recordable injury frequency rate (RIFR)**



Per 200 000 hours worked

Near-miss reporting culture



Number of near-misses reported

[A] Assured.

** LTIFR: Number of injuries involving employees, contractors and service providers that result in time lost from work of one day/shift or more per 200 000 hours worked.*

*** RIFR: Numbers of fatalities, lost-time injuries and restricted work cases per 200 000 hours worked.*

**** Near-miss: An opportunity to improve a safety practice or a condition, or an incident that has potential to cause an injury to a person.*

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

	Actual 2012	Actual 2011	% variance
Aveng Grinaker-LTA	**0,88**	1,06	17
McConnell Dowell	**1,79**	1,24	(44)
Aveng Moolmans	**0,80**	0,95	16
Aveng Manufacturing	**1,78**	1,81	2
Aveng Trident Steel	**1,77**	3,17	44
Aveng E+PC	**1,14**	0,65	(75)
Aveng Water	**0,96**	N/A	N/A
Aveng Group	***1,19***[A]	1,22	3

[A]*Assured.*

Key challenges

- Elimination of fatalities at the group's operations
- Continue improving the learning and sharing culture to reduce the occurrence of injuries and exposure to workplace hazards
- Continue improving the management and control of high consequence activities
- Continue improving subcontractor safety management
- Focus on quality of visible leadership engagements
- Improving transport safety management on our worksites and on public roads
- Continually improve the competence and level of engagement with employees

Key achievements and awards

- Aveng Water achieved OHSAS 18001 certification
- Aveng Manufacturing Duraset business unit completed one year without a LTI for the first time in June 2012
- Aveng Mining – Underground completed two million fatality free shifts in October 2011
- Aveng Moolmans Siguiri Gold Mine contract in Guinea (West Africa) achieved 4 630 968 LTI free man hours in June 2012
- Aveng Grinaker-LTA SAPREF contract achieved 4 682 236 LTI free man hours in May 2012
- Aveng Moolmans Langer Heinrich contract in Namibia achieved 2 611 871 LTI free man hours in June 2012
- Aveng Water Optimum Water Reclamation Plant and Erongo Desalination Plant completed two years without a LTI in June 2012
- Aveng E+PC Kopermyn Coal wash plant completed five years without a LTI and the Pembani coal wash plant completed four years without a LTI
- McConnell Dowell PARS project team was awarded the prestigious 'Award for Excellence in Responsible Care' on their Singapore Parallel Train (SPT) Project by ExxonMobil Chemicals. This is one of the highest honours that an individual, team or site can achieve within ExxonMobil Chemical
- McConnell Dowell DTL2 C916 Beauty World Station and Tunnel project in Singapore was awarded first prize in the Land Transport Authority's (LTA) Annual Safety Award Convention (ASAC) 2011 awards. The prestigious first prize is awarded to projects demonstrating excellence in safety culture and management
- McConnell Dowell Ambuklao and Binga Hydropower Plants Project in Philippines achieved two million LTI free man hours in August 2011

Looking ahead

Key objectives for year ahead	Goals
Continue improving the safety culture	Reduced injury rates, increased safety climate scores
Improve quality of visible leadership engagements	Engaged and committed workforce
Eliminate fatalities	Zero fatalities
Improve transport safety on work sites and public roads	Reduced transport related incidents and injuries
Improve management and control of high consequence activities	Zero fatalities, decrease in significant incidents
Embed a resilient learning culture	Avoidance of similar incidents
Improve subcontractor safety management	Reduced incidents involving subcontractors; improved productivity

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

Health and wellness

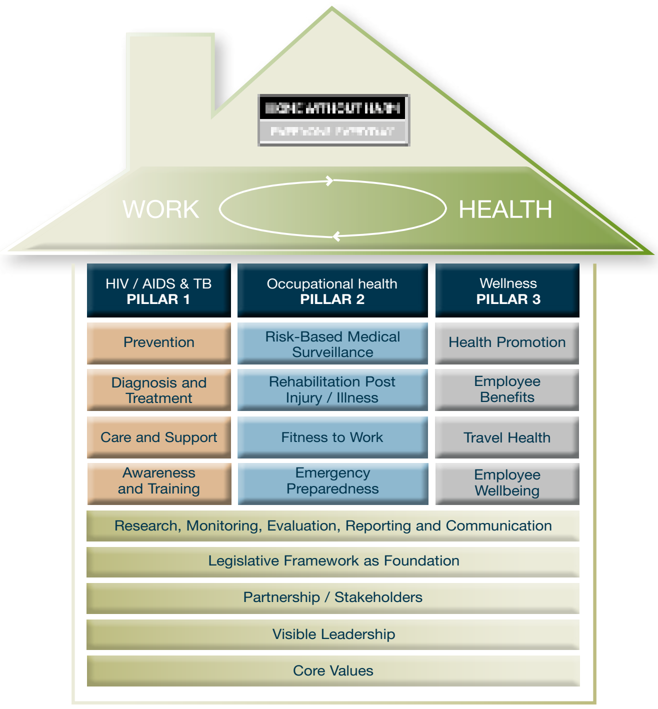
Health and wellness is integral to safety as a core value and as a top-line enabler for the Aveng DNA. The Aveng DNA guides the way we engage with stakeholders and empower employees to ensure personal and organisational success and ultimately, productivity. In keeping with our DNA, Aveng is committed to the health, wellness and safety of our employees.

The health and wellness policy and framework supports our health and wellness vision of "Home Without Harm Everyone Everyday". In building the Aveng house of health and wellness the dynamic relationship between the effects of work on health and the effects of individual health on work, is integral. An individual brings to the workplace an array of personal health conditions and susceptibilities. It is this combination and interaction of individual susceptibilities and hazardous exposures at the workplace that result in poor outcomes in the form of occupational injury, disease, disability and death. The group manages its occupational hazards and provides opportunities for individuals to know their health status, thereby managing the total employee health and wellness risk profile.

The group strives to integrate the three strategic pillars of HIV/Aids and TB, occupational health, and wellness, where reasonably practicable. This strategy has at its foundation compliance with applicable legal frameworks of the countries in which it operates. Collaboration with partners and stakeholders both internally and externally is key to ensuring that the group health and wellness strategy remains relevant and germane to the business. Research, monitoring, evaluating, communicating and reporting on health and wellness initiatives, as well as embracing the Aveng Group's core values of safety, honesty and accountability, are key to living the Aveng DNA.

The health and wellness policy informs the framework, which is a set of standards and principles upon which each operating group develops and manages its own health and wellness programmes. In line with visible leadership and good governance principles, this is done under the direction and supervision of each operating group's board and executive committee to ensure that the highest standards of accountability are achieved. Accountability for health and wellness is owned jointly by the human resources (HR) and safety, health and environmental executives at the operating groups.

For more information on the Aveng Group health and wellness policy and framework go to www.aveng.co.za



Notwithstanding the fact that the group operates in physically and psychologically demanding environments that are geographically dispersed, the following significant successes and learnings merit highlighting:

Highlights

- Development of a health and wellness policy which embodies the Aveng DNA and recognises that in the line of conducting our business, there are potential health and wellness risks to employees and that the group has an obligation to manage those risks
- Development of a health and wellness framework to provide an implementation foundation to the policy
- Completed HIV/Aids impact analysis illustrated estimated prevalence costs and projections previously undocumented within the group
- Selected medical incident reviews provided the operating groups with fresh insights into site establishment project risk management and medical emergency response planning
- Launch of the employee wellbeing programme for employees, spouses and dependants within the group
- Group health and wellness culture journey documented and presented at the International Congress on Occupational Health
- Significant improvement in reporting and monitoring of health and wellness performance indicators

Our concerns

- Multiple occupational health service providers with associated inconsistencies reflected in varying degrees of quality of health service provision. The resultant inconsistency of data is hampering progress on reporting of the strategic pillar for occupational health.
- Inadequate absenteeism management to measure and quantify absence from work objectively and consistently. Such a programme will be a barometer for health and wellness interventions as well as human capital management within the group.

Key activities during the year

- **Health and wellness employee demographic profile**
  This data collection exercise provided valuable information on overall employee medical scheme membership, age and gender profile, duration of service and geographical location of employees in the South African operations.
- **HIV/Aids impact analysis**
  The employee demographic profile provided inputs into the first HIV/Aids impact analysis. The estimated 2011 prevalence for the Aveng Group's South African operations is 14%.
- **Employee wellbeing programme**
  Implementation of the employee wellbeing programme (EWP) has provided a platform for 24/7/365 employee, spouse and dependant support in keeping with the "Health and Wellness around the clock" theme implicit in the health and wellness framework.
- **Occupational health service provision**
  An extensive review of current service provision was undertaken with the objective of appointing a preferred, single service provider for the South African operations. This review has highlighted the opportunities for improving our approach to conducting risk based medical surveillance examinations, storage and retention of employee medical surveillance records, and linking hazardous exposures to individual outcomes. These are all key drivers for occupational health performance.
- **Stakeholder engagements**
  Engagements with key external stakeholders, including service providers, clients, partners, academic institutions and industry bodies is vital to determine and implement best practice and ensure compliance to standards.
- **Wellness days**
  Wellness days were conducted within the group, in partnership with service providers. All employees, visitors and subcontractors were invited to participate in determining their individual health status. The emerging chronic disease profile with cases of previously undiagnosed hypertension, hypercholesterolaemia, diabetes mellitus, HIV/Aids and TB provided participants with insight into their health status.
- **Health and wellness performance monitoring**
  Reporting of key indicators within the wellness, occupational health, HIV/Aids and TB pillars has commenced, and will further enhance the monitoring and evaluation of interventions.

Health and wellness performance

- **Occupational health**
  The top occupational health risks for the group have been identified, with strategic plans being developed to effectively manage the risks. Occupational risk exposure profiles, which take into account the inherent requirements of a job and hazardous occupational exposures, are being developed. This ensures that appropriate and risk-based medical surveillance examinations are conducted and that specific tests such as random and routine drug screening tests are conducted on safety critical jobs.
- **Wellness**
  The employee wellbeing programme (EWP) was launched as an employee benefit offering to all Aveng Group employees, spouses and dependants. A confidential service is available for advice and support for issues ranging from financial, legal, stress and childcare to support with chronic diseases such as HIV/Aids and TB. In just over six months there have been 351 individuals accessing EWP services and 157 group trauma participants.

Four high risk cases, two of which are described below, have required immediate intervention, illustrating how proactive measures can prevent incidents at the workplace and enhance wellbeing at work. A heat map is being developed which will illustrate which areas should be monitored and which interventions initiated to manage the problem areas.

Employee wellbeing programme high risk cases

	Case 1:	Case 2:
Occupation	Crane operator	Sales
Presenting problems	Suicidal, domestic violence, alcohol, infidelity, financial	Suicidal, domestic violence, depression, absenteeism, disciplinary
Reason for flagging	Risk to self and others Considering using work equipment to commit suicide	Access to pills Extremely emotional Final written warning at work
EWP intervention	Telephonic counselling Four face-to-face consultations Follow-up calls Alcohol rehabilitation recommended	Telephonic counselling One face-to-face consultation Hospital admission Follow-up counselling sessions
Resolution	Disclosure to family relative	Disclosure to supervisor "Feels like new person"

» **HIV/Aids and TB**
The group partners with the South African Business Coalition on HIV/Aids (SABCOHA) on advocacy issues, peer educator support and training, testing, and data collation. The 2011 peer educator conference was held in collaboration with SABCOHA, and Aveng Manufacturing was the main sponsor of the event. Aveng Manufacturing Duraset peer educators presented a theatrical performance that was well received by delegates. Aveng Moolmans trained ***31***[A†] peer educators and Aveng Manufacturing trained ***52***[A†] peer educators. The training of wellness supporters is moving from support for just HIV/Aids to support for the broader range of chronic diseases and lifestyle issues. As a key prevention measure, condom distribution remains a focus within the group.

Due to the high rate of HIV/Aids and TB co-infection, the group strives to integrate HIV/Aids and TB initiatives and subscribes to the principle that every employee should be tested and screened for both HIV and TB at every opportunity. HIV Counselling and Testing (HCT) and TB symptom screening continue to be part of wellness day activities and testing campaigns at various operating sites. Employees who are affected or infected with HIV and/or TB are assisted to access support services through the relevant medical scheme programme, public health services, or through the EWP.

[A] *Assured.*
[†] *Training standard aligned to the Aveng Group's health and wellness framework.*

HIV counselling and testing and TB symptom screening (wellness days only)

HCT	575 participants
Tested positive	15 participants
TB questionnaires	643 participants

Health and wellness performance indicators

Indicator	Goal 2012	Actual 2012	Actual 2011	Performance
Aveng Group health and wellness policy	**Approved policy**	**Approved policy**	No group policy	Goal met
Aveng Group health and wellness framework	**Develop framework**	**Framework developed and operationalising strategic pillars commenced**	No framework	Better than goal
Employee demographic profile*	**Completed report**	**Completed**	No profile	Goal met
HIV/Aids impact analysis*	**Conduct impact analysis**	**Completed**	No analysis conducted	Goal met
Employee wellbeing programme	**Develop programme for all employees and dependants**	**Implemented**	No programme	Goal met
Wellness screening events – HCT, TB and personal health risk assessments	**At least one per operating group**	**7**	2	Goal met
Medical incident reviews	**Conduct detailed reviews for selected incidents**	**2**	0	Better than goal

**Aveng Group South African operations.*

Key challenges

» Standardised, consistent and quality health and wellness reporting within a management information system.
» Review and reduce the number of occupational health service providers used in the group.

Key achievements

Health and wellness around the clock

In keeping with the group's vision of "Home Without Harm Everyone Everyday", and the "Health and wellness around the clock" philosophy, the group reaches out to employees both at work and at home.

Reaching out to employees

Aveng Trident Steel launched its refurbished on-site occupational and primary health clinic at its Roodekop site, where trained staff deliver a professional and confidential service to employees ensuring that employees are fit to do the job they are assigned to do.

Best practice: at this on-site clinic that provides occupational and primary health care services, a confidential telephone line is available in a private room for use by any employee to access the EWP.

Reaching out to communities: malaria programme

Aveng employees working in West and East African operations are exposed to malaria daily. Aveng Moolmans has adopted an integrated approach for malaria prevention control, diagnosis and treatment together with key clients and the communities. During August 2011, a community health work programme was launched at the Sadiola operations promoting preventive health education on malaria.

Safety representatives distributed pamphlets and mosquito repellents to all women and children in the Sadiola Village of Mali.

Case study of risk-based medical surveillance and workplace wellness

The LineFIT® programme was developed in response to an increase in musculoskeletal injuries at Electrix Distribution Services division, a wholly owned subsidiary of McConnell Dowell in New Zealand. Linesmen are required to work in restrictive positions while being harnessed. Overhead work on platforms and suspensions are some of the tasks required of them. Site visits, assessments of injured employees and the job task analyses led to a specific programme being designed that targeted increasing core strength. There has since been a significant reduction in back-related injuries with 50% less visits to the chiropractor. Safety performance continuously improved since inception of the programme. The success of this programme inspired other similar initiatives such as the roadFIT® and deskFIT® programmes.

LineFIT® started as an injury prevention programme, but over time has become a means of improving safety, health and wellness culture and boosting employee morale.

Electrix won both the wellness and design categories at the 2011 New Zealand Workplace Health and Safety Awards, and was judged the overall supreme winner.

Looking ahead

Key objectives for year ahead	Goals
Continued implementation of the health and wellness framework	Healthy, well and fit workforce demonstrating our commitment to being a caring employer
Appoint preferred single-service provider for occupational health	Improved understanding and monitoring of occupational health profile for the group Business operational efficiencies
Continued implementation and roll-out of employee wellbeing programme (EWP)	Increased utilisation of EWP Increased understanding of the employee wellbeing profile and monitoring thereof
Improve absenteeism and fatigue management programmes	Improved health and safety performance through reduced injuries Improved productivity
Review and improve executive medical programme	Baseline executive health profile
Increase opportunities for screening for HIV, TB and other chronic diseases	Enhanced individual and group health profile
Implement health and wellness management information system	Improved health and wellness trends, intelligence and strategic intervention planning

Environmental report

At Aveng Group, we recognise the impact of our activities and operations on the environment. Consequently, the group has embarked on a journey towards environmental stewardship. Two strategic documents that systematically and consistently guide the group in managing environmental impacts were developed, namely the group environmental policy and group environmental framework.

The Aveng Group environmental policy and framework

The group's environmental policy highlights our commitment to minimise environmental degradation and improve our environmental practices, management and performance, thereby mitigating environmental pollution where possible. This includes responding to climate change risks and opportunities.

The environmental framework provides direction to Aveng operations in implementing the Aveng Group environmental policy. It sets standards that each operating group will use to develop and manage its own programmes and strategies that will contribute towards the following strategic environmental goals:

- Develop and implement carbon, energy and waste management programmes
- Develop and implement water optimisation programmes
- Establish input materials and resource optimisation initiatives
- Establish fully integrated biodiversity strategies and management plans

Implementation of these environmental strategic goals will be supported by:

- The group's business values and the Aveng DNA
- Specific environmental policies
- Complying with the environmental legal framework of countries we operate in
- Visible leadership
- ISO 14001 certified environmental management systems

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

Highlights

- Significant improvement in the collection and reporting of environmental data, resulting in an improved understanding of the scope and coverage of the environmental impact emanating from the group's operations and activities. This will enable the group to set accurate reduction targets while investigating ways to reduce the environmental impact in our operations.
- Developed a group environmental policy which guides all employees in pursuing their shared responsibility with the group to protect the environment in all group-related work.
- Completed an environmental gap analysis enabling the group to benchmark itself against its peers in the industry in terms of environmental management practices and performance. The gap analysis also provided insight into environmental best practices, which were considered when developing the group environmental framework.
- Developed a group environmental framework that supports the group environmental policy and provides direction and sets standards for Aveng operations to develop and manage their environmental programmes and strategies.
- 47% increase in 2011 Carbon Disclosure Project score to 66% (2010 CDP score: 45%). The Aveng score for two of the six disclosure reporting sections (opportunities and risks) was better than the average scores for these categories among the JSE Top 100 companies.
- Submitted public response to 2012 Carbon Disclosure Project.

Our concerns

- The group was invited to participate in the Water Disclosure Project (WDP 2012) along with other JSE Top 100 companies. The group is still in the process of improving the collection and reporting of appropriate water usage data, and therefore decided not to participate during the WDP 2012 reporting cycle. It is anticipated that the group will be in a position to respond to the WDP 2013.
- To consolidate the greenhouse gas (GHG) emissions across its operations, the group must identify the boundaries it will work within and be consistent in its approach over time. The GHG Protocol defines two distinct approaches which should be used to define organisational boundaries, the equity share and the control approach. The control approach is split into financial and operational control. The Aveng Group, which operates within the construction sector, has varied business operations and they differ in their legal and organisational structures. These include wholly owned operations, joint ventures, and wholly or partly owned subsidiaries. Given the complex and varied nature of the contractual mix within the construction sector, it may not be possible to choose one approach which is ideal. This is an area which requires further discussion within the sector as a whole.

Key activities during the year

- Development of group environmental policy and framework. These strategic documents will provide a consistent guideline and direction for the group's operations to achieve environmental stewardship.
- Approximately 75% of the group's operations, by revenue, continue to maintain certification to the ISO 14001:2004 environmental management standard. An additional two Aveng Manufacturing Steeledale factories have been recommended for certification during the year under review.
- Development and roll-out of collection and reporting guidelines for key environmental performance indicators. The construction industry within which the group operates is complex, with different types of companies operating at different points in the value chain, spanning engineering, manufacturing, mining, construction and steel. Given the diverse range of businesses within the group, it is also important that the methodology is able to draw distinct lines of responsibility for carbon emissions and other environmental indicators within the construction/building value chain. The reporting and operational boundary challenges are being addressed through more training and awareness.

» Completed an environmental gap analysis across all operations. The gap analysis enabled the group to benchmark its environmental management and performance against international and local industry peers. Several best practices recommended as a result of the gap analysis were incorporated into the group environmental framework.
» The group has for the second consecutive year publicly responded to the Carbon Disclosure Project (CDP 2012). This demonstrates commitment by the group to managing and disclosing its approach to climate change.

For more information on our 2012 CDP response, go to **www.cdproject.net**

Environmental performance

The group has developed its set of environmental key performance indicators based on the Global Reporting Initiative (GRI) and the GHG Protocol.

Carbon emissions

During 2011, for the first time the Aveng Group measured and reported Scope 1 and 2 carbon emissions for the reporting period, as shown in the table below. The group's Scope 1 emissions included emissions from diesel combustion in owned vehicles and electricity generators. Scope 2 emissions included emissions from the generation of purchased electricity. This method of reporting will continue in the 2012 financial year. The group continues working towards improving the scope, coverage and accuracy of its carbon footprint.

The group emitted 585 869 (tCO_2e) total tonnes of CO_2e for the year under review (2011: 449 229 tCO_2e). The group calculated its tCO_2e using two primary sources of emissions: diesel consumed and purchased electricity. The total increase in the carbon emissions profile was expected owing to increased scope, coverage and accuracy of the data collected and reported.

The Aveng Group	Unit	Actual 2012	Actual 2011*
Carbon emissions (tonnes)			
Direct carbon dioxide (CO_2) – Scope 1 [A†]	t CO_2e	**438 567**	392 405**
Indirect carbon dioxide (CO_2) – Scope 2	t CO_2e	**145 098**	42 650
Indirect carbon dioxide (CO_2) – Scope 3	t CO_2e	**2 204**	14 174
Total carbon emissions	t CO_2e	**585 869**	449 229
Emissions intensity	t CO_2e per R1 million revenue	**14,33**	13,21
Waste (kilotonnes)			
General waste	kt	**107**	n/a
Water (kilolitres)			
Water use	kℓ	**11 685 673**	1 337 397

* *2011 figures restated as a result of improved Scope 1, 2 and 3 reporting.*
** *Improved Scope 1 reporting resulted in more accurate data for three operating groups.*
[A] *Assured.*
† *Scope 1 emissions included emissions from diesel consumption in owned vehicles and electricity generators.*

Water

Water is one of the six environmental pillars as defined in the group's environmental framework. Understanding our water quality and footprint parameters continues to be a key focus area for the 2012/2013 financial year. Once the water footprint is established, water optimisation and efficiency strategies and management programmes can be implemented.

We have commenced with recording and reporting municipal water quantities used throughout our operations. The group used 11 685 673kℓ of municipal water in the reporting year. The increase in the municipal water used is attributed to improved reporting during the reporting period.

General waste

The management of waste is a key pillar in the group environmental framework. The group has for the first time reported on general waste taken to landfill sites. The group generated 107ktonnes of general waste bound for landfill sites.

Improvements in the reporting, monitoring and management of carbon emissions, water and waste are anticipated in 2013 with the progressive implementation of the group environmental framework.

Environmental performance indicators

Indicator	Goal	Actual 2012	Actual 2011	Performance
Aveng Group environmental policy	**Approved policy**	**Approved policy**	No group policy	Goal met
Aveng Group environmental framework	**Develop framework**	**Framework developed and operationalising strategic pillars commenced**	No framework	Goal met
Improve collection and monitoring of environmental data	**Scope of coverage >60% at all operating groups**	**>60%**	>40%	Goal met
Benchmark group environmental approach and conduct gap analysis to identify best practices	**Benchmark and gap analysis completed**	**Completed**	No benchmark or gap analysis conducted	Goal met
Make a public disclosure to the carbon disclosure project – CDP 2012	**Public disclosure for CDP**	**Completed**	Completed	Goal met

Key challenges

» The group is closely monitoring environmental fiscal reforms and policies in various countries it operates in, in an effort to understand and quantify the potential financial costs of greenhouse gas emissions and associated climate risks, threats and opportunities. Some of the identified climate change risks include:
- Carbon taxes
- Emissions reporting obligations
- Fuel/energy taxes and regulations
- Water and energy scarcity as well as tariff increases

» Understanding and setting an environmental approach and reporting boundaries for the group is an ongoing challenge given the complexities encountered within the construction, mining, manufacturing and engineering environments globally and various types and duration of contracts and projects.

Risks

A number of major climate change risks were identified and processes put in place to address the identified risks.

» **For instance in temperature, extremes can affect project delivery by:**
- More frequent increases in temperature which can result in increasing risk of damage to expensive operating machines and construction equipment at various projects
- Extreme heat increases the likelihood of field fires
- Heat-stress is a factor with increased incidences of heat stroke and health and safety risks
- Excessive long-duration rain can affect our business negatively in terms of lost production and revenue. Flash floods from severe storms have been known to wash away low-lying bridges and preventing access to working sites
- Flooding in mines contributes to safety issues as well as reduced levels of production

Opportunities

Environmental management and sustainability are integral to the group's business strategy, resulting in:

» The launch of Aveng Water (delivering advanced water solutions in southern Africa and Australia)

» Aveng E+PC pursuing renewable energy (mainly wind and solar) design and construction projects.

For more information on Aveng Group's climate change risk and opportunities go to **www.cdproject.net**

Key achievements/initiatives and awards

» McConnell Dowell in Australia:
- Introduced Sustainability Leadership at Seaford Rail Extension project which set clear objectives and targets for waste management. This initiative raised awareness through the 'Clean Zone' challenge and managed to deliver an innovative solution for improving contractor compliance. It achieved a recycling rate of 98%, which means far less quantities of waste disposed at landfill sites.
- In the Philippines, the operating group worked with the local community to establish two biomass briquette-manufacturing plants. These provide ongoing benefits of local community ownership, income, and generating a renewable energy source that aids in the reduction of carbon emissions.
- Built Environs managed the integration of sustainable design and construction considerations for the Green Building Council Australia five-star (Green Star – Office Interiors v1.1) rated building at 100 Hutt Street, Adelaide. This included rooftop-fed rainwater tanks for amenities and car parks designed to encourage the use of small cars.
- The Gold Coast Rapid Transit project implemented a pre-award sustainability evaluation questionnaire to access suppliers' sustainable practices and encourage sustainable solutions. This practice is going to be implemented group-wide.
- The Adelaide Desalination Project, whose primary function is to desalinate seawater, identified an energy efficiency opportunity by using an Outfall Energy Recovery Device (Turbine). The total electricity generated by both the energy reduction devices will be 1 440kW at a total plant production of 300Mℓ/d.
- The Laverton Plant Yard harvests rainwater from structures. This recycled water is used for wash down bays and bathroom facilities saving approximately 451 000ℓ per year.
- The Australian Square Kilometre Array Pathfinder project in Western Australia identified on opportunity to reuse timber from cable drums to create 260m^2 of walkways, which were utilised by the local community on project completion. This reduced costs associated with materials, transport and waste disposal.

- Aveng Grinaker-LTA constructed the 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 approximately 10 months.
- Aveng Manufacturing:
  - Introduced environmentally friendly products such as Eco-shield and mine-shaft insulation which keeps the shafts naturally cooler
  - The continuous improvement department investigated various ways of reducing the amount of cement required in their concrete products. Below is a high-level feedback of the results of this initiative:

Project name	Total kg cement reduction over 18 months	Carbon emissions savings realised
Replaced cement with pozzfill and add mix in four of the concrete products.	3 416 920kg	3 416 CO_2e (tonnes)

- Aveng Moolmans introduced measuring and monitoring of fuel consumption through fleet management instruments at its surface mining operations.

Awards

- **Blue Drop Award**
  Aveng Water, as a contributor, celebrated the Blue Drop Award that was awarded to Hendrina Municipality. This is the first time that the Blue Drop certification has been achieved for quality drinking water that is reclaimed from treated mine water. The water is treated by Aveng Water at the Optimum Colliery.

- **The Transport Africa Green Award**
  Aveng Manufacturing was awarded The Transport Africa Green Award for its design and development of the Universal Sleeper and Infrabolt fastening system. The design of the sleeper together with the patented fastening system offers the same flexibility in terms of the drilling of the sleepers on-site using a locally sourced timber. In addition, this system has the following advantages:
  - Use of local timber resulting in no importation of scarce and expensive hardwood sleepers
  - Local production and job creation
  - The estimated life of a concrete sleeper is in excess of 50 years versus the limited life of a timber sleeper
  - Proudly South African

  The system is widely recognised and has received more awards in the past:
  - **Construction World 2007**
    Holcim Award for "Sustainable Construction" for the Universal Sleeper and Infrabolt
  - **Fulton Award 2007**
    "Excellence in Concrete Award" for the Universal Sleeper and Infrabolt

- **Environmental Award by Building and Construction Authority**
  McConnell Dowell South East Asia Pty Ltd has been awarded its first environmental award by the Building and Construction Authority. This award recognises progressive builders who make the effort to address environmental and public concerns arising from construction works and serves to develop a more positive image of the industry over time in Singapore. Key environmental features in the projects that formed part of the selection included:
  - Beauty World Station and Tunnels Project
    * North-South orientation of site office to reduce the cooling load required
    * Harvesting of rainwater for recharge wells
  - Beauty World Station and Tunnels Project and the Orchard Underpass Project
    * Extensive use of green hoardings and noise barriers at project sites
    * Tree conservation and protection at project sites
  - Orchard Underpass Project
    * Innovative engineering control measures implemented during piling work to reduce noise and vibration

Looking ahead

Key environmental objectives for year ahead	Goals
Continue to roll out and implement the Aveng Group environmental framework	To guide the group's journey towards environmental stewardship
Determine the group carbon and water footprint	To establish an accurate baseline carbon and water footprint for the group that will enable the setting of reduction targets.
Continue with energy efficiency audits at fixed premises	To increase energy efficiency intensity for fixed premises at the group
Continue with increasing the awareness and competency of employees on environmental sustainability	To heighten environmental sustainability awareness and implement optimal environmental practices at operations
Continue with our efforts to ensure all our operations are ISO 14001:2004 certified	To ensure that a comprehensive, structured and systematic approach to environmental management is in place for continued improvement in environmental performance
Continue responding to Carbon Disclosure Project and commence responding to CDP Water Disclosure 2013	To publicly declare and demonstrate our approach and efforts towards managing our impact on climate change at our operations

The strategic focus of human resources within the Aveng Group continues to be the attraction, development and retention of talented employees, professionals and management while entrenching a high performance culture underpinned by the Aveng DNA.

In this regard the human resources function within the Aveng Group strives to be an enabler for the business to achieve sustained high organisational performance by providing line management with effective people sourcing, assessment, development and reward policies, tools and programmes. It also prioritises the identification and development of capable leaders across the various business disciplines to ensure the sustainable organic growth of existing businesses and be in a position to exploit growth opportunities both geographically and in new products or service offerings.

A major focus over the past year has been on rolling out an integrated cultural alignment programme, the Aveng DNA. It strives to embed a set of common, integrated, cultural and behavioural values and norms across the Aveng Group. This intervention is crucial if Aveng is to begin to fully leverage its extensive scale, capabilities, customers and clients, talent and value offering for the benefit of all its businesses such that the sum of its parts is greater than that of its individual components. This is to be achieved without compromising the distinct attributes which have made our various businesses leaders in their respective sectors.

Another area of focus has been the reorganisation of a number of operating businesses to reduce overheads, refocus the businesses on their primary objectives and optimise the organisational structure to operate more effectively and efficiently. In this regard Aveng Manufacturing Steeledale and Aveng Manufacturing Duraset underwent a successful re-organisation during the year which has contributed to their performance turnaround. Aveng Grinaker-LTA has also undergone a major reorganisation to eliminate the highly siloed previous structure and to realign the company to its primary objective of providing quality construction solutions and services to clients in a cost-effective manner. The reorganisation should reposition Aveng Grinaker-LTA to achieve its objective of long-term sustainable growth.

Other key talent management focus areas have been the roll-out of a common performance management programme, entrenching the group-wide succession planning process, implementing the revised remuneration and incentive design programme and continuing to focus the organisation on the achievement of the employment equity and skills development elements of the broad-based black economic empowerment codes.

As the Aveng Group continues on its transformation journey from a holding company to a centre-led group, it has been confronted by a number of organisational challenges including entrenched silo mentality, lack of a group-wide common performance management system, fragmented talent management programmes, duplication of effort and inability to leverage group scale, experience and capability.

Outlined below is how some of these key challenges are being addressed:

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. The reorganisation of various businesses over the past year has also focused on eliminating the silo organisation structures.
Implementation of performance management not optimal	Strong performance management linked to pay has been implemented. Performance is now becoming accepted as the key differentiator for rewards, including promotion and career progression. Performance contracting and reviewing of performance is monitored on a quarterly basis.
Identifying and developing talent	Group-wide succession planning process implemented with 12 management candidates who were identified over the past two years, having since been appointed to the targeted positions. A growing number of cross-operating group and business unit appointments have also been made over the past year.
Ongoing shortage of business development, commercial and project management skills	A group project management forum comprising senior and experienced project managers from across the group has been established to develop a comprehensive response to this challenge. The group's business development and commercial capabilities have been strengthened with the appointment of experienced business development and commercial executives during the year.

Talent management

Performance management

The performance management programme has been rolled out over the past four years and now covers all first-line, middle and senior management levels. Instilling a high performance culture across the group has gained momentum over the past year with the roll-out of the performance contracting and review process being reviewed quarterly in the operating group remuneration committees. The effectiveness of the implementation of the performance management process is constantly reviewed and monitored across the group. Formal reports are presented to the Aveng remuneration and nomination committee on a quarterly basis. To ensure that key individual performance outputs are aligned to the business strategy, the balanced scorecard has become a critical instrument in ensuring this alignment.

A number of operating groups have over the past year established talent management committees which review and calibrate the performance reviews of managers across the operating group to ensure fairness and equity as well as alignment of the rating to actual performance. In line with the group's remuneration and incentives policies, monetary rewards are linked to performance for all salaried staff, including the annual salary increase and all performance incentives. Performance is also taken into account in determining readiness for upward mobility in the succession planning process.

It is encouraging to note that almost all operating groups achieved a normal 'bell curve' performance rating distribution at the end of the last financial year. This rating distribution informed both the annual salary increases as well as the incentive pay-outs. Poor performers do not receive any incentive pay.

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 people management processes of recruitment and assessment, talent management, performance and development, to identify and develop the group's future leadership.

Over the past year, the group held the third group-wide succession review process and focused even more on identifying talent that can be deployed across operating groups. As a result, 12 managers from various operating groups were appointed into positions in other operating groups. This is a significant and exciting development and confirms that the efforts over the past few years of breaking down the silos and introducing common talent management programmes are beginning to yield benefits.

Furthermore, the succession planning process significantly contributed to the seamless leadership transition in a number of the operating groups over the past year, such as Aveng Manufacturing Steeledale, Aveng E+PC, Aveng Moolmans and, more recently, Aveng Grinaker-LTA.

As a further development of the succession planning process, the effectiveness of the process has been further enhanced with the development of 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 readiness organisation charts as well as the status of individual development planning is now formally reviewed per operating group every quarter.

The success of the succession planning process is evident when one considers that the majority of senior appointments made over the past year were candidates who had been identified in the succession planning process. The transformation imperative is taken into account in succession planning.

A critical aspect of the succession planning process is the focus on the development and roll-out of individual development plans of the identified talent, and this is the key focus going forward.

Learning and development framework

Investment in learning and development remains a priority across the Aveng Group. It is, however, imperative that all learning and development initiatives are aligned where possible across the Aveng Group, and these interventions directly support the business strategy.

Despite the tough trading environment and the significantly reduced workload, the Aveng Group has still managed to invest the following resources in learning and development initiatives:

Apprentices	Number of employees	Cost split (R)	% black employees
2012			
Total employees	310	4 861 403	
Total black employees	208	3 257 140	67
Total black female employees	17	360 571	8
Learnerships			
Total employees	309	565 835	
Total black employees	198	4 421 892	64
Total black female employees	22	361 416	4
Bursars			
Total employees	125	2 154 468	
Total black employees	39	667 885	31
Total black female employees	9	150 812	7

Leadership development

The Aveng Leadership Development Programme concluded its fourth year with almost 2 000 employees now having completed the programme. During 2012, 386 managers from various levels across the group enrolled for the Aveng Leadership Development Programme. This programme has been updated to incorporate the latest developments, including the Aveng DNA.

The continuation of the McConnell Dowell Leadership Programme, in partnership with the University of Melbourne, which has been specifically designed to develop current and emerging project managers, is progressing well and three of five modules have been completed.

The introduction of the 'Leadership Fitness' stream, a refresher programme for all employees who have completed the programme over the years, will be emphasised in 2012 as it contains all the newly developed leadership interventions, such as Aveng DNA, leadership framework, Aveng brand, balanced scorecard and strategy.

Additional leadership and cultural alignment programmes were implemented during the year, such as *Valuing and Managing Diversity* that encourages cross-cultural learning among the different employees within the Aveng Group and *Crucial Conversations* to equip leaders with the necessary skills to effectively conduct difficult performance conversations.

Graduate development

The Aveng Graduate Development Programme was initiated as a pilot project in July 2011 with 36 graduates from across the South African-based businesses. These graduates have since completed 12 training modules covering both people management and technical skills. Aveng Trident Steel which for the first time in its history recruited 10 graduates, integrated them into the Aveng development programme. An additional 12 graduates have since joined the programme in January following their graduation, bringing the total number of graduates on the programme to 58. McConnell Dowell has 70 graduates on the Australian Graduate Programme.

Senior managers and the qualified engineers who have been appointed mentors are committed to ensuring that all graduates have the guidance needed to achieve professional registration with the Institute of Professional Engineers.

Several internally run courses which match the requirements of the Institute of Professional Engineers and the Engineering Council of South Africa (ECSA) programmes have been successfully delivered. Particular focus is also being given to ensuring that engineers with a few years' experience are also given the opportunity to achieve professional registration.

Skills training and development

Health, safety and environmental training

The scheduling of health, safety and environmental management-related programmes continued across the Aveng Group. McConnell Dowell initiated compliance and competency training to promote the currency of safety skills, which have included CPR and AED courses for project managers and workers.

McConnell Dowell has focused on establishing a training matrix for all positions within the Built Environs. The matrix establishes mandatory technical and leadership skill requirements for each role within Built Environs. In addition, they have been working with the Master Builders Association (South Australia) to develop a nationally accredited training programme for environmental awareness specific to their business. This programme supports the company's ongoing commitment to ensure we continue operating in a way that minimises and reduces our environmental impact. It is anticipated this will be rolled out in the latter half of 2012 to all employees.

Aveng Grinaker-LTA welding school

Aveng Grinaker-LTA Mechanical & Electrical is faced with a myriad of challenges in terms of producing competent welders and, as a result, a welding school was established at the end of 2011 to address this challenge.

The goals and objectives of the welding school are:

- Increasing the pool of skilled welders
- Providing appropriate training to both non-skilled and semi-skilled welders
- Ensuring improved welding productivity levels and quality of welding, including increasing the number of specialist welders
- Improving the quality of welding by ensuring essential competencies are achieved with regard to proper alignment of skills, knowledge, attitudes and values (SKAVs)
- Ensuring the transfer of welding skills and increased initial employee entry level throughput

The state-of-the-art welding school has 55 fully equipped welding cubicles of which 45 are earmarked for training and 10 are to be used for the assessment and testing of qualified welders. The facilities also include a fully equipped lecture room for 40 learners as well as office space for the training centre management and supporting staff. It is envisaged that this facility will become operational after the reorganisation of Aveng Grinaker-LTA has been concluded.

Track Master training

Aveng Manufacturing Lennings Rail Services is developing training capability and capacity internally to be more self-reliant and to ensure that its employees are trained and developed to meet the required operating standards and plant manufacturers' requirements.

An application to register a trade for the Track Master has been submitted to the Department of Higher Education and Training. A consultative process with all the relevant stakeholders to develop the learning outcomes and associated assessment for the trade will be initiated with the Quality Council for Trade and Occupations (QCTO) once the request has been approved.

Apprentices and learnerships

The Aveng Group had 322 apprentices training in various engineering disciplines during this financial year, including 206 learners completing learnerships in construction-related disciplines, machine operators and SHE qualifications.

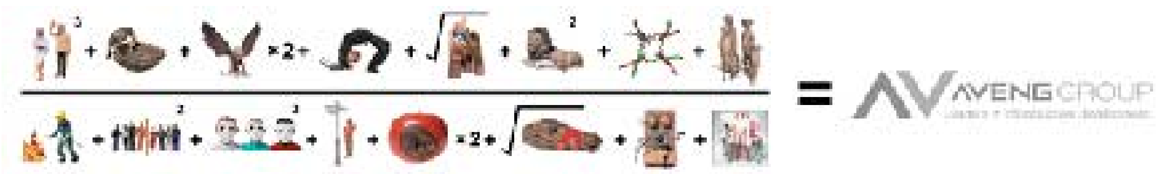
Functional and technical training

The Aveng Grinaker-LTA Civil Engineering Training Centre and the Aveng Grinaker-LTA Mining Technical Training Centre continue to provide essential artisan skills for the business. Aveng Moolmans has also been accredited by the Mining Qualifications Authority (MQA) to train and qualify employees in a rock-breaking qualification.

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 and 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 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 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. The DNA has been formally launched in Aveng Manufacturing, Aveng Moolmans, Aveng E+PC, Aveng Trident Steel and Aveng Water. It will be launched in the new year in Aveng Grinaker-LTA following the conclusion of the restructuring as well as in McConnell Dowell.

The Aveng Group continues on its journey to leverage group scale talent, experience and capability by implementing group-wide interventions and programmes. This includes relentlessly implementing performance management and succession planning, ensuring that all employees and leaders in critical positions have individual development plans and rolling out the Aveng DNA as the definition of the group's cultural identity. Talented people are the lifeblood of the group and measures are being put in place to ensure that the Aveng Group attracts and retains the best talent in our industry by affording them the best performance-driven environment within which they can realise their career ambitions.



Transformation report

The Aveng Group recognises transformation as "the right thing to do" and is committed to driving this business and cultural imperative rigorously at all levels across the group. Over the past year the group's transformation priorities have been focused on instilling a culture of doing business differently to ensure that the necessary interventions are being implemented to redress the historical imbalances in our organisation, particularly with regard to employment equity, skills development and enterprise development.

In this regard Aveng (Africa) and Aveng Trident Steel's performance against each of the elements of the Construction Charter scorecard was reviewed and a decision was taken to focus the operating business's efforts on those elements which are under their direct control and where they are currently underperforming. These were determined to be employment equity, skills development and preferential procurement. In an effort to leverage the group's capability and experiences, as well as maximise economies of scale, it was decided that enterprise development will be best coordinated at group level.

Accordingly, the key transformation priorities for the year were:

» Continue to improve the group's performance in terms of employment equity, skills development and enterprise development
» Significantly develop and increase the representation of black professionals and leaders across the Aveng Group
» Increase procurement spend among qualifying small enterprises, exempt micro enterprises and black women-owned enterprises
» Significantly impact enterprise development and socio-economic development through direct engagement in social upliftment programmes, in education and training in particular

BEE rating review

With regard to the scorecard rating, both Aveng (Africa) and Aveng Trident Steel significantly improved their ratings from level 3 to 2 in the case of Aveng (Africa) and from level 5 to level 4 in the case of Aveng Trident Steel.

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

Broad-based black economic empowerment scorecard

	Aveng (Africa)* 2011	Aveng Trident Steel 2011
B-BBEE element		
Ownership	24	24
Management control	7,84	6,66
Employment equity	4,33	3,83
Skills development	11,62	11,78
Procurement	18,78	12,85
Enterprise development	15	2,55
Socio-economic development	5	5
Total	**86,56**	**66,67**
Rating	2	4

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

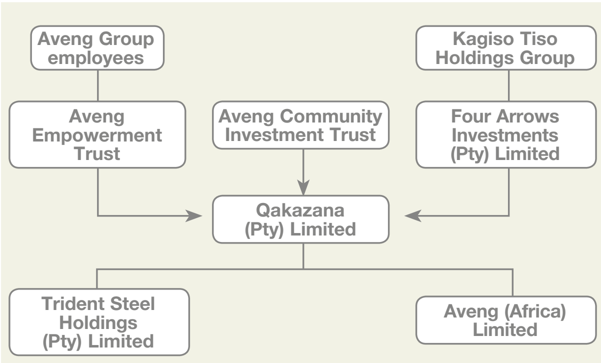
Key highlights for the year:

» B-BBEE rating is on par with the group's competitors. The Aveng Group continues to lead the sector on B-BBEE ownership.
» Significant progress has been made on the composition of management control across all the operating groups. There is a noticeable positive change in the representation of black female executives on the operating group boards.
» A dedicated preferential procurement function has been established within the central procurement department to not only facilitate procurement from black suppliers but also to educate internal and external stakeholders on B-BBEE and the Aveng preferential procurement process.
» The necessary structures and processes to review, manage and process the small and micro enterprises development needs have been established. A centre-led enterprise development programme has been launched.
» As a business imperative, transformation objectives remain an important performance measure for all management across the group and progress against the various targets set is reviewed quarterly in the operating group board meetings.

Ownership

» 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 2004. The Qakazana Consortium, a broad-based consortium led by Kagiso Tiso Holdings (KTH), 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.
» In 2007 the group's B-BBEE effective ownership credentials were further strengthened by its support of the sale of its 46% stake in Holcim (Africa) (now named Afrisam) in another substantial B-BBEE transaction. As a result, the Aveng Group has already exceeded the targets for ownership set in the Construction Charter of 27,5%.

Members of the BEE consortium



The Aveng black economic empowerment transaction

- Through the KTH transaction which was born in 2004 and reached maturity this year, empowerment stakeholders – comprising KTH, the Aveng Community Investment Trust and the Aveng Empowerment Trust – have jointly realised gains of R942 million. The design of the beneficiary structure has ensured that the Aveng transaction is truly broad-based empowerment with all eligible employees as well as various communities directly benefiting from it.
- The Aveng Empowerment Trust, whose beneficiaries are current and retired employees of Aveng (Africa) and Aveng Trident Steel, has benefited to the value of R301 million from the empowerment transaction. As a result approximately 12 900 eligible South African employees of Aveng (Africa) and Aveng Trident Steel during the period December 2004 and December 2011 received their cash benefit some two years earlier than anticipated.
- This transaction is viewed as a momentous milestone in the history of Aveng and is a very positive outcome as it is in line with the group's commitment to empowering its employees and in the spirit of South Africa's transformation objectives.
- The success of this transaction has also endowed the Aveng Community Investment Trust, which invests in community development projects, with R301 million to expand and sustain its work in community development and upliftment. This has enabled the Aveng Group to share the financial benefits generated by its operations' performance with various needy communities. The Trustees have focused the community development initiatives around the two key focus areas of technical skills development for unemployed individuals and improvement of maths and science education at secondary school level. Projects supported by the Trust are carefully selected for sustainability and scalability.

Management control

The percentage of black directors on the two boards is:

Aveng (Africa)	78,40% using the Construction Charter calculation tool allowing for ARG
Aveng Trident Steel	66,60% using the Construction Charter calculation tool allowing for ARG

Employment equity and skills development

Employment equity remains the biggest transformation challenge for Aveng. While significant strides have been made in the profile at executive management level, a significant challenge remains in the large first line and middle management layers across the company. Plans are being rolled out to not only address the demographic composition of this important layer, but also to address the cultural transformation challenge to create a conducive environment for the attraction and retention of black talent. While focus is being given to attracting black professional and managerial staff in order to address the group's historical legacy, the ultimate objective is to create an organisation where talented employees of all races and cultures feel at home and reach their full potential.

The group has identified several categories of key skills required across the company which provide opportunity for the appointment of previously disadvantaged individuals. A formal centre-led graduate development programme has been established this year to facilitate the recruitment and development of our graduates into future leadership and management roles. This programme has also set clear guidelines for the awarding of bursaries to ensure that the transformation imperative is addressed.

A formal mentoring and coaching programme is also available to ensure appropriate development and sharing of knowledge to all emerging talent, including black talent, across the group.

With regard to talent development, the group continues to make progress in growing the number of skilled black talent as outlined below:

- Apprenticeship programme – The total number of apprentices in training for 2012 is 310 of whom 67% are black apprentices. These apprentices are being trained as earthmoving plant mechanics, millwrights, riggers, electricians, boilermakers and auto-electricians and in other trades.
- The group also offered 309 learnerships in construction supervision, masonry, carpentry and learner miners of whom 64% are black learners.

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

In the past two years the group's skills development spend as confirmed by the group's B-BBEE rating agency, EmpowerLogic, against the Construction Charter rules has seen the group investing a total of R152 million in training and development initiatives, with 62% of this being spent on black employees.

Enterprise development

A solid foundation has been put in place during the year, including an in-depth review of black emerging suppliers across the Aveng Group who have demonstrated endurance and the capacity to deliver quality products and services despite the prevailing tough economic climate. The group has put in place the necessary structures and processes to review, manage and support small and micro enterprises (SMMEs) with a view to facilitating their further growth and development into sustainable businesses.

The group has a particular bias towards supporting emerging enterprises that have a direct impact in some way or another on the Aveng value chain. This bias ensures that the emerging suppliers that Aveng does business with become an integral part of our supply chain and in the process their success or failure becomes inextricably intertwined with that of the Aveng Group. The group is dedicated to growing black suppliers as a central part of its business processes and therefore strives to continually facilitate their growth into the broader economy beyond Aveng.

In the past year we identified and directly engaged with 100 out of the many SMMEs within the Aveng value chain by funding a process to empower them. The engagement process entailed the following:

» A due diligence exercise and a full needs analysis exercise
» Business scoping and service offerings work-sessions to focus value offerings
» Strategy sessions to assist in the re-engineering of product offerings
» Risk analyses and 80 formal enterprise development agreements were signed with the SMMEs
» Aveng facilitated the development and production of marketing material for all 80 SMMEs
» A marketing and branding workshop with 155 SMME delegates from the 80 SMMEs

This engagement has enabled Aveng to have a deeper insight into the nature and performance of the various SMMEs in its operations and a baseline for monitoring their performance and growth.

A knowledge sharing summit was arranged in partnership with the Department of Trade and Industry where various SMME stakeholders, including government departments, funding agencies, financial planners, SARS and business consultants advised the SMMEs on how best to access the various benefits offered while also being tax compliant. This was followed by an exhibition where the SMMEs were provided with a platform to exhibit and showcase their offerings to the broader industry. This initiative has resulted in a number of these SMMEs securing new contracts with other companies outside Aveng which will give them growth opportunities and ensure their long-term sustainability. This very successful supplier summit and exhibition received wide media coverage and extremely high ratings from the SMMEs and has set the benchmark for SMME development.

Procurement

The centre-led procurement function has created a dedicated function to drive and manage the preferential procurement function. This function manages the registration and validation of all black suppliers. One of the benefits of having such a function is the leveraging of economies of scale within the supplier database and the facilitating of regional procurement initiatives which is imperative to the group's localisation strategy. As part of the centre-led enterprise development programme, all suppliers have been encouraged to ensure full legal and SARS compliance. This has facilitated the procurement process of doing business with the qualifying small enterprises and exempt micro enterprises.

A comprehensive database of all suppliers' B-BBEE certificates across the group has enabled the group to continuously conduct comprehensive reviews 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 become compliant. Furthermore, as part of the enterprise development initiative of qualifying small enterprises and exempt micro enterprises, Aveng facilitates the B-BBEE verification of these suppliers.

The table below shows the 12 months of procurement spend from black suppliers as per the BEE verification audit report.

Weighted B-BBEE procurement expenditure – All suppliers	R6,2 billion
Weighted B-BBEE procurement expenditure – QSE and micro enterprises	R1,2 billion
Procurement expenditure – Suppliers that are > 50% black owned	R1,3 billion
Procurement expenditure – Suppliers that are > 50% black owned	R239 million

Concluding remarks

The Aveng Group has made significant progress over the past year improving the BEE ratings of both Aveng (Africa) and Aveng Trident Steel to level 2 and 4 respectively and ensuring that the benefits of its empowerment transaction flow directly to the benefit of its employees and needy communities.

Notwithstanding the significant progress made by the Aveng Group over the past year, the organisation still faces a number of challenges in its transformation drive which it intends to address as outlined in the table below:

Challenges	How the challenges will be addressed
1. Employment equity **B-BBEE actual score below target**	» All senior management appointments have to be ratified at group executive level » Specific employment equity targets set for all operating group MDs in their performance contracts. » The people scorecard which monitors vacancies, recruitment, promotions, development and retention of black and female talent is being reviewed quarterly at operating group board meetings.
2. Skills development **B-BBEE actual score below target**	» Skills development plans based on skills plans are being developed per operating group » Performance against this element is linked to the number of black professionals and managers in the group. As that number increases so will this.
3. Enterprise development **It is imperative to maintain the momentum on the centre-led programme**	» While a well-structured centre-led programme has been initiated, it is imperative that the capacity and capability of the operating groups to manage this on the ground in the operations improves if it is to be sustainable. Building capacity in the operating groups will be a key focus going forward.
4. Preferential procurement **Multiple procurement systems**	» A common approach is being developed by the central procurement function which should enhance the control, monitoring and overall effectiveness of this area.
5. Information integrity **No consistent data information system**	» While common reporting templates have been developed, the management of critical mass data will only be fully optimised once the appropriate integrated procurement and HR information systems have been implemented.

Looking ahead

Going forward, the key transformation areas of focus across the group will be:

- The drive to improve the "people" elements of employment equity and skills development, including a demographic change in management and technical skill levels
- A noticeable change in the group culture to embrace transformation
- Continued leadership in socio-economic development and increasing the impact in view of the significant funds from the conclusion of the empowerment transaction that are due to flow into the Aveng Community Development Trust
- Enhancement of sustainable enterprise development programmes for the group
- Higher levels of preferential procurement controls through the newly formed preferential procurement department
- Continued improvement of the data management and reporting on the transformation elements
- Continued building of operational management understanding and capacity to effectively manage transformation

Corporate Social Investment report

In line with the Aveng Group's stated commitment to conduct its business in a sustainable manner, the focus over the past year has been on ensuring the scalability and sustainability of the group's CSI initiatives. With the group's broad-based black economic empowerment transaction of 2004 reaching maturity last year, the Aveng Community Investment Trust, which is a beneficiary of the empowerment transaction, has realised R301 million, which will allow us to extend the value generated by our operations to the communities in which we work – a truly exciting prospect. The value created in this way has enabled the group to review its CSI initiatives going forward to ensure that they are sustainable and that they truly capture the group's commitment to a real and lasting legacy.

Philosophy

Over the past few years the Aveng Group has invested significant effort into nurturing relationships with its various partners on its CSI programme. This is in line with the group's guiding principles for CSI investment which are: "partnering with select best practice projects that demonstrate both scalability and sustainability, and building lasting relationships to achieve far-reaching positive impact on beneficiary communities".

The Aveng Group is working to break the cycle of poverty impacting our communities by supporting selected initiatives which focus on improving maths and science education at secondary school level and those which deliver technical skills training to unemployed members of our community. This is in line with South Africa's national developmental priorities; providing unemployed youth with realistic opportunities to contribute to the economy is possibly the most effective way to break the cycle of poverty and unemployment which continues to ravage our country.

Social investment

The Aveng Community Investment Trust (the Community Trust) was established in 2005 as part of the group's black economic empowerment transaction with the Qakazana consortium. The Aveng Group has committed its operating businesses, Aveng (Africa) Limited and Aveng Trident Steel Holdings (Pty) Limited to investing 1% of their headline earnings into CSI activities. Of this funding, 75% has been allocated to the Community Trust and the remaining 25% apportioned to the operating groups to spend on local CSI initiatives in their respective areas of operation.

For the 2011 – 2012 financial year, total social investment for the group was as follows:

Operating group	Investment (R)
Aveng Community Investment Trust	***6 925 650***[A]
Aveng E+PC	95 805
Aveng Grinaker-LTA	547 015,92
Aveng Manufacturing	563 396
Aveng Moolmans	383 873,57
Aveng Trident Steel	549 617
Aveng Water*	22 000
McConnell Dowell**	2 951 489
Total	**12 038 847**

[A] Assured, direct contributions.
** Aveng Water is a new operating group and as such will only begin CSI projects in the 2012/2013 financial year.*
***AU$368 425 (Exchange rate = 8,0111 on average for the year ended 30 June 2012).*

The Aveng Group continues to view social investment as part of its responsibility to contribute to the development of communities where we conduct business and as a key element of ensuring sustainability of our business, communities and markets. This is why the group has consistently invested in CSI initiatives above the 1% NPAT benchmark.

Year	Total CSI disbursed by the Aveng Group R'000	Percentage of headline earnings (%)
30 June 2010	20 801	1,1
30 June 2011	22 658	1,9
30 June 2012	12 039	2,0

Flagship projects

In 2009, following a decision to adopt a more focused strategy to target initiatives in the sectors of maths and science education, and skills training, the group partnered with four flagship projects. The decision to limit our investment to a few, high impact sustainable programmes was based on an analysis of our CSI efforts which indicated that we were having minimal impact at relatively high cost if we continued the previous practice of funding numerous projects across different sectors. We now have four flagship projects, two in skills development and two in maths and science education. Each of the flagship projects meets the criteria of scalability, sustainability and best practice, adopts holistic approaches to social challenges and includes a wide range of stakeholders in the communities they operate in.

Sector	Project	Description	Aveng's involvement – 2012	Future prospects
Skills training	The Community Building Project	An innovative project to build facilities for schools in needy communities using green building concepts and indigenous African designs, while providing accredited skills training for unemployed members of the local community	The project has delivered five beautiful buildings for disadvantaged schools in Gauteng and KwaZulu-Natal. A centre for children who are orphaned and vulnerable has also been constructed in rural Limpopo. The benefits have been far-reaching: schools and communities now enjoy an increased skills base and trainee builders are transferred to new sites as the project expands	The group will focus on taking this project to scale – presenting it as a possible solution to the classroom infrastructure backlog that the country currently faces with the potential to train thousands of previously unskilled people in the process
Skills training	Ikhaya Fundisa Techniskills Academy (IFTA)	Established in 1982, IFTA is a technical training centre for learners/artisans and artisan assistants, providing training in mechanical, electrical, motor/diesel and boiler making qualifications. The centre also places most of its qualified trainees in learnerships with various employers	The Aveng Group has funded the training of 102 unemployed youths (of which 50% are women) since 2009. Most of these trainees have either been placed in learnerships or in permanent employment in industry	In 2013, the Aveng Group will continue to support training of unemployed youths through this programme
Maths and science education	LEAP Science and Maths School	The LEAP school model selects children from a specific community who have not had access to schooling outside of township schools. Learners are given the opportunity to progress with maths, science and English at the highest levels	The Aveng Group has fully funded one of the LEAP schools – based in Diepsloot – since its establishment in 2009. In 2011 LEAP schools with learners in matric achieved a 94% pass rate, and 74% of LEAP matriculants have gained access to tertiary education	In 2013, the Aveng Group hopes to fund the building of required facilities for the school, using the same green building technique adopted in the Community Building Project, thereby providing facilities and skills for the community of Diepsloot
Maths and science education	Kutlwanong	Kutlwanong is a non-profit organisation that aims to improve performance of high school mathematics and science learners from historically disadvantaged areas	The Aveng Group funded the establishment and operating costs of a new centre in the Nebo district of rural Limpopo	The group continues to fund the centre's running costs and looks forward to the results of the first matriculants of the centre at the end of this year

Looking ahead

The past year has involved sharing ideas, lessons and opportunities with those in government, the private sector and civil society in an effort to deepen and grow the impact of our CSI spend.

Three years following the adoption of our flagship projects, the group is now in a position to take the programme to the next level by exploring ways in which to further develop and maximise any potential synergies and impact of the projects that are being funded. The measuring of the impact of current initiatives as well as their scalability will continue to be a key area of focus over the course of next year. In addition to this, the administrative capacity of the Community Trust is being reviewed with a view to enhancing it while ensuring that the bulk of the resources continue to be directly spent on the projects. Monitoring of progress will continue to be a priority with the group's principles of building lasting relationships through solid partnerships underpinning the impact assessment.

Planning for impactful growth will form a key part of the group's energies in this space over the course of next year.

Executive committee

Roger Jardine (47)

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

17 years' industry and related experience
Four years with the Aveng Group

Prior to joining the Aveng Group, Roger was the national coordinator 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.

Kobus Verster (46)

Financial director
BCom (Hons), MBL, EMP

22 years' industry and related experience
Two years with the Aveng Group

Prior to joining the Aveng Group, Kobus worked at ArcelorMittal (South Africa) Limited 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.

Hercu Aucamp (44)

Managing director: Aveng Trident Steel
BCom, MAP, EDP

23 years' steel industry experience
One year with the Aveng Group

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).

Pieter du Plessis (53)

Group executive: growth
Honours Degree in Chemical Engineering, Professional Chemical Engineer

21 years' industry and related experience
One year with the Aveng Group

As a professional chemical engineer, Pieter managed major multidisciplinary 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.

Solly Letsoalo (50)

Managing director: Aveng Manufacturing
BSc (Eng)

28 years' industry and related experience
Three 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.

Hylton Macdonald (58)

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

36 years' industry and related experience
32 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.

Juba Mashaba (46)

Group human resources director
BA, LLB

17 years' industry and related experience
Five years with the Aveng Group

Juba has held senior human resources positions with Eskom, Simba, and ArcelorMittal (South Africa). He was appointed group HR 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 HR director of Simba, and this 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).

Grahame McCaig (49)

Managing director: Aveng Grinaker-LTA
BSc (Eng) (Civil) PR Eng

24 years' industry and related experience
One year with the Aveng Group

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.

Khungeka Njobe (42)

Managing director: Aveng Water
BSc (UCLA, USA), MSc (University of Pretoria), Mastering Technology Enterprises Certificate (MTE) (IMD, Switzerland)

16 years' related experience
One year with the Aveng Group

Khungeka was the group executive at CSIR where she held executive level positions for over seven years until March 2011. Prior to this she was executive director of the organisation's business unit for Water, Environment and Forestry. During her working career of more than 15 years in South Africa, she has held positions in government and parastatals in the fields of environment, 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.

Stephen David Pell (54)

Executive director
BSc (Building Management)

30 years' industry and related experience
Appointed to the Aveng Group on 1 June 2012

Stephen started his career at Murray & Roberts in 1979 as a student and over his employment period held many senior leadership positions, including managing director of Murray & Roberts Namibia, managing director of Murray & Roberts Gillis Mason and managing director of Murray & Roberts Construction. Stephen was appointed to the Murray & Roberts Limited board in 2002. He joined Stocks Building Africa in 2006 as a director of the board and managing director of SADC Construction. He was appointed as CEO of Stocks Building Africa in 2007 and subsequently led the merger with Stefanutti & Bressan Holdings in 2008, to form Stefanutti Stocks.

He was an executive director of Stefanutti Stocks Holdings and COO of that group before joining the Aveng Group.

David Robinson (58)

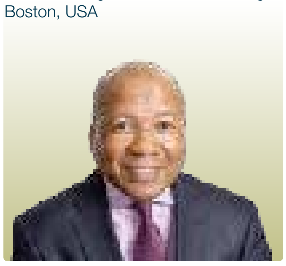
Chief executive officer: McConnell Dowell Corporation Limited
BE (Civil), MIE Aust, CP Eng, FAICD

35 years' industry and related experience
33 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 of McConnell Dowell in October 2000 and was appointed to the board of Aveng in January 2005.

Excel Shikwane (52)

Group executive: Business Development
BSc in Management: Babson College, Boston, USA



21 years' related experience
One year with the Aveng Group

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 to the group.

Brian Wilmot (58)

Group executive: Aveng Mining
PR Tech Eng, ECSA

39 years' industry and related experience
39 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.

Gavin Young (53)

Managing director: Aveng E+PC
BSc Eng Chemical, BCom, MBA (Project Management)

27 years' experience
Appointed to the Aveng Group on 1 March 2012

Gavin has previously held managing director positions at Parsons Brinkerhoff and Johnson Matthey and has thus gained extensive experience in consulting engineering, project management and technology intensive manufacturing which he acquired in Europe, North America and southern Africa.

**Details correct as at 28 September 2012*

Grahame McCaig » Managing director

Financial highlights	2012	2011
» Revenue (Rm)	**9 215,8**	8 854,6
» Capex (Rm)	**299,8**	204,1
People	**15 086**	14 473
Safety		
» Fatalities	**6**	4
» LTIFR	**0,25**	0,3
» Executive Safety Leadership (score out of 50)	**35**	33
» % operations OHSAS 18001 certified	**95**	95
Environment		
» Energy consumption (electrical) (kWh)	**51 895 798***	3 922 406
» Water consumption (municipal) (kℓ)	**11 194 583****	75 311
» CO_2 emissions (tonnes)	**76 865**	22 869
Cultural (R)		
» CSI investment	**3 877 850**	3 434 153

Management

MD: Grahame McCaig
FD: Wessel van Zyl

**Increase due to improved reporting*
***Increase due to significant water consumption on one new project*

Awards

- Gauteng Master Builders Association award for the best project in the R300 million – R500 million category for Medupi
- Safety manager at Medupi building project won the award for safety manager of the year
- Aveng Grinaker-LTA Civil Engineering was honoured by NOSA in April 2012 and awarded the only NOSCAR in the construction sector for excellence in safety standards

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

2011 key strategic objectives	Progress on objectives in 2012
Optimise organisational cost structure	» Rationalisation has reduced overhead costs
Leverage synergies and value chain opportunities within Aveng Grinaker-LTA and the Aveng Group	» Reorganisation into one multidisciplinary business strengthens capacity to compete for major projects on a unitary basis » Specific examples include Khalagadi, KCM and a number of rail projects for Vale in Mozambique.
Expansion into Africa and selected international markets	» Submitting a BAFO for Mauritian toll road concession in Port Louis Decongestion Programme » Submitted bids for significant mining related rail and port infrastructure projects in Mozambique

Key projects underway include:

- Konkola Copper Mine shaft and development
- PPP project for Department of Environmental Affairs
- MEIP projects in collaboration with Alstom at Medupi and Kusile
- Medupi Power Station JV
- Mokolo Crocodile Water Augmentation
- Cradlestone Mall

For more information on our projects go to **www.aveng.co.za**

Aveng Grinaker-LTA is a multidisciplinary construction and engineering group that offers specialist services in building, civil engineering, concessions, earthworks, mechanical and electrical engineering, mining and property development to its clients in South Africa, Mauritius and selected markets in the rest of Africa.

Aveng Grinaker-LTA has undergone a significant restructuring during the year to address systemic problems that have impeded its performance. Critical measures have been implemented to rationalise the business and strengthen its multidisciplinary offering to position it for growth.

The underground mining activities in Aveng Grinaker-LTA have been consolidated into Aveng Mining with effect from 1 July 2012.

Aveng Grinaker-LTA contributed 23% to group revenue and 20% to the group's two-year project order book at 30 June 2012.

Financial performance

Overall revenue increased by 4% to R9,2 billion, despite the heavy impact of prevailing conditions in the domestic construction industry which has experienced a sustained downturn and intense competition for declining volumes of work. A disappointing operating loss includes a significant loss in a steel fabrication sub-contract for the Medupi and Kusile power stations, against which a claim has been lodged but not yet resolved. It also reflects the impact of project delays and cancellations, severe margin erosion and smaller project execution challenges, as well as provision for a potential Competition Commission fast-track settlement.

Operating unit performance

The **Building** operation remains the largest contributor to the operating group and increased its revenue by 21% to R2,6 billion, but the operating margin declined as a result of margin erosion and holding costs associated with work that did not materialise.

A number of shopping centre build and refurbishment projects were successfully completed in Johannesburg, Cape Town and KwaZulu-Natal and work commenced on the new Cradlestone Mall in Krugersdorp. Work continued on ancillary building projects for Medupi and other projects in the sports, entertainment and commercial building sectors.

Aveng Grinaker-LTA and its BEE partner were awarded a long-awaited design and build contract on a 75:25 basis, respectively, to build the new Department of Environmental Affairs head office in Pretoria. This PPP project was awarded in June 2012 and the building work is scheduled to be completed in June 2014.

In a competitive market that offered limited new opportunities, the **Civil Engineering** operation was negatively impacted by the suspension in July 2011 of a significant civils contract for the KCM Konkola CRO plant in Zambia that contributed to unchanged revenue of R1,5 billion. Underperformance on two mining projects also contributed to the R84 million operating loss for the year.

The Medupi Civils contract, conducted in a joint venture partnership, continues to account for the bulk of the civil engineering order book. The contract is approximately 65% complete and on schedule to meet Eskom's revised deadline to deliver power to the national electricity grid in February 2015. Aveng Grinaker-LTA also participates with its JV partner in additional contracts to build chimneys and silos for Medupi and Kusile. New awards included civils work for Sappi's Ngodwana Mill and the Bridge City Mall railway link in Durban.

The suspension of phase 2 of the Gauteng Freeway Improvement Programme (GFIP) and ongoing uncertainty in the mining sector contributed to a lower revenue of R1,0 billion and an operating loss in the **Earthworks Engineering** operation. The operating unit sought to mitigate these impacts by further diversifying into the water infrastructure and asphalt products sectors. As a result, work commenced on the Mokolo Crocodile water augmentation project near Lephalale with the main works scheduled for completion in August 2013 and minor miscellaneous works due for completion by February 2014. Two new asphalt plants were commissioned in Boksburg and Pretoria West to meet demand for road projects. The plants are expected to reach full production capacity of 250 000 tonnes in September 2012 and will supply the Aveng Group and the broader transport infrastructure industry. Rehabilitation of the N3 highway between Warden and Villiers was delayed by a combination of factors, including bitumen shortages, but will resume on a revised schedule for completion before December 2012.

The **Mechanical and Electrical** (M&E) operation increased revenue by 5% to R2,2 billion but profitability was severely impacted by an unresolved claim associated with DSE Fabrication's sub-contract agreements with Genrec to deliver fabricated steel to Medupi and Kusile. A new contract, with specified volumes supplied directly to the client, has been negotiated with Hitachi.

The operating unit was awarded a second project in alliance with Alstom to install mechanical and electrical equipment at Kusile, following the Sisonke alliance project to deliver the same services to Medupi. Andersen & Hurley (acquired in 2010 and renamed Automation and Control Solutions) has been integrated into the operating unit and is performing well with strong growth potential in the power and oil and gas sectors. The first test pressure vessel has been successfully fabricated at the KGL fabrication facility established at Saldanha in 2010, and the required certification has been secured to market the facility.

The **Mining** operation maintained its revenue and operating margins at R2 billion and 5%, respectively. On the strength of its experience in deep shaft sinking (over 1 500 metres) at Konkola Copper Mine in Zambia, the operation was awarded a contract to sink a 975 metre shaft at Codelco's Chuquicamata Copper Mine in Chile. Shaft sinking equipment has been procured for the project and mobilisation work commenced in July 2012. Other shaft sinking and development contracts secured in the previous financial year achieved full production and new awards included shaft sinking contracts at the Wesizwe Platinum Bakubung mine and the Sasol Shondoni mine and access development work at

Secunda. The operating unit is a contract miner at the Two Rivers platinum mine for African Rainbow Minerals.

Strategic initiatives

Aveng Grinaker-LTA has consolidated its building, civil engineering, earthworks engineering and mechanical and electrical operations into a single multidisciplinary business served by unitary support functions with effect from 1 July 2012. The reorganisation will not only reduce overhead costs but also sharpen Aveng Grinaker-LTA's focus on project execution and strengthen its capacity to compete for major multidisciplinary projects.

Key appointments have been made to drive this strategy, while ensuring consistent effective project delivery: Grahame McCaig assumed his role as managing director in August 2011. A chief operating officer responsible for construction was appointed with effect from February 2012 and a chief operating officer responsible for the specialised businesses with effect from April 2012. The business is organised along domestic inland and coastal regional lines and has introduced a dedicated African presence (including Mauritius) with a managing director leading each of these regions. A commercial director was appointed on 1 December 2011, executive capacity has been strengthened across the board and the necessary capacity has been built in project teams to enable more effective project execution. The reorganisation reduced the number of people from support functions across the operating group either through retrenchment or natural attrition. Support functions such as transactional finances and procurement have been successfully centralised.

Safety

In partnership with other construction-related businesses, Aveng Grinaker-LTA launched, and chairs, Buildsafe South Africa, a non-profit organisation committed to improving health, safety and wellbeing in the industry by encouraging sharing of information between industry participants.

Aveng Grinaker-LTA suffered six fatalities during the period under review. Two of the fatalities occurred in vehicle accidents at the Lumwana project in Zambia and Mokolo Crocodile water augmentation project in Lephalale, and two involved LHD and fall of ground accidents respectively at the Two Rivers Mine in Mpumalanga. The fifth fatality occurred as a result of a fall from height at the Nestlé Babelegi project near Pretoria and the sixth involved a subcontractor being buried under material discharged from a delivery vehicle.

The LTIFR declined from 0,3 to 0,25. The business appointed a SHEQ director to drive an increased focus on safety as a core value. Aveng Grinaker-LTA was the only operation to receive a NOSCAR award in the construction sector in 2012 in recognition of excellence in safety standards.

Skills

Shortages in skills across the spectrum from engineering to trade skills continue to have a negative impact on productivity, and this trend is exacerbated by the dual impact of limited technical educational opportunities and increasing demands on contractors to employ local labour. Aveng Grinaker-LTA, which has for many years operated civil engineering and mining engineering training centres, introduced a new welding school at its Vanderbijlpark premises in December 2011 to address the dire shortage of skills in the domestic mechanical and piping construction industry. The school will meet its initial target to train 250 welders and in the longer term Aveng Grinaker-LTA will seek industry partnerships to extend training to other critical trades.

Environment

Aveng Grinaker-LTA is adopting the group's environmental framework to drive an increased focus on environmental management as a core value. The process to obtain environmental approvals for the new asphalt plants was assisted by the commissioning of low emission plants.

Human capital

New appointments made during the year have contributed to a significant transformation of the Aveng Grinaker-LTA board, more than 50% of which now comprises black directors, including one black woman. The B-BBEE status of Aveng (Africa) is level 2, with significant improvements in employment equity and transformation.

Looking ahead

The South African construction sector remains aggressively competitive. Despite this, Aveng Grinaker-LTA enters the new financial year with 65% of budgeted workload secured, but at margin levels that reflect the prevailing market conditions. In a South African construction environment that is likely to remain competitive until public sector infrastructure investment gains momentum, domestic growth prospects remain conservative and the operation is pursuing significant opportunities in road, rail and port infrastructure in the rest of Africa and Mauritius. The Aveng Grinaker-LTA consortium has been selected as one of two bidders to present a BAFO for the Mauritian toll road concession and the appointment of the preferred bidder is expected before the end of 2012. In the longer term, strong positioning for work in the power sector and the leveraging of synergies across the group's value chain should generate significant opportunities as the power build programme materialises.

Aveng Grinaker-LTA will maintain an intense focus on operational improvement and cost rationalisation to strengthen its project execution and profitability.

Material issues

Project execution: Reorganisation and new appointments to drive improvements in operational and commercial performance.

Growth: Pursuing growth in the road, rail and port infrastructure sectors in the rest of Africa and Mauritius and positioning for opportunities in the power sector to offset declining South African order book.

Safety: Renewed focus on safety as a core value.

Construction and Engineering: Australasia and Pacific

McCONNELL DOWELL
CREATIVE CONSTRUCTION™

David Robinson » Managing director

Financial highlights	2012	2011
» Revenue (Rm)	**17 122,4**	13 280,9
» Capex (Rm)	**611,2**	472,7
People	**7 400**	5 221
Safety		
» Fatalities	**4**	2
» LTIFR	**0,14**	0,13
» Executive Safety Leadership (score out of 50)	**42**	42
» % operations OHSAS 18001 certified	**100**	100
Environment		
» Energy consumption (Electrical) (kWh for six months**)	**11 521 569**	4 927 169*
» Water consumption (municipal) (kℓ for six months**)	**226 409**	1 114 079*
» CO_2 emissions (tonnes)	**55 978**	30 848*
Cultural (R)		
» CSI investment	**2 951 490**	5 059 833

» **Management**
MD: David Robinson
FD: Dale Morrison

** 2011 figures restated due to improved reporting*
*** Figures for 2011*

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.

Geographies operating in: Australia, China, Hong Kong, Indonesia, Laos, New Caledonia, New Zealand, Papua New Guinea, Philippines, Qatar, Saudi Arabia, American Samoa, Western Samoa, Singapore, Solomon Islands, Thailand, United Arab Emirates.

2011 key strategic objectives	Progress on objectives in 2012
Continue geographic diversification and grow organically within existing disciplines	» Continued to grow revenue from South East Asia and Middle East » Secured the Vale jetty project in Malaysia » Secured major projects in New Zealand » Integrated Perth building company and pursuing significant opportunities in Western Australia » Started operations in Saudi Arabia
Consolidate reputation as first-tier industry player	» Consolidated reputation as a major contractor able to deliver complex projects in Australia and awarded major contracts in New Zealand
Drive integrated procurement and cost management initiatives to reduce margin pressure	» Improving the efficiency of procurement processes and backroom office functions » Relocating staff from sites to regional offices to manage skills shortages

Key projects underway include:

- Abu Dhabi Tunnel
- Te Mihi Power Station
- Waterview connection tunnels
- Koniambo Nickel Mine
- Queensland Curtis LNG
- Gold Coast Rapid Transit
- Hay Point Coal Terminal Expansion
- FMG Rail Duplication and 115Mt Port Expansion
- C916 Underground Metro Station and Tunnel

McConnell Dowell is a major engineering, construction, building and maintenance contractor with an established reputation for delivering complex projects in the building, infrastructure and resources industry sectors in Australia, New Zealand and Pacific Islands, South East Asia and the Middle East.

McConnell Dowell is geographically structured into Australian and Overseas operations, with specialist services in tunnelling and pipelines. Separately branded Electrix operates in the construction, maintenance and asset inspection parts of high-voltage electrical transmission and distribution systems, generation and electrical substations, as well as gas distribution networks. Built Environs is the commercial building arm of McConnell Dowell.

McConnell Dowell contributed 42% to group revenue and 64% to the group's two-year project order book at 30 June 2012.

Financial performance

The markets served by McConnell Dowell have generally maintained their resilience in the global economic downturn, in spite of growing public and private sector investment uncertainty. McConnell Dowell operates in an intensely competitive and tough commercial environment and the impact of this was compounded by delays in the commencement of certain new projects and the need for a strong focus on the resolution of difficulties experienced at three existing projects. The business continued to secure repeat work from long-term clients and was awarded a number of significant new opportunities associated with transport and energy infrastructure development and the rebuilding of Christchurch in New Zealand.

Revenue grew by 29% to R17,1 billion, supported by a strong Australian Dollar and strong performances by the Overseas Construction and Pipelines businesses. Operating profit improved during the year in spite of the impact of challenges at the Hay Point Berth and the QCLNG pipeline and marine crossing in southern Queensland. The Pinkenba malting facility in Queensland was completed during the year.

The Komo Airfield is on track to meet a revised schedule for the landing of aircraft in November 2012; the Adelaide Desalination Plant, which was delayed by geotechnical and weather issues, is on schedule for full and successful completion in December 2012; the QCLNG large diameter export pipeline project experienced initial access delays and adverse weather conditions but has made good progress on site and is on schedule to meet a revised programme to have all 500 kilometres of pipeline completed by September 2013.

Operational performance

The **Australian Construction** operation maintained steady growth, reporting an increase in revenue to R7,9 billion in a market environment that continued to be driven by investment in general domestic infrastructure as well as infrastructure for the mining and oil and gas developments and industries. There were mixed performances in the different regions, with work opportunities remaining strong in Queensland and Western Australia, but slower in other regions of the country as a result of a sustained downturn in the building sector, reduced public sector spending on infrastructure development and the knock-on effects of the 2011 floods in Victoria. The Australian operation worked on a rail construction project for FMG in the Pilbara region of Western Australia in partnership with Aveng Manufacturing Lennings Rail Services.

The **Overseas Construction** operations continued to perform well in competitive markets, with ongoing growth in South East Asia, and the Middle East contributing to revenue growth of 64% to R3,7 billion. The operation was awarded, in joint venture, a design and construct contract for a jetty for Vale SA in Malaysia and it also strengthened its position in New Zealand with the award of major new contracts. These included projects for the Christchurch infrastructure rebuild; the Waterview Connection Alliance tunnel and road contract, the single largest roads contract ever awarded by the New Zealand Transport Agency; and an EPC contract for the development of the 360 MW Te Mihi geothermal power station.

The **Pipelines** operation reported 5% growth in revenue to R2,8 billion. Work on a number of significant contracts on coal seam methane projects secured in Queensland in the previous financial year gained momentum during the year, but profits were impacted by slower than expected initial progress on the QCLNG project. Work continued on a major pipeline transmission system for Australia Pacific LNG, and the facilities and flow line package for the GLNG Upstream Roma Hub. Work on the Komo Airport project in Papua New Guinea will be completed during the 2013 financial year.

The **Tunnelling and Underground** operation reported a 26% decline in revenue to R1,0 billion and lower profits, reflecting a shortage of new work secured in 2011 and the late start of major projects secured in 2012. The Ambuklao and Binga hydropower project in the Philippines was completed in 2011, and work progressed on the design and construct contract for the Beauty World Mass Rapid Transport underground station and tunnels in Singapore, where the twin tunnels are complete and work has started on the station. The award of major projects in New Zealand is expected to have a positive impact on revenue and profits in 2013.

The **Built Environs** operation maintained its strong execution performance, however revenue declined by 35% to R1,16 billion due to the depressed commercial building market in Australia. The newly acquired Perth building company was successfully integrated into the operation and is contributing to a consolidation of the operation's position in Western Australia, where work continued on two hardware complexes for a major supermarket chain and bids were submitted for significant new opportunities. Built Environs also gained ground in Queensland, with work progressing well on the station and depot works for the Gold Coast Light Rail PPP. In Southern Australia, work continued on projects secured in 2011, including the Single Leap PPP Project for the South Australian portion of the National Defence Housing Scheme and building works on the Seaford Rail extension project.

The **Electrix** business achieved significant growth across all of its key business sectors in Australia and New Zealand, increasing revenue by 36% to R1,9 billion. The business renewed maintenance contracts with most of its long-term customers in the electrical sector and has continued to diversify successfully into the gas maintenance sector as gas-related infrastructure investment continues to grow. Electrix is now the major maintenance contractor to the gas distribution networks in New Zealand.

Safety

McConnell Dowell suffered four fatalities during the year, two at the Komo Airport project, one at the Alstom power station project in Singapore and one at the Vale Jetty project in Malaysia. The LTIFR increased marginally to 0,14 during the year. The business has reviewed its safety system and procedures and implemented seven key principles to guide its safety performance and eliminate fatalities and serious injuries.

Environment

There were no major environmental incidents recorded. McConnell Dowell's approach to environmental protection was recognised by external stakeholders throughout the year in a number of awards and acknowledgements.

Human capital

McConnell Dowell's workforce has grown during the year in line with the growth of work in hand. The business achieved an overall satisfaction score of 74% in its annual employee opinion survey and continued to be an employer of choice. Internal recruitment was strengthened to ensure that the business is able to source talent in a competitive employment market.

An Indigenous Participation Policy was developed to provide the framework for sourcing, attracting, developing and retaining Australian indigenous employees, together with a strategy for procuring indigenous suppliers and subcontractors in the domestic market.

A leadership framework of behaviours that will further enhance leadership capability was developed and an additional senior leadership programme will be added to the existing suite of leadership programmes to strengthen the commitment to attracting and retaining key talent.

Looking ahead

The regional economies are showing signs of slowing down as a result of global market contraction in the sustained global economic recession. McConnell Dowell enters this period of uncertainty well positioned as an established first-tier contractor with a strong pipeline of new and ongoing work in its Australian and overseas markets; 70% of its order book is repeat work from long-term clients and this provides a strong and stable baseload of work.

In the medium term, McConnell Dowell will maintain its focus on the organic growth of its core business activities of marine, pipeline, mechanical, civil, commercial building, electrical, road, rail, and other general contracting offerings, while expanding its scope of work.

Material issues

Growth: Economic slowdown in Australasia and Pacific presents a potential threat but the business remains well positioned as an established first-tier contractor with a strong, stable order book.

Project execution: The business has made significant progress in resolving major project challenges and will benefit from lessons learnt in the process.

Safety: Renewed focus on safety guided by seven key principles.

Gavin Young » Managing director

Financial highlights	2012	2011
» Revenue (Rm)	389,8	468
» Capex (Rm)	1,6	28,0
People	317	580
Safety		
» Fatalities	0	0
» LTIFR	0,05	0,13
» Executive Safety Leadership (score out of 50)	34	33
» % operations OHSAS 18001 certified	100	100
Environment		
» Energy consumption (electrical) (kWh)	1 697 357	1 403 226
» Water consumption (municipal) (kℓ)	7 258	6 564
» CO_2 emissions (tonnes)	1 855	1 485*
Cultural (R)		
» CSI investment	95 805	230 297

Management
MD: Gavin Young
FD: Vishal Maharaj

** Restated*

Geographies operating in: Malawi, Mozambique, Namibia, South Africa, Zambia.

2011 key strategic objectives	Progress on objectives in 2012
Continue to grow geographic service offering in minerals processing projects	Worked on projects in Mozambique, Namibia, Zambia and Malawi and will continue to grow geographic service offering and diversity of technologies to the minerals processing sector
Pursue meaningful participation in the developing South African renewable energy market	Awarded preferred bidder status on two renewable energy projects in round 2 of government's IRP 2010 power programme and will focus on delivery of these projects in 2013

Key projects underway include

» Medupi project (extension to EPCM)
» Moma Sands Expansion

Aveng Engineering and Projects Company ($E^{+}PC$) offers concept and detailed engineering and project management services to its clients in the minerals processing and power and energy sectors and also provides longer-term operation and maintenance services across a broad range of plant capabilities to the minerals processing sector in South Africa and southern Africa.

Aveng $E^{+}PC$'s contribution to group revenue and profits declined during the year due to the impact of the sustained economic downturn on its key markets and some challenges in project execution.

Financial performance

Aveng $E^{+}PC$'s revenue declined by 20% to R389,8 million, while increasing financial constraints on global markets eroded margins further in a competitive environment with limited work opportunities, and many projects experienced delays in implementation.

Factors such as higher levels of activity in coal mining relative to other minerals, and the award of preferred bidder status on two renewable energy contracts, had a marginally positive impact in 2012 and bode well for the new financial year.

Operating performance

Minerals processing

The minerals processing business saw ongoing activity at a number of projects in South Africa and southern Africa. Engineering support work at the Grootegeluk coal processing plant expansion, which will serve the Medupi Power Station, has been completed and Aveng $E^{+}PC$ is now providing support during the construction of this project. Work continued on the Ndola Lime project in Zambia and the Moma mineral sands project in Mozambique is expected to be commissioned and commence operations within the next 12 months.

Longer-term operations and maintenance contracts across a broad range of processing plants, including Sumo's Kopermyn and Pembani's Carolina coal washing plants in Mpumalanga, and Kayelekera sulphuric acid plant in Malawi, continued to provide a baseload of work in a volatile market environment.

Aveng $E^{+}PC$ completed a wide range of concept and feasibility studies, a number of which look promising and are expected to move into the implementation phase in the new financial year.

Power and energy

The Aveng Group has positioned itself for opportunities in the power and energy sector and was awarded preferred bidder status on contracts for wind and solar renewable energy projects in the second round of the South African Government's renewable energy procurement programme. Aveng $E^{+}PC$ commenced work late in the year on front-end engineering and preparation for the start-up of the two renewable energy projects once they have reached financial close.

Strategic initiatives

In a difficult and rapidly changing market environment, Aveng $E^{+}PC$ has implemented a number of strategic initiatives to improve internal efficiencies and strengthen its market positioning. The business is gearing up its engineering and human resource capacity in the power and energy sector for significant future opportunities, but is also continuing to build critical mass in its minerals and processing capacity to ensure that it remains sustainably competitive in this sector. Underlying its strategy is an understanding that a systematic and disciplined approach to project delivery is critical. Key focus areas are:

Engineering skills shortages

Aveng $E^{+}PC$ is addressing this industry-wide challenge by improving the efficiency of its existing engineering skills and growing the pool of new engineering talent.

Customer focus

Aveng $E^{+}PC$ is strengthening client relationships to enhance its understanding of clients' unique needs in changing market environments. On some projects, this approach has enabled the business to anticipate problems earlier and respond more effectively.

Competitive differentiation

The use of advanced engineering systems affords Aveng $E^{+}PC$ a distinct competitive advantage. To ensure continuous maintenance and improvement of this capacity, the business is investing in a range of operational efficiency improvements, including the upgrade of its project information system.

Geographic diversification

Aveng $E^{+}PC$ continued to work on minerals processing projects in Mozambique, Namibia, Zambia and Malawi during the year and will continue to grow its geographic service offering as well as the diversity of technologies it offers to the minerals processing sector.

Safety

Aveng $E^{+}PC$ achieved a LTIFR of 0,05 (2011: 0,13) and has maintained a high level of focus on safety management to manage near-misses and reduce the LTIFR further. Safety highlights for the year include achievement of five years with zero lost-time injuries at the Kopermyn Coal Plant and 4,5 years with zero lost-time injuries at the Pembani Coal Plant.

Environment

Aveng $E^{+}PC$ is acutely aware of the impact of its work activities on the environment and manages this impact carefully and responsibly. The business was able to contain environmental issues during the year without any violation of the environmental laws. The Moma project in Mozambique is one example where the company has continued to comply with the Construction Environment Management Plan (CEMP) without any non-conformance.

Human capital

Gavin Young was appointed managing director in March 2012 and there have been a number of other new executive appointments with the skills necessary to fulfil the business's strategic objectives, resulting in significant changes to the leadership team. Further appointments are planned to strengthen capacity across the range of technologies (renewable, biomass, hydro and nuclear) in the power sector.

There has been substantial progress in transforming the leadership team which now has 50% black representation and 20% black female representation.

Looking ahead

Aveng $E^{+}PC$ does not anticipate a significant increase in revenue in the 2013 financial year due to ongoing constraints in the minerals processing market and the slow activation of public sector investment in the power sector. However, implementation of strategic initiatives by a re-energised management team is expected to impact positively on profitability.

The business will continue to pursue significant future opportunities in the power and energy sectors in South Africa and will leverage the track record developed in the two renewable energy projects underway to secure other opportunities in future rounds of the domestic energy procurement programme.

Aveng $E^{+}PC$ will continue to pursue growth in the minerals processing sector in Africa, and will leverage the Aveng Group's footprint in the Australian minerals processing sector in the medium to longer term.

Khungeka Njobe » Managing director

Financial highlights	2012	2011
» Revenue (Rm)	**328**	239
» Capex (Rm)	**27,2**	28,0
People	**189**	580
Safety		
» Fatalities	**0**	0
» LTIFR	**0,96**	***
» Executive Safety Leadership (score out of 50)	**33**	***
» % operations OHSAS 18001 certified	**100**	100
Environment		
» Energy consumption (electrical) (kWh)	**48 227 277***	***
» Water consumption (municipal) (kℓ)	**0****	***
» CO_2 emissions (tonnes)	**49 834**	***
Cultural (R)		
» CSI investment	**22 000**	230 297

Management
MD: Khungeka Njobe
FD: Vishal Maharaj

* *Aveng Water operates plants on behalf of clients. Energy consumption thus includes all our clients' operations*
** *Municipal water usage for Woodmead Office included in Aveng E+PC. All the other plants/sites use own potable water produced at the plants*
****Aveng Water's figures consolidated into Aveng E+PC*

Awards
Blue Drop to Hendrina Municipality, Optimum Colliery and Aveng Water by the Department of Water Affairs in recognition of the quality of reclaimed water from mine water at Optimum Colliery. Aveng Water provided the technology solution to treat and reclaim mine water and is responsible for production of water to quality standards as part of its O&M contract with Optimum Colliery.

Geographies operating in: Australia, Namibia, South Africa.

2011 key strategic objectives	Progress on objectives in 2012
Grow water treatment capability in line with Aveng Group strategic objectives	» Aveng Water has completed work and submitted a number of bids in its key AMD and sea water desalination markets, including plant designs for two new clients in South Africa and Australia. » Aveng Water is being positioned for the municipal water treatment sector
Expand into new geographic areas	» Aveng Water completed two plant designs and submitted a bid for a design and build project for a new coal mining client in Australia. » A representative has been appointed in Australia

Key projects underway include:

Construction Projects and Operations & Maintenance
- eMalahleni Water Reclamation Plant – Phase 2B expansion project (Construction)
- Kromdraai Mine Water Reclamation Plant (Construction)
- eMalahleni Mine Water Reclamation Plant (O&M)
- Optimum Colliery Mine Water Reclamation Plant (O&M)
- Erongo Seawater Desalination Plant (O&M)

Aveng Water offers design, construction, operation and maintenance of water treatment and reclamation plants in the mine water, municipal water, waste water, sea water desalination and industrial effluent market sectors. Although the business is relatively new, it is well positioned to respond to the growing need for water treatment in its targeted sectors.

Strategy

Aveng Water is a leader in the treatment of mine water, including acid mine drainage (AMD). Its unique HiPro technology strengthens its offering in the AMD market sector. The business will seek further growth in an expanding, but increasingly competitive domestic AMD sector and through geographic expansion into southern Africa and Australia. Aveng Water has established a track record in sea water desalination, having designed and constructed the Erongo Desalination Plant for Areva Resources in Namibia, and is pursuing other similar opportunities in southern Africa. Leveraging its experience in water treatment, Aveng Water is being positioned for opportunities to treat conventional municipal water and waste water for reuse in South Africa and the rest of Africa.

Financial performance

In a market characterised by limited new work opportunities and delays or downscaling of the scope of many of the projects that were awarded, Aveng Water was able to increase its revenue by 37% to R328 million. Its contribution to group revenues increased to 1%.

Operating performance

Aveng Water built its first small and modular AMD plant at Kromdraai as a short-term solution for Anglo American Thermal Coal. This was also the first project it negotiated on a lease rental basis. Work on the Anglo American Thermal Coal eMalahleni Phase 2B expansion design and build project commenced in October 2011. The project will expand the daily capacity of the AMD plant from 30 megalitres per day to 50 megalitres per day when the project is fully commissioned.

Aveng Water completed a number of designs for water treatment plants at two mines in Australia and will complete designs for two new clients in South Africa in the first quarter of the new financial year.

Aveng Water has three-year contracts to operate and manage the eMalahleni and Optimum Colliery Water Reclamation plants, and has completed the second year of a 10-year contract to operate and manage the Erongo sea water desalination plant.

Sustainability

Aveng Water improved its safety, environmental, human capital and risk policies and frameworks during the year, and all of its sites and operations received OHSAS 18001 certification. Apart from two lost-time injuries (LTI) at eMalahleni and one at the Woodmead offices, all other sites were LTI-free and no fatalities were recorded. The business focuses on instilling a safety culture and actively promotes visible safety leadership initiatives. Environmental impact assessments undertaken by Aveng Water's clients are embedded in its project execution processes.

Khungeka Njobe was appointed managing director of Aveng Water in May 2011. The expertise of core process engineering and technology teams is being leveraged to build and grow the business in current and new market sectors. Process engineering and project management capacity was strengthened during the year and new capacity in business development, marketing, safety and HR was introduced. The business has been successful in retaining its core and critical skills – a key competitive advantage – and has a succession plan in place.

Looking ahead

With the eMalahleni project and existing operate and manage contracts providing a baseload of work, bids submitted for work in the domestic and Australian AMD sectors offer growth prospects but may take time to materialise.

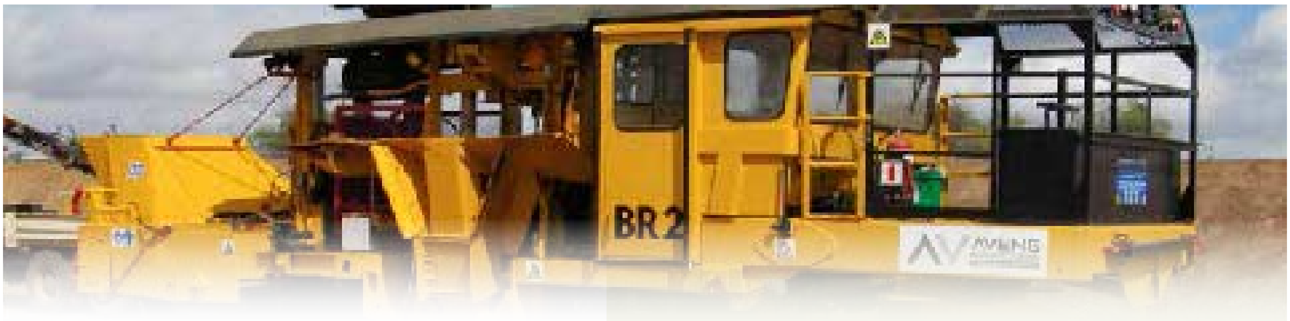
In the medium to longer term, Aveng Water's prospects increase significantly with major investment planned for large-scale AMD in the Wits Basin and government's infrastructure development programme, which will include major water treatment projects.

Material issues

Growth: The development and growth of the mine water market and implementation of government infrastructure programme are key drivers for Aveng Water's growth plans.

Manufacturing and Processing

Solly Letsoalo » Managing director



Financial highlights	2012	2011
» Revenue (Rm)	3 403,2	2 696,9
» Capex (Rm)	77,8	196,2
People	2 968	2 888
Safety		
» Fatalities	1	0
» LTIFR	0,62	1,01
» Executive Safety Leadership (score out of 50)	40	37
» % operations OHSAS 18001 certified	100	100
Environment		
» Energy consumption (electrical) (kWh)	10 758 909	9 221 539*
» Water consumption (municipal) (kℓ)	180 801	122 268
» CO_2 emissions (tonnes)	16 382	14 002
Cultural (R)		19 188*
» CSI investment	3 388 402	3 810 778

Management MD: Solly Letsoalo
FD: Craig Barrett

Restated

Awards

- Aveng Manufacturing Duraset Germiston and Alrode factories won first and second positions respectively in the NOSA northern region for best implementation of the NOSA five star system.
- Aveng Manufacturing Steeledale Cape Town won three 1st place NOSA awards for best implementation of safety, health and manufacturing system in the region.

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

Geographies operating in: Australia, Botswana, Finland, Ghana, Lesotho, Mozambique, Namibia, South Africa, Swaziland, Tanzania, USA, Zambia, Zimbabwe.

Key projects underway include

- Portside building, Cape Town
- Medupi, Power Station
- Cecilia Makiwane hospital
- Fairscape precinct, Botswana
- First Quantum sentinel mine, Zambia
- FMG Pilbara Western Australia rail line

2011 key strategic objectives	Progress on objectives in 2012
Development of a presence in Mozambique, the rest of SADC and East and West Africa with a focus on growing rail-related business	» Setting up a manufacturing and processing plant in Mozambique for construction and rail products » Feasibility studies are underway to establish a presence in East and West Africa » Further growth is expected in SADC in mining, rail and construction products
Implementation of turnaround and efficiency initiatives	» **Steeledale:** Turned around from a loss to a profit and gained market share » **Duraset:** Reported solid profit growth and gained market share in mining products; implemented efficiency improvements at Alrode factory; introduced new products to maintain competitiveness » **Infraset:** Successful commissioning of MASA 2 paving and landscaping brick facility at Rossway factory has resulted in increased volumes and profits from this sector
Continued focus on safety and people transformation	» **Safety:** One fatality reported at Infraset. LTIFR improved from 1,01 to 0,62. Ongoing focus on creating a zero fatality environment. » **Transformation:** B-BBEE rating improved to level 3; employment equity score improved from 4,79 to 6,24. Increased focus on skills development in 2013.

Aveng Manufacturing manufactures and supplies steel and concrete products to the construction sector, services and engineered solutions to mining and construction clients, and rail construction and maintenance services to the transport sector.

The business contributed 8% to group revenue and achieved solid growth during the 2012 financial year in spite of ongoing contraction in some of its key markets.

Financial performance

Aveng Manufacturing performed strongly in a generally depressed market, reporting revenue growth of 26% to R3,4 billion and a turnaround in operating profit to R206 million (2011: R9 million) as all operating units, with the exception of Aveng Manufacturing Infraset delivered growth in revenue and profit. A number of factors contributed to the improved performance, including a significant contribution from Dynamic Fluid Control (DFC) which was acquired in 2011 and is reporting its first full year as part of the Aveng Group, and considerable cost reduction and efficiency gains from the ongoing operational improvement programme first implemented in the Steeledale and Duraset businesses in 2011 and extended to Infraset in 2012.

Operating performance

Construction products

Steeledale recovered from a loss in 2011 to deliver solid growth in operating profit largely as a result of efficiency improvements, better customer service and more focus on strategic positioning in its markets which resulted in some gains in market share. A market leader in beneficiated steel reinforcing bars and mesh for concrete structures, Aveng Manufacturing Steeledale's turnaround was supported by sustained demand from the domestic mining and construction sectors and expansion of its reinforcing steel offering into African markets.

Aveng Manufacturing Infraset increased volumes and doubled profits in its relatively small paving and roof tile business following the successful commissioning of its MASA 2 paving and landscaping brick facility at the Rossway factory. Its supply of concrete railway sleepers gained upward momentum late in the second half of the year, but the business was heavily impacted by overall declines in demand from its key concrete products and rail construction markets.

Mining and water supplies

DFC, which contributed significantly to the operating profits of Aveng Manufacturing, capitalised on opportunities in the supply of valves to local water authorities and minerals processing plants in domestic and international markets. DFC's results were positively impacted by the weakening of the Rand and increase in sales in South and Central America, Australia, Belarus and the SADC.

Aveng Manufacturing Duraset delivered robust growth in its steel manufacturing operations in spite of the impact of labour strikes in the mining industry. Aveng Manufacturing Duraset gained market share in a competitive mining product supply sector as the benefits of a new leadership team and efficiency gains, combined with new product development and a more outward focus on customer service, produced the desired results.

Rail construction and maintenance

Aveng Manufacturing Lennings Rail Services was able to offset much of the impact of declining activity in rail construction with higher than anticipated levels of rail maintenance work and the award, in a 50:50 partnership with McConnell Dowell, of a rail construction project for FMG in the Pilbara region of Western Australia.

Strategic initiatives

Aveng Manufacturing implemented a number of key strategic initiatives to support its ongoing operational improvement programme during the year. The group focused on improving its competitive positioning by developing new products, particularly in the mining and water sectors, and expanding its geographic footprint to reduce its reliance specifically on one major domestic client and more generally on domestic public sector infrastructure investment, much of which continues to be delayed.

Plant and product development

Aveng Manufacturing Duraset upgraded and automated its factory in Alrode, replacing 20 machines with two high-speed vertical CNC machines to achieve efficiency improvements. New products were introduced into the mining market which contributed to growth in earnings. A new zinc coating plant to protect steel products from rust is being installed in Germiston. The plant will offer a coating service to clients in the geotechnical, auto and mining products sectors.

DFC consolidated its Zebenza and Benoni operations into one operation in Benoni and introduced six new valves into the market to maintain its competitive edge.

Geographic expansion

Aveng Manufacturing grew its exports of steel reinforcing to its established markets in Namibia and Zambia and secured new growth opportunities in rail construction and refurbishment in Australia and Mozambique, and for mining products (roof bolts and water valves) in Tanzania, Zimbabwe and also South America. The business is currently setting up a manufacturing and processing plant in Mozambique for construction and rail products, which is planned to operate from January 2012, and exploring opportunities to establish factories in growing African markets where it does not already have manufacturing facilities.

Beyond Africa, Aveng Manufacturing has employed a distributor for water valves in Australia and established a presence in DFC's market in the US, and is exploring opportunities to supply railway sleepers to Australasian markets.

Aveng Manufacturing cooperates with Aveng Grinaker LTA, McConnell Dowell and Aveng Trident Steel to leverage the group's strength and diversity, particularly in other African and international markets.

Safety

Aveng Manufacturing achieved a 39% improvement in LTIFR to 0,62 but suffered one fatality at Infraset in an accident involving a concrete mixer. The group remains committed to continuous improvement in its safety performance and won first and second positions in the NOSA northern region for implementation of the NOSA five star system in its Germiston and Alrode factories respectively. The Aveng Manufacturing Steeledale Port Elizabeth operation won the regional Master Builders Association safety award. The Aveng Manufacturing head office won the NOSA award for best implementation of occupational health in the northern region.

Environment

Aveng Manufacturing adopted the group's environmental framework and appointed a dedicated team to manage its reduction of emissions, waste and energy consumption. During the year, the business replaced loose asbestos with non-asbestos materials at its Kuils River factory in the Western Cape and is working to address dust complaints.

Human capital

A new financial director was appointed and new managing directors assumed their duties at Aveng Manufacturing Steeledale and Aveng Manufacturing Duraset in June 2011. Executive capacity was strengthened in the business development, secretarial and human resource functions, and an executive from the business was appointed to coordinate the Aveng Group's delivery of two renewable energy contracts.

The employment equity score of Aveng Manufacturing improved from 4,79 to 6,24 and the business will increase its focus on skills development during the new financial year.

Aveng Manufacturing achieved a BBBEE score of level 3. 70% of top management are PDIs while 30% of senior management are PDIs and 40% of professionals are PDIs.

Looking ahead

Aveng Manufacturing enters the new financial year with significant opportunities in the domestic and other African rail construction and mining sectors.

The business will continue to pursue growth from geographic expansion and new product development and will consider partnerships or bolt-on acquisitions to facilitate both of these drives.

Underlying this will be the ongoing operational improvement programme, with a strong focus on concrete products and rail business in the year ahead.

AVENG TRIDENT STEEL

Hercu Aucamp » Managing director

Financial highlights	2012	2011
» Revenue (Rm)	**5 743,2**	5 110,3
» Capex (Rm)	**120,0**	241,9
People	**1 889**	1 865
Safety		
» Fatalities	**0**	0
» LTIFR	**0,46**	0,97
» Executive Safety Leadership (score out of 50)	**31**	35
» % operations OHSAS 18001 certified	**100**	100
Environment		
» Energy consumption (electrical) (kWh)	**16 021 712**	16 655 756*
» Water consumption (municipal) (kℓ)	**48 886**	16 556*
» CO_2 emissions (tonnes)	**20 402**	20 730*
Cultural (R)		
» CSI investment	**525 000**	424 550

Management
MD: Hercu Aucamp
FD: Dean Subramanian

*Restated

Geographies operating in: Botswana, DRC, Ghana, Kenya, Mauritius, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Zambia, Zimbabwe.

2011 key strategic objectives	Progress on objectives in 2012
Further diversification of the product range	» Development of new products to enable entry into markets that were not previously served
Additional value-added services to customers	» The Schuler blanking press in Port Elizabeth provides a solution to effectively service the automotive industry in the region. » Upgrading of the structural steel facility in Roodekop adds value for customers
Improving operational efficiencies and productivity	» Improvements in operational efficiencies and stock optimisation offset the impact of ongoing competition on profit margin
Continuing to develop employees' skills base	» Increased learnerships and bursaries
Geographic expansion, where appropriate	» Opening a new facility in Tete, Mozambique, to serve coal mining and related infrastructure development

Aveng Trident Steel supplies a wide range of products to the domestic steel and automotive industries, and exports steel products from its steel yards, steel processing centres and manufacturing plant.

The business contributes 14% of group revenue and achieved solid growth in 2012, supported by a modest improvement in sales volumes and steel prices, increasing demand from the automotive industry and a strong internal focus on operational efficiencies.

Financial and operating performance

In a challenging market that was characterised by unpredictable supply from domestic steel mills in the first half of the financial year and a slowdown in public sector demand in the second half, Aveng Trident Steel was able to increase revenue by 12% to R5,74 billion. This was largely due to increasing demand from the automotive industry and sustained demand from private sector activity in the construction industry.

The strong focus on operational efficiencies, together with the benefits of improved stock optimisation and a broader product offering, helped to offset the impacts on the profit margin of ongoing competition in the market.

The business compensated for unstable domestic supply by importing steel to ensure an ongoing service to customers. (Imports in excess of one million tonnes by the domestic steel industry during calendar 2011 reached levels last seen in the mid-1970s.) While domestic supply stabilised during the second half, the reliability of domestic mills remains a concern for downstream suppliers in the medium to long term. Aveng Trident Steel constantly reviews its sourcing strategy to maintain its high standard of service to customers.

Aveng Trident Steel generates its revenue from steel merchanting, processing and the manufacturing of steel tubes and pipes for the construction, engineering and mining industries, and is a steel processor for the automotive industry. The business is experiencing growing demand from an automotive industry that has gained impetus from the South African government's programme to incentivise increased localisation of component manufacturing, and continues to rely on the private sector construction industry for its baseload of work. Future growth is dependent on the major public sector infrastructure programmes in the transport and, power industries which have been slow to come on stream and, once they do commence, will take time to have a positive impact on the steel industry.

Strategic initiatives

To address these market dynamics, Aveng Trident Steel has balanced a strong internal focus on strengthening its capacity and efficiencies with an external campaign to drive future growth by diversifying its market segments and product range as well as strengthening its marketing and sales functions.

The new Schuler blanking press line commissioned in the Port Elizabeth manufacturing facility in July 2011 has enabled the business to press curved, trapezoidal and straight-edge blanks cost-effectively for the automotive manufacturing industry and this has contributed to the growth in demand from this industry.

There has been a drive to strengthen processing capacity and service delivery in the regional branches, all of which have been boosted with increased stock and processing equipment. In particular, the structural steel cutting facility in Roodekop has been upgraded with new equipment.

Geographic expansion

Aveng Trident Steel, in partnership with Aveng Manufacturing, is opening a new facility in the Mozambican province of Tete to serve coal mining and related infrastructure development in the province.

The business is considering opening new regional branches in southern Africa as part of its drive to strengthen processing capacity and service delivery.

Safety

The first internal strategic intervention implemented by Aveng Trident Steel in 2012 was an increase in the focus on safety. The results of this were reflected in a significant improvement in LTIFR to 0,46 (2011: 0,97), no fatalities and the achievement of one million hours without any lost time twice during the financial year. The business is committed to achieving an LTIFR performance level consistently below 0,30 in future.

Human capital and transformation

Progress in transformation initiatives is reflected in an improvement in Aveng Trident Steel's employment equity score and increased attention to management control, skills and enterprise development. The B-BBEE status was upgraded from level 5 to level 4 during the year, with a target to achieve level 3 in 2013.

Following the appointment of Hercu Aucamp as managing director in February 2011, there have been several new leadership appointments to strengthen capacity in operations, sales, business development and safety.

Looking ahead

The steel industry is likely to remain under pressure in 2013 with no significant improvement in demand and prices anticipated. Aveng Trident Steel will pursue growth in new market segments, a wider product mix and geographic expansion. Underlying this strategy will be an ongoing focus on operational improvements, including the implementation of a new ERP system to facilitate further improvements in efficiency and customer service.

Material issues covered in this report

Growth: Investment in market, product and geographic diversification to generate future growth.

Safety: Zero fatalities, improvement in LTIFR.

Open cut mining

Brian Wilmot » Chairman

Financial highlights	2012	2011
» Revenue (Rm)	4 677,3	3 656,0
» Capex (Rm)	934,3	710,9
People	5 372	4 569
Safety		
» Fatalities	1	2
» LTIFR	0,20	0,13
» Executive Safety Leadership (score out of 50)	37	37
» % operations OHSAS 18001 certified	100	100
Environment		
» Energy consumption (electrical) (kWh)	2 501 982	5 382 164
» Water consumption (municipal) (kℓ)	27 736	2 601
» CO_2 emissions (tonnes)	362 353	340 047
Cultural (R)		
» CSI investment	383 874	696 020

Management

MD: Stuart White

FD: Peter Schumann

Awards

- Aveng Moolmans operations at Langer Heinrich received the NOSA 5 Star Award in August 2011 and were declared winners in the international competition Sector C1 for Opencast Mining.
- Langer Heinrich was declared winner of NOSA's International Sector C1 and also received its first NOSCAR Award at NOSHCON 2011.
- Aveng Moolmans' site SHEQ Manager at Smaldeel Mini-Pit Operations, Sharon van der Bergh won the silver BECSA Achievement Award for service excellence in the Contractors category at the BHP Billiton (BECSA) 2011 awards. This was the first year that contractors have been included in the BECSA Awards.

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

2011 key strategic objectives	Progress on objectives in 2012
Leverage our collective expertise to add value	» The combined Aveng Mining established and will generate value from shared best practice » The Aveng Group continues to leverage synergies across the mining value chain
Continue to find efficiencies and improve returns	» Overall equipment efficiencies continue to improve » Pursuing specific balanced scorecard initiatives and performance management
Select projects that can deliver suitable returns	» Project selection by client, commodity, country, climate and currency aims to manage risk and improve returns

Key projects underway include:

- Phoenix (Nickel Mine)
- Iduapriem (Gold Mine)
- Chimiwungo (Copper Mine)
- Tshipi Borwa (Manganese Mine)

The Aveng Group offers services across the mining value chain, from shaft sinking, underground development and contract mining, open cut mining, minerals processing and acid mine drainage to construction of mine infrastructure and the supply of mining equipment and products.

Aveng Mining was established in 2012 to leverage the collective capacity of the Aveng Group's open cut mining (Aveng Moolmans) and shafts and underground to pursue growth opportunities in domestic and international markets. Aveng Mining accounts for 11% of group revenue and 20% of the two-year project order book.

Aveng Moolmans owns and operates heavy earth-moving and mining equipment and is one of the largest open cut mining contractors in Africa, mining over 20 million tonnes of material monthly.

Aveng Mining is one of only four deep-level shaft-sinking companies in the world. The Shafts & Underground mining activities in Aveng Grinaker-LTA have been consolidated into Aveng Mining with effect from 1 July 2012 but are reported in the Grinaker-LTA report for the year under review.

Aveng Moolmans

Aveng Moolmans delivered a strong financial performance with revenue growing by 28% to R4,7 billion in a generally busy environment, and the operating margin improving from 8,9% to 10,2%, with the Marikana settlement stripped out of the 2011 results. The key factors that contributed to this performance were a steady workload, no significantly underperforming contracts, and improved utilisation rates and efficiencies, all supported by dedicated people. With uncertainty in the mining environment, it is notable that the use of contractors to undertake mining activities increases as this is considered a risk mitigation measure.

Aveng Moolmans concluded two commercial loan facilities in the year that will further support funding of its investment in new equipment.

Operating performance

Aveng Moolmans operates in eight African countries, with approximately 70% of its work beyond South Africa's borders, and its order book comprises mining work across a diverse range of commodities. The business has built valuable long-term relationships with leading global mining houses and focuses its contract work on mines with a sustainable future. It mitigates risk further by balancing its portfolio of contracts based on client, commodity, country, climate and currency.

In the South African market, Aveng Moolmans secured a new contract on the Tshipi Borwa open cut manganese mine in the Northern Cape in November 2011. The five-year contract involves the drilling, blasting and removal of waste and manganese ore. Aveng Moolmans continues to work on the Sishen Iron Ore Mine for Anglo American Kumba Resources, mining a minimum of 45 million tonnes of material per annum. The contract was recently renewed until December 2017.

In the rest of Africa, Aveng Moolmans completed its work on the COP A and Fitwaola open cuts for Konkola Copper Mines in Zambia. The business was awarded a contract at the Kansanshi Mine and commenced work on the Chimiwungo open cut mine for the Lumwana Mining Company (Barrick) in north western Zambia. Work continued on long-term contracts at Tati Nickel's Phoenix Mine in Botswana and a number of AngloGold Ashanti mines, including Sadiola Gold Mine in Mali, Siguiri Mine in Guinea, Iduapriem Mine in Ghana and Star & Comet Pit in Geita Mine, Tanzania.

Strategic initiatives

Leveraging the natural synergies between Aveng Moolmans and Shafts & Underground, particularly in the areas of client management, business development, and procurement, is an important focus area. Both the surface mining and underground operations will benefit from the sharing of best practices and ongoing cooperation with other group companies to pursue the Aveng Group's long-term "mine to market" strategy.

The drive to extract maximum value from equipment continues to deliver value. Aveng Moolmans has undertaken a study to benchmark its overall equipment efficiencies against global best practice and continued to monitor its equipment efficiencies on an ongoing basis. Since the original study, there has been an overall improvement across Aveng Moolmans.

Safety

Aveng Moolmans suffered an unfortunate public road fatality in the North Western Cape during the year. The business has maintained a strong focus on safety and its system is OHSAS 18001:2007 accredited. The LTIFR was 0,20 during the financial year. The AIFR (all injury frequency rate, which includes fatalities, lost-time injuries, restricted work cases, medical treatment cases and first aid cases) improved to 1,19 against a target of 1,34. This indicates a reduction in the number of minor injuries. Langer Heinrich Uranium Mine was the winner of NOSA's International Competition Sector C1. Aveng Moolmans received a NOSCAR at NOSHCON 2011 and Sharon van der Bergh, Site SHEQ Manager at Aveng Moolmans Smaldeel Mini-Pit Operations won the Silver BECSA Achievement Award for service excellence in the Contractor's Category of the BHP Billiton (BECSA) 2011 awards.

Environment

Aveng Moolmans has implemented the Aveng Group's environmental framework across its operations. The new head office in Gauteng has energy-efficient systems and further opportunities are currently being pursued.

Human capital

Brian Wilmot was appointed group executive of Aveng Mining and chairman of Shafts & Underground and Aveng Moolmans with effect from 1 February 2012.

Aveng Moolmans continues to focus strongly on leadership and skills development. A total of 1 174 people were trained in the year, of which 292 people underwent management training, through either the Aveng Leadership Development Programme or the Moolmans Supervisory development programme, and 882 undertook MQA skills training internally. Aveng Moolmans is accredited by the Mining Qualifications Authority. Apprenticeships amounted to 69 registered, with 16 qualifying as diesel mechanics in the year, and a civil engineering bursar is due for completion in 2014.

The communities in which the business operates are major stakeholders, particularly on the long-term contracts where localisation and skilling of the local workforce provides a social and competitive advantage.

Looking ahead

Aveng Mining has healthy order books, collectively valued at R10 billion until 2014/5.

Aveng Moolmans and its key clients continue to benefit from its long-term relationships. The business anticipates revenue growth in the year ahead from existing contracts and new opportunities and will continue to pursue margin growth from continuous improvement in operational efficiencies.

Shafts & Underground will continue to work on shaft sinking and mine development contracts and will pursue higher margin opportunities in markets beyond South Africa's borders.

Material issues covered in report

Safety: Focus on elimination of fatalities, as well as general progress towards "Home Without Harm Everyone Everyday".

Growth: Focus on improving margins and returns. Aveng Moolmans will focus on its longer-term order book, while Shafts & Underground will attend to critical mass reputation building.

Project execution: No problem projects identified. Focus on execution and delivery of Shafts & Underground projects.

Achievements during 2011/2012

- Strengthened skills and capacity of the board following the appointment of an executive director and two additional independent non-executive directors after year-end
- Compliance with the statutory requirement to have a social and ethics committee by constituting the social, ethics and transformation committee
- Revised the board charter and all committee charters following the introduction of a social and ethics committee as required in terms of the Companies Act 71 of 2008
- Ongoing monitoring by internal audit in respect of reporting on internal financial controls, internal controls and risk management principles based on King III
- External review of compliance to Companies Act 71 of 2008
- Continual monitoring of competition law compliance and anti-corruption training throughout the group

Objectives for 2012/2013

- Focus on implementation of an appropriate legislative compliance framework
- Continue to identify and action appropriate opportunities to inform directors of the content and implications of material laws and regulations applicable to the group
- Enhance the group's application of the principles of King III where relevant and appropriate
- Continue with monitoring of competition law compliance and anti-corruption training throughout the group

Introduction

As part of its ongoing objective to ensure sustainable performance, the board of directors of Aveng Limited (the board) has long acknowledged that good corporate governance is an integral part of the Aveng Group's operations and that this is achieved as a result of collective responsibility and shared accountability. The aim to not only protect but also enhance the reputation of the Aveng Group, one of the most important assets of any business, is a major driving force behind the board's commitment to uphold the principles of fairness, accountability, responsibility and transparency based on a foundation of ethical leadership.

The board fully supports the application of the recommendations as contained in the King Report on Governance for South Africa, 2009 (King III) through which shareholders and stakeholders are assured that the Aveng Group is being managed ethically and in compliance with relevant legislation and best practice.

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

As part of its commitment to good corporate governance, the company continues to apply the recommendations as contained in King III and to identify areas where such application can be enhanced in the best interest of the company.

Companies Act 71 of 2008

The new Companies Act 71 of 2008 (Act) came into effect on 1 May 2011 and the company has taken the necessary actions to ensure compliance with all relevant provisions of the Act. Shareholders will be requested to approve the adoption of the new memorandum of incorporation of the company, the salient features of which are set out on pages 192 to 195 of this integrated report, at the forthcoming annual general meeting.

The board of directors

The board of directors of Aveng Limited is the highest decision-making body within the group and 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.

Day-to-day responsibilities for corporate governance are overseen by management which regularly reports to the board and board committees. The chairman of the board and the chairmen of the board committees play an active role in all corporate governance matters and regularly interact with executive directors and management.

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, among other things, sets out its role and responsibilities in areas such as ethical leadership, strategy, financial management, risk management, compliance, sustainability and governance in general. The charter addresses the specific duties of individual directors both in terms of the common law as well as the provisions of the Act. Important elements of good governance that are also covered in the charter include the roles of the chairman and the chief executive officer, the focus on stakeholder relationships, the implementation of a proper delegation of authority and the composition and evaluation of the board and its various committees.

The board is satisfied that, for the year under review, it has complied with the terms of its charter.

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 board and 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 and the ratio of executive to non-executive directors ensures that the board is sufficiently informed by independent perspectives. The formal process for nominating new candidates for appointment as directors to the board is overseen by the remuneration and nomination committee. Any appointments of directors are approved by the board as a whole and newly appointed directors are expected to stand down at the first annual general meeting following their appointment for election by shareholders.

Details of the directors appear on pages 24 and 25 of this report.

During the period under review and up to publication of this report, the following changes occurred in the composition of the board:

- Keith Rumble resigned as independent non-executive director in December 2011
- Stephen Pell was appointed as an executive director on 1 June 2012
- Mahomed Seedat and Michael Kilbride were appointed as independent non-executive directors on 4 July 2012

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 note 29 to the consolidated annual financial statements contained on pages 165 to 172 of this integrated report. No service contracts exist between the company and non-executive directors.

Independence

The independence of non-executive directors is evaluated annually 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-making and authority.

Nkululeko Sowazi is chairman of the Kagiso Tiso Holdings Group, which has a material relationship with Aveng Limited as it holds 25% in Aveng (Africa) Limited and Aveng Trident Steel Holdings (Pty) Limited. Accordingly, Nkululeko 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 the company secretary, 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.

Company secretary

During the period under review, the company secretary of Aveng Limited, Karen Robinson resigned and iThemba Governance and Statutory Solutions (Pty) Limited, represented by Annamarie van der Merwe, was appointed as acting company secretary. The board is pleased to confirm the appointment of the new permanent company secretary, Michelle Nana, with effect from 1 August 2012. The board is satisfied that Michelle has the requisite skills, attributes and experience to effectively fulfil the duties of company secretary of a public, listed company.

Performance evaluations

A comprehensive evaluation of the performance of the board and board committees was undertaken. This was done by way of a self-assessment questionnaire completed by directors and board committee members.

Summarised reports of the results of the evaluations, together with appropriate recommendations, were prepared for discussion purposes and action plans agreed in respect of areas identified for improvement. No major areas of concern were identified as part of the evaluation process.

Retirement by rotation

In compliance with the provisions of the company's memorandum of incorporation, one third of the directors are expected to retire by rotation and, if eligible and willing to continue to serve as directors, offer themselves for re-election by shareholders. Details of directors retiring by rotation are set out in the notice of the annual general meeting.

Board meetings

The board meets on a quarterly basis and additional meetings are held when required. During the period under review, the board formally met a total of five times (four scheduled and one special meeting). 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 after each board meeting.

Director	Independent	31/08/11	05-06/12/11	12/03/12	26-27/06/12	*Ad hoc:* 18/06/12
AWB Band (Non-executive chairman)	√	√	√	√	√	√
WR Jardine (Chief executive officer)		√	√	√	√	√
PJ Erasmus (Non-executive)	√	√	√	√	√	A
MA Hermanus (Non-executive)	√	√	√	√	√	√
RL Hogben (Non-executive)	√	A	√	√	√	√
JJA Mashaba (Executive)		√	√	√	√	A
TM Mokgosi-Mwantembe (Non-executive)	√	√	√	√	√	√
SD Pell (Executive)[1]		–	–	–	√	√
DG Robinson (Executive)		√	√	A	√	A
MJD Ruck (Non-executive)	√	√	√	√	√	A
KC Rumble (Non-executive)[2]	√	√	–	–	–	–
NL Sowazi (Non-executive)		√	√	A	√	A
HJ Verster (Financial director)		√	√	√	√	√
PK Ward (Non-executive)	√	√	√	√	√	√

1 = Appointed 1 June 2012
2 = Resigned 1 December 2011
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. As required by the JSE, a closed period is also implemented at half year until the release of the interim 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 by executives may take place outside of the closed periods without prior written approval from the chairman for directors and the chief executive officer for executives 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 the 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 members of directors, or senior designated employees, or by trusts in which directors or senior designated employees or their families are beneficiaries.

Compliance, ethics and financial reporting

Group competition law compliance programme

The group continued to implement the group competition law compliance programme that was implemented during the 2010 financial year. 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 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.

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 on 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 facilitates reporting of all forms of unethical behaviour, is in place across the group.

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:

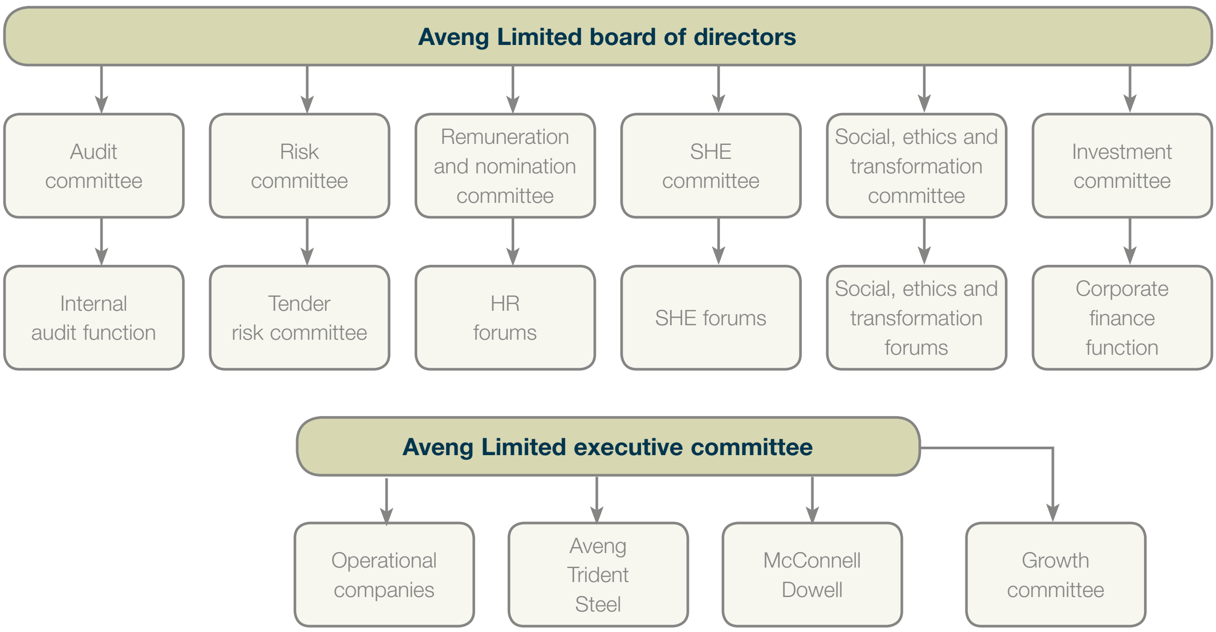
(1) Audit committee
(2) Risk committee
(3) Remuneration and nomination committee
(4) Safety, health and environmental committee
(5) Social, ethics and transformation committee
(6) Investment committee

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.

Individual reports and attendance registers of each committee are set out from page 98 to page 111 of this report.

Corporate governance structure



For 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
- 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 subsidiaries through the Aveng (Africa) Limited and Aveng Trident Steel Holdings (Pty) Limited finance committee and its Aveng Australia Limited subsidiary through 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 reviewed 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 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 of the external auditor
- Oversee the internal audit function, ensuring that it remains independent and has the requisite resources, budget, standing and authority to discharge its functions
- Ensure that the combined assurance model applied to the group is appropriate to address all significant risks and oversee financial risk management and controls
- Prepare a report for inclusion in the annual financial statements describing how the committee carried out its functions and pronounce on the independence of the external auditors
- Prepare a report for inclusion in 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. The statutory report of the audit committee as required in terms of the Companies Act of 2008 can be found on page 117 of this report.

The serving committee members are:

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.

The 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 cooperation. The committee meets on a quarterly basis and the minutes of these meetings are included in the quarterly board papers. The committee met five times in the year under review. The chairman of the committee provides the board with a verbal report of the committee's activities at each board meeting.

The board is of the opinion 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 is also of the opinion 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.

Director	Independent	30/08/11	28/11/11	08/03/12	25/06/12	*Ad hoc:* 13/09/11
PK Ward (Non-executive chairman)	√	√	√	√	√	√
RL Hogben (Non-executive)	√	A	√	√	√	√
MJD Ruck (Non-executive)	√	√	√	√	√	A

A = Apologies tendered

Internal audit and 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 as 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 that ensure the application of King III recommendations with regard to risk-based internal audit.

The annual audit coverage plan is reviewed and approved by the audit committee on an annual basis. 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 as an invitee and submits a report to each audit committee meeting.

External audit

The company has continued to utilise the services of Ernst & Young Inc. as its independent auditors. 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 as proposed in 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. The committee was satisfied with the expertise and independence of the external auditors for the financial year under review. 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 4,90% (2011: 2,83%) of the audit fees.

Approval of integrated report

The audit committee has considered and discussed this integrated report with both management and the independent 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 Kobus Verster possesses the appropriate expertise and experience to fulfil his responsibilities in that position.

Company secretary

In accordance with the JSE Listings Requirements, the audit committee is required to consider the appropriateness of the expertise and experience of the company secretary. In respect of this requirement and for the year under review, the committee is satisfied that Annamarie van der Merwe of iThemba Governance and Statutory Solutions (Pty) Ltd possesses the appropriate expertise and experience to fulfil her responsibilities in that position. The committee is also satisfied that the incoming company secretary, Michelle Nana has the appropriate expertise and experience to fulfil her 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 a system of risk management.

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

- Assist the board to review the risk management policy and plan on an annual basis and recommend same to the board for approval
- Monitor the implementation of the risk management framework and plan through systems and processes designed for that purpose, ensuring that:
  - Management disseminates the risk management plan throughout the group
  - Management ensures that the risk management plan is integrated into the daily activities of the business
- Based upon the advice of management, express to the board the company's formal opinion on the effectiveness of risk management systems and processes across the group
- Review the Strategic Risk Dashboard at each meeting and shall have particular regard to:
  - ensuring that a process exists where risk management frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risk
  - ensuring that a process exists where risk management assessments are performed on a continuous basis
  - ensuring that management considers and implements appropriate risk responses
  - ensuring that continuous risk monitoring by management takes place
- Review quarterly reports on problematic contracts
- Review external audit report with particular focus on risk-related items

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

- Overseeing the review of the 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, and the concomitant opportunities that could potentially impact/benefit the group
- Monitoring the effectiveness of the peer review system throughout the group

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 in the contract start up, execution and close out phases of the contracts. The committee recommended and management has implemented the following strategies to improve the efficiency of the group risk framework:

- Clear delegation of responsibility to the operating group managing directors to effect the complete implementation of the project risk framework for all the project tender and execution phases
- Requisite training and refresher 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, the opportunities that could impact/benefit 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 are:

Chairman:	PJ Erasmus
Members:	AWB Band
	WR Jardine
	PK Ward

The membership of the committee is made up of three independent non-executive directors, including the chairman of the board. Following the resignation of Keith Rumble in December 2011, Peter Erasmus was appointed as chairman of the committee. The chief executive officer is also a member of this committee. Meetings of the risk committee are attended by the financial director, 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.

Director	Independent	23/08/11	29/11/11	08/03/12	25/06/12
PJ Erasmus (Non-executive) chairman	√	√	√	√	√
AWB Band (Non-executive)	√	√	√	√	√
WR Jardine (Executive)		√	A	√	√
KC Rumble (Non-executive) chairman[1]	√	√	√	–	–
PK Ward (Non-executive)	√	√	√	√	√

1 = Resigned 1 December 2011
A = Apologies tendered

The committee also reviews the activities of 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.

Safety, health and environmental committee report

Following the expansion of its roles and responsibilities to include oversight for health, wellness and environmental management on 1 July 2011, the safety, health and environmental committee continues to encourage the safety, health and wellness and environmental policies and practices 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:

» Safety, health and environmental (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 safety, 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 enable 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 Aveng Group deeply regrets that 12 people (six employees and six contractors) died in workplace accidents during the financial year. Seven of these accidents occurred within the group's South African operations and five occurred within the group's international operations. Three of the fatalities involved company vehicles driven on public roads. Each fatal accident was subject to an in-depth investigation including formal "root cause analysis" and a corporate review by the safety, health and environmental committee of the board.

During the year under review, the group's lost-time injury frequency rate (LTIFR) decreased by 20% to 0,24 (2011: 0,3), and the recordable injury frequency rate (RIFR) decreased by 3% to 1,19 (2011: 1,22).

While the committee is satisfied that it complied with its charter, it recognises that more work is to be done to prevent avoidable accidents. The committee has developed an annual work plan to assist it in discharging its functions. These include embedding safety management systems, enhancing visible leadership and high consequence activity protocols, 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 SHE achievements
» Review safety, health and environmental performance against approved strategies and targets
» Consider and approve disclosures to be made in the integrated report
» Approve the charter, strategy and annual work plan for the following year.

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

» Maintaining OHSAS 18001 certification at most of the group's operations.
» Demonstrating leadership in safety with 446 visible safety leadership visits undertaken by the senior executives (CEO, MDs and their management teams). This constitutes a clear demonstration of management's commitment to safety, leadership and engagement with employees.
» Conducting safety climate assessments across the group's operations to determine the needs for improving each operation's safety culture.
» Directing significant focus and effort towards a resilient reporting culture with 288 716 near-miss incidents reported during the year.
» Developing and rolling out several focused safety campaigns at operations.
» Development of group level policies and frameworks for health and wellness and environment.
» Implementation of the Employee Wellbeing Programme (EWP).
» Improved reporting and monitoring of key indicators within the wellness, occupational health, HIV/Aids and TB pillars.
» Completion of an environmental gap analysis across all operations. The gap analysis enabled the group to benchmark its environmental management and performance against international and local industry peers. Several best practices recommended from the gap analysis were incorporated into the group environmental framework.
» Responding to the Carbon Disclosure Project (CDP 2012). This constitutes demonstration and commitment by the group to managing and disclosing its approach to climate change.
» Completing an HIV/Aids impact analysis for South African operations.

A comprehensive safety, health and environmental report is included on pages 46 to 57 of this integrated report.

The serving committee members are:

Chairman:	MA Hermanus
Members:	RL Hogben
	WR Jardine

The committee consists of two independent non-executive directors and the chief executive officer. Meetings of the safety, health and environmental committee are attended by the chairman of the board and the group SHE manager, the group environmental manager and the group health and wellness manager.

The committee 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.

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
  - 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 where 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
- Report to the social, ethics and transformation committee on an annual basis concerning matters relating to the environment, health and public safety

Director	Independent	23/08/11	30/11/11	07/03/12	22/06/12
MA Hermanus (Non-executive chairman)	√	√	√	√	√
RL Hogben (Non-executive)	√	A	√	√	√
WR Jardine (Executive)		√	√	√	√
KC Rumble (Non-executive)[1]	√	√	√	–	–

1 = Resigned 1 December 2011
A = Apologies tendered

Social, ethics and transformation committee report

The social, ethics and transformation committee is a formal committee of the board and has powers delegated to it by the board. In compliance with the statutory requirement as contained in the Companies Act of 2008 and the Companies Regulations 2011, the board resolved to reconstitute the transformation committee by establishing the social, ethics and transformation committee.

The social, ethics and transformation committee thus plays a dual role:

» having oversight of the transformation strategies, plans and processes in the Aveng Group
» acting as a social and ethics committee for Aveng Limited and relevant subsidiary companies as required in terms of the Companies Act of 2008

In fulfilling its duties and responsibilities in respect of transformation initiatives, the committee is expected to:

» proactively review management actions and efforts to comply with relevant legislation and charters and apply the principles of the King III Report, including the review and recommendation, for approval by the board, of policies, strategies and plans for management implementation, to ensure that the company and the Aveng Group complies with the industry charter scorecard
» guide, monitor, review and evaluate the Aveng Group's decisions and progress on social, ethics and transformation

In addition to the above and in fulfilling its duties as a social and ethics committee, the committee is guided by Regulation 43(5) of the Companies Act of 2008 which spells out the functions of a social and ethics committee. A distinction is made for purposes of the social, ethics and transformation committee charter between those functions where the committee has a direct line of sight and those which have been allocated to other committees of the board and where the committee will only fulfil an oversight role. As required in terms of the Act, the committee shall monitor the activities of the company and relevant subsidiaries, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, in the areas as prescribed by law.

The annual work plan of the committee has been updated to include the monitoring of those aspects that were not already being monitored by the committee prior to its reconstitution. During the period under review the social, ethics and transformation committee also focused on gaining a better understanding of its new areas of responsibility.

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

» Setting and monitoring targets for each of the seven elements of the Construction Charter
» Ensuring the group's B-BBEE rating is on par with its peers
» 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 education and training social upliftment projects
» Advancing the sustainability of black-owned enterprises through enterprise development programmes
» Monitoring the social and economic development, including the group's standing in terms of
  – the 10 principles set out in the United Nations Global compact principles
  – the Organisation for Economic Co-operation and Development (OECD) recommendations regarding corruption
  – the annual performance review of the Aveng Code of Conduct and related policies and procedures

To focus the group's social, ethics and transformation objectives, the relevant objectives of each operation have been included in the key performance indicators of the executive committee members and managing directors. Centre-led programmes in social, ethics and transformation have provided more direction and capability for the operations. Specific compulsory training interventions were not only held but were also monitored by the corporate centre to ensure that there is compliance with a complete appreciation of the relevant focus areas.

In the forthcoming year, the committee will continue to focus on ensuring sustainable social, ethics and transformation initiatives with a focus on higher levels of transformation in respect of employment equity and skills development and continue the group's leadership in social and ethics advancement across the group.

The serving committee members are:
Chairman: NL Sowazi
Members: AWB Band
TM Mokgosi-Mwantembe
WR Jardine

The committee consists of two independent non-executive directors, one non-executive director and the chief executive officer. Meetings of the social, ethics and transformation committee are attended by the group human resources director, the group transformation and organisational development manager and the group risk manager. The committee 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	24/08/11	14/11/11	06/03/12	21/06/12
NL Sowazi (Non-executive chairman)		√	√	√	√
AWB Band (Non-executive)	√	√	√	√	√
WR Jardine (Executive)		√	√	√	√
T Mokgosi-Mwantembe (Non-executive)	√	A	√	√	√

A = Apologies tendered

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 opportunities. 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 are:

Chairman:	MJD Ruck
Members:	AWB Band
	NL Sowazi

The committee consists of two independent non-executive directors and one non-executive director. Committee member Keith Rumble resigned with effect from 1 December 2011. Meetings of the Investment committee are held on an *ad hoc* basis and often at short notice. Meetings are attended by the chief executive officer, the financial director, the head: treasury and corporate finance and the group strategy manager. The committee met twice 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	05/12/11	20/01/12
MJD Ruck (Non-executive chairman)	√	√	√
AWB Band (Non-executive)	√	√	√
NL Sowazi (Non-executive)		√	√
KC Rumble (Non-executive)[1]	√	–	–

1 = Resigned 1 December 2011

Remuneration report

Introduction

This remuneration report describes the Aveng Group's remuneration policy for non-executive directors, executive directors, prescribed officers and permanent salaried employees and the application thereof.

Remuneration policy

Remuneration philosophy statement

The Aveng Group is committed to developing and implementing effective remuneration strategies and practices to attract, retain and reward the performance of its employees across the organisation. The remuneration philosophy and the remuneration policy seek to reward superior performance and penalise poor performance, as well as to align management rewards with the objective of increasing shareholder value. The Aveng Group remuneration structure aims to:

- Provide an appropriate mix of guaranteed pay, short-, medium-, and long-term incentives to attract and retain talent
- 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.

Reward strategy and principles

The Aveng Group is committed to a reward strategy and principles which focus on rewarding superior performance and results in a consistent and sustainable manner. In this regard the Aveng total rewards strategy and framework outlines the broad principles which inform the design of the remuneration policy. The remuneration policy provides for fixed and variable pay components, as outlined in the table below:

Summary of Aveng remuneration structure

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

Total 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 and skills-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, including benchmarking against the specific industries within which we operate
- Macro-economic factors such as inflation
- Market increase projections and salary movement within the market
- Movement in costs of particular benefits
- Company performance and affordability
- The need to ensure that executive pay is performance-based

Annual salary review considerations of executive directors, prescribed officers and permanent salaried staff

Each year a review is undertaken to determine the salary increase mandate to be implemented from 1 January. An overall 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 actual salary increases of individual executives and employees.

Variable pay schemes

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

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

Further details of the above schemes are outlined on pages 109 to 110 in this integrated report.

This structure will apply to McConnell Dowell with effect from 1 July 2012.

Policy on employment contracts and severance arrangements

The group enters into permanent employment contracts with all permanent employees including senior executives and directors. A three-month notice period applies to executives. The company's normal retirement age is 60 years. However the group has a policy in place to extend employment of selected individuals with critical or scarce skills beyond the normal retirement age on the same terms and conditions. Such extension is at the sole discretion of the company.

Retirement plans and other benefits

As part of their employment conditions, all permanent employees, including senior executives and executive directors 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 up to 12% towards the provident plan, which is funded from the employee's TGP.

The company provides a medical benefit to all salaried employees, including senior executives and executive directors 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 executive directors, senior executives and all permanent salaried employees.

Review of remuneration policy

The remuneration policy and the individual incentive schemes therein are subject to review by the remuneration and nomination committee. The governance of these schemes is monitored by the committee and any variance or deviation to policy can only be approved by the committee.

Remuneration and nomination committee

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 business strategy to create sustainable value and growth over the long term.

The committee is governed by a formal charter which is aligned to the principles of King III and the Companies Act 71 of 2008 and provides for the following:

- » Ensures that the remuneration policy promotes the achievement of the group's strategic objectives and encourages individual performance
- » Assists 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
- » Ensures 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
- » Ensures that all forms of remuneration and incentivisation across the group are performance related
- » Ensures that an adequate, formal succession plan exists throughout the group
- » Approves the appointment of executive directors and senior managers
- » Reviews 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 membership of the committee is made of up three 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.

The serving committee members are:

Chairman:	RL Hogben
Members:	AWB Band
	NL Sowazi
	TM Mokgosi-Mwantembe

Meetings of the 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.

Attendance

Director	Independent	07/09/2011	02/12/2011	07/03/2012	22/06/2012
RL Hogben (Non-executive chairman)	√	√	√	√	√
AWB Band (Non-executive)	√	√	√	√	√
NL Sowazi (Non-executive)		√	√	√	√
TM Mokgosi-Mwantembe (Non-executive)	√	√	√	√	√

External advisers

During the year under review, the committee made use of external advisers, including PwC, PwC Remchannel, PE Corporate Services, Mercer (Australia) and Deloitte (Australia) to assist in strategic remuneration related matters, inclusive of redesign of rewards framework for McConnell Dowell.

Guiding principles

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

- The existence of a consistent job grading scheme, with appropriate governance principles.
- The establishment of market-related reward strategy and principles.
- The provision of an appropriate package of fringe benefits, including retirement plans and medical benefits.
- Appropriate incentive schemes, which are now standard across the group, with some regional variation, and which are specified elsewhere in this report.
- The existence of a performance culture, and a performance management process across the group, where individual goals congruent with the company strategy are established, and performance is evaluated and linked to pay, annually. A common performance management process and the link to pay is consistently applied across the group.
- A rigorous group-wide succession review process on all critical positions in the top three levels of the organisation takes place each year.

Application of rewards framework

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.

The appointments of executive directors and operating group managing directors as well as their remuneration are approved by the committee.

Review of McConnell Dowell rewards framework

A detailed review, analysis and modelling of the McConnell Dowell reward design was undertaken with the assistance of Mercer (Australia), PE Corporate Services and Deloitte (Australia). The objective of this initiative was to align the McConnell Dowell variable pay schemes to the Aveng Group design, while taking Australian market practices and benchmarks into cognisance. Following this review, the McConnell Dowell rewards framework has been amended and aligned to closely mirror that of the Aveng Group. Implementation of the revised McConnell Dowell rewards framework is to take effect from the 2012-2013 financial year.

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. Employees performing below average do not receive any incentive awards or annual increases.

To ensure that there is a direct link between performance and variable pay, sound performance management principles are rigidly and consistently applied at senior and executive management levels and are in the process of being cascaded throughout the Aveng Group. This results in performance bonus pay-outs being directly linked to performance ratings. A calibration of the employees' performance rating is undertaken to ensure that it reflects the performance of the business by means of the bell curve test. Poor performers do not qualify for any incentive awards.

Annual performance targets are cascaded to the various levels of management throughout the group. The balanced scorecard methodology is used to translate and cascade the overall group KPIs and targets 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, performance against the construction charter targets, performance contracting and reviewing and succession planning. Any work-related fatality in an operation either of a permanent employee or of a subcontractor results in a reduction in the bonus amount to be paid out to the relevant participants based upon the line of sight principle.

The appointment letters of all employees including executive directors, as well as the remuneration policy itself, confirm that incentive bonuses are based on performance and are not guaranteed.

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 for market benchmarking in South Africa. Expatriate remuneration surveys are conducted for our expatriate population particularly on the African continent and two Australian-based surveys are utilised for the benchmarking of McConnell Dowell employees' remuneration. Professional advice is also sought to attain the appropriate mix of fixed and variable pay.

The award of long-term incentives to executive directors is dependent on the individual performance of the executive and also takes into account retention considerations.

In selected cases appointment and retention bonuses have been made to attract and retain key talent. In selected cases, once-off cash appointment awards have been made to attract key executive talent and to offset this against making an excessive guaranteed package offer. Such awards are made subject to claw-back provisions and work-back periods. *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.

Aveng Empowerment Trust

In 2004, the Aveng Group concluded an empowerment transaction with Qakazana Investment Holdings (Pty) Limited (Qakazana), a broad-based black economic empowerment company. Kagiso Tiso Holdings (Pty) Ltd led the BEE consortium which also included the Aveng Empowerment Trust and the Aveng Community Investment Trust. These three groupings had roughly a one-third stake each in Qakazana.

Over the past seven years, this relationship has resulted in significant benefits to all the parties involved. Aveng shareholders have approved the realisation of value created and the extension of this empowerment relationship with the Qakazana broad-based consortium until June 2014. As a result permanent employees of the Aveng Group who were South African citizens and had been identified as beneficiaries of the Aveng Empowerment Trust benefited from the financial gains which accrued to the trust since inception of the transaction.

Approximately 12 900 eligible South African employees of Aveng (Africa) and Aveng Trident Steel received their cash benefit, some two years earlier than anticipated.

This transaction is viewed as a momentous milestone in the group's history and is a very positive outcome as it is in line with the group's commitment to empowering its employees and in the spirit of our country's broad-based transformation objectives.

Incentive schemes

The remuneration policy provides for short, medium and long-term incentive schemes, which are strongly linked to the performance management process. Eligibility is based on seniority and performance. The incentive schemes are designed to reward individual performance and the achieving of business financial targets. The financial and non-financial targets are split on a 70:30 basis. Incentive bonuses awarded are calculated as a percentage of total actual guaranteed remuneration and percentages awarded are grade specific and aligned to relevant market benchmarks. Financial bonus provisions are determined on the basis of the principle of self-funding.

Short-term incentive scheme (STI)

The STI is an annual cash bonus which is intended to reward permanent salaried employees for their contribution to the Aveng Group/operating group/business unit performance, against agreed financial and non-financial key performance indicator (KPI) targets. 70% of the bonus is dependent on the achievement of company financial targets and 30% on individual non-financial KPI targets. Based on market benchmarks each grade is allocated a predetermined percentage of guaranteed package at on-target and stretch performance levels. The maximum potential bonus award is capped at the stretch level.

The formula for determining the financial component of the short-term bonus payout is:

- Actual total package multiplied by the applicable percentage per grade taking into account the business's financial performance relative to the set target.

The individual non-financial component of the short-term bonus is determined by the individual's performance rating against the set KPIs in the performance contract. On-target performance results in 100% pay-out of this portion of the bonus.

100% of the on-target bonus for the financial component (70%) will be paid where annual financial targets are achieved. Where the targets are not achieved in full, a *pro rata* bonus is paid provided the minimum threshold level has been achieved. The financial measures and weightings used for the chief executive officer and executive directors, excluding David Robinson who is on an operating managing directors' scheme, were:

Financial measures	Weightings
Aveng headline earnings	24%
Returns on equity	23%
Cash flow	23%

Given the adverse performance for the year the CEO and executive directors did not qualify for the financial portion (70%) of the STI this year.

The operating group managing directors' financial performance is assessed on a combination of own business and Aveng Group financial results.

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 non-financial KPI targets are set in accordance with the performance management system. The financial component of the bonus is based on the principle of self-funding. The individual non-financial KPI portion is only payable if the employee concerned has achieved his/her individual KPI targets.

The total bonus quantum, as well as the bonuses payable to individual Aveng executives (top three reporting levels) and any exceptions to this scheme, are approved by the committee.

Eligibility and participation in the STI remains at the discretion of the company.

Medium-term incentives scheme (MTI)

The MTI scheme is intended to reward senior managers and executives for contributing 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.

Following a detailed benchmarking and modelling exercise, the MTI percentages per grade for senior managers and executives have been reviewed to ensure that the overall pay of executives is comparable to the market.

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. Like the STI, 70% of the bonus is dependent on the achievement of company financial targets and 30% on individual non-financial KPI targets. Based on market benchmarks each grade is allocated a predetermined percentage of guaranteed package at on-target and stretch performance levels.

The formula for determining the financial component of the medium-term bonus payout is:

» Actual total package multiplied by the applicable percentage per grade taking into account the business's financial performance relative to the set target.

The bonus for the non-financial component of the short-term bonus pay-out is determined by the individual's performance rating against the set KPIs in the performance contract. On-target performance results in 100% payout of this portion of the bonus.

The full 100% of the on-target bonus will be paid where annual financial targets are achieved. Where the targets are not achieved in full, a *pro rata* bonus is paid provided the minimum threshold level has been achieved. The current financial measures and weightings used for the chief executive officer and executive directors, excluding David Robinson who is on an operating managing directors' scheme, were:

Financial measures	Weightings
Aveng headline earnings	24%
Returns on equity	23%
Cash flow	23%

Given the adverse performance for the year the CEO and executive directors did not qualify for the financial portion (70%) of the MTI this year.

The operating group managing directors' financial performance is assessed on a combination of own business and Aveng Group financial results.

Similar to the STI scheme, financial targets are set annually at the beginning of the financial year. Individual non-financial KPI targets are set in accordance with the performance management system. The financial component of the bonus is based on the principle of self-funding. The individual non-financial KPI portion is only payable if the employee concerned has achieved his/her individual KPI targets.

The total bonus quantum, as well as the bonuses payable to individual Aveng executives (top three reporting levels) and any exceptions to this scheme, are approved by the committee.

Participants receive payment of this award 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.

Eligibility and participation in the MTI remains at the discretion of the company.

Long-term incentives (LTIs)

The company's long-term incentives comprise the Aveng Limited share appreciation rights scheme (SAR) and the Aveng Limited forfeitable share plan (FSP) designed to align Aveng senior executives' performance with the interests of shareholders by enabling them to share in the long-term growth of the business and to enable the company to retain critical leadership talent.

Share appreciation rights scheme

The purpose of this scheme is to reward senior executives and selected high potential individuals for above average long-term performance and to align their interests with the shareholders. The grant of share appreciation rights (SAR) is at the discretion of the remuneration and nomination committee. Eligible participants must have achieved an on-target performance rating in order to qualify for an annual award.

Granting of awards

The scheme allows for regular and consistent granting of awards on an annual basis to avoid large up-front grants and minimise the risk of 'cliff hanging' vesting. The granting of SARs under the scheme occurs within prescribed timeframes and the scheme does not provide for repricing or regranting. No SARs are awarded during closed periods.

The formula for determining the annual SAR award is:

» Actual total package multiplied by the applicable percentage per grade modified up or down in accordance with the individual's performance rating.

In determining the annual SAR award the value of unvested SARs relative to the targeted multiple of guaranteed pay applicable to each grade is considered.

Performance condition

A performance condition, which must be met in order for the SAR to vest, is set by the remuneration and nomination committee from time to time.

The current performance condition applicable to the SAR is:
Growth in HEPS ≥ CPI + 1,5 GDP

A review of market practice has confirmed that the primary performance measure most commonly used is real growth in earnings measured against CPI.

Vesting

The SARs will vest in equal tranches over three years, with the first tranche vesting in year three, provided that the performance condition has been met. The performance condition is evaluated concurrent with the vesting tranches in years three, four and five. This takes into account the cyclicality of the infrastructure development industry. The cyclicality in this industry is confirmed by the fact that all the options granted to executives since 2007 remain "underwater" to date.

Once the SARs vest and the performance condition has been met, the participants are able to exercise the SARs up to year seven from the award date. The participant has no right to receive any shares upon the exercise of the SARs.

SARs awarded to date

The table below shows the number of SARs issued to date relative to the overall scheme limit:

SAR scheme

Overall scheme limit	SARs issued to date	% issued	Balance available
39 300 124	6 123 875*	16	33 176 249

** Exclusive of 2012 annual awards to be made in September 2012*

Forfeitable Share Plan (FSP)

The purpose of this scheme is to provide a small number of senior executives with the opportunity to receive shares in the company, either as an incentive or as a retention mechanism. The FSP is currently used as a retention scheme in view of the fact that there is no retention value in the share options that have been awarded over the last five years to senior executives. As a result Aveng executive directors have not received any financial benefit from the previous LTI awards made to them to date.

Senior executives are nominated taking into account individual performance and overall contribution towards the success of the business. The quantum of the FSP award is determined by the remuneration and nomination committee at its discretion taking into account the executive's individual performance and overall contribution towards the success of the business. All the rights accruing to shares, including dividends, are for the benefit of the participant. Currently, only eight senior executives participate in this scheme.

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. 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 is limited to a maximum of 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.

The number of Forfeitable Shares issued to date relative to the overall scheme limit is outlined below:

Forfeitable Share Plan

Overall scheme limit	Forfeitable shares issued to date	% issued	Balance available
3 930 012	990 108	25	2 939 904

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 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.

The company is aware that some shareholders have a concern with elements of the long-term incentive scheme involving the following issues:

- The fact that the FSP has no performance condition. The FSP scheme is currently being used as a retention mechanism and in the view of the board the introduction of a performance condition will defeat the purpose for which the scheme is currently being used.
- Cumulative valuation of the SARs performance condition. The scheme makes provisions for the SARs performance condition to be further evaluated in the fourth and fifth years, corresponding to the vesting periods.

  This is done to avoid a 'boom' or 'bust' scenario as a result of the cyclicality of the infrastructure development industry. While shareholders have the opportunity to invest in their shares to time the industry cycle, management are issued shares annually and are therefore not in a similar position. In the view of the board the provision for evaluation in years four and five gives management a realistic opportunity of wealth accumulation which is still well aligned with shareholders' interest in terms of long-term sustainable growth.

In instances where shareholders are not in agreement with certain aspects of the remuneration policy, the company would welcome an opportunity to engage with them to better understand their concerns and to be able to explain the company's rationale.

Refer to note 29 to the consolidated financial statements for details on non-executive directors' fees and earnings as well as executive directors' remuneration.

Contents

Port Kembla, New South Wales, Australia

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 overdrafts, short and long-term 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

To the members of Aveng Limited

We have audited the group financial statements and annual financial statements of Aveng Limited set out on pages 134 to 180 which comprise the consolidated and separate statement of financial position as at 30 June 2012, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated 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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 2012, 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.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2012, we have read the directors' report, the audit committee's report and the certificate of the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Warren Kinnear
Registered Auditor
Chartered Accountant (SA)

52 Corlett Drive
Illovo
2196

5 September 2012

Certificate of the company secretary

I, the undersigned, Michelle Nana, 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 71 of 2008, as amended, which came into effect on 1 May 2011;
- All such returns are true, correct and up to date.

M Nana
Company secretary

5 September 2012

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. Five (four scheduled and one special) audit committee meetings were held during the year, at which the members fulfilled their functions as prescribed by the Companies Act 71 of 2008, as amended. 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 98 of this integrated report.

In accordance with the JSE Listings Requirements, the committee is required to consider the appropriateness of the expertise and experience of the Financial Director of the company. In respect of this requirement and for the year under review, the committee is satisfied that Mr HJ Verster, the Financial Director of the company, possesses 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 17).

PK Ward
Chairman
Audit committee

5 September 2012

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 at the front of this integrated report. Details of directors' interests at 30 June 2012 are detailed in note 29 of this integrated 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.

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 135.

Details of the movement in issued share capital and reserves are provided in the consolidated statement of changes in equity on page 137.

The segmental report is set out on page 138

The consolidated annual financial statements of the group are set out on pages 134 to 172 and the annual financial statements of the company are set out on pages 173 to 180.

Details of earnings are provided on pages 10, 11 and 153.

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 detailed in the notes to annual financial statements.

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 3 November 2011, 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 11 750 000 shares were acquired and cancelled in terms of this authority during the financial year under review. Approval will be sought at the forthcoming annual general meeting to renew this general authority.

Changes in the issued share capital of the company during the financial year are included in Note 8 to the consolidated annual financial statements.

Dividend
The following dividend was declared in respect of the year ended 30 June 2012:

2012: Dividend number 14 of 60 cents per share.
2011: Dividend number 13 of 145 cents per share.

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

Keith Rumble	Resigned 1 December 2011
Stephen Pell	Appointed 1 June 2012
Mike Kilbride	Appointed 4 July 2012
Mahomed Seedat	Appointed 4 July 2012

1.2 Retirement by rotation
In terms of the company's memorandum of incorporation, the directors listed below will retire by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election:
» Mr Myles Ruck
» Mr Peter Ward
» Ms May Hermanus
» Mr Juba Mashaba

Increase in directors' fees
A special resolution is being proposed to increase the fees paid to directors with effect from 1 October 2012. For further details of the proposed special resolution refer to the Notice of Annual General Meeting on page 185.

The fees payable to executive directors are waived.

Shareholders
An analysis of shareholders appears on page 184.

5 September 2012

Accounting policies

at 30 June 2012

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 1 First-time Adoption of international Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)

The amendment is effective for annual periods beginning on or after 1 July 2011. The IASB has provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. A further amendment to the standard is the removal of the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions have also been removed. The standard now has these dates coinciding with the date of transition to IFRS.

IFRS 7 Financial Instruments: Disclosures – Transfer of financial assets (Amendment)

The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, where:

- financial assets are derecognised in their entirety, but where the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets) – to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets; and
- financial assets are not derecognised in their entirety – to enable the user of the group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities.

The amendments may be applied earlier than the effective date and this fact must be disclosed. Comparative disclosures are not required for any period beginning before the effective date.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified 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.

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 May 2010

- IFRS 3 Business Combinations
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim 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 intergroup 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.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.
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; and
- 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 United States Dollar is translated at the closing rate for the statement of financial position and at the average annual rate for the profit or loss. Equity is stated at historical rates.

Associated companies

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

The group's share of post-acquisition reserves of these companies is included in the group financial statements on the equity accounting method.

In the statement of financial position, the investment in the associate is carried at cost plus post-acquisition changes in the group's share of the net assets of the associates, less any impairment. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised.

In profit or loss, profit from associates after tax reflects the share of the operations of the associate and other comprehensive income reflects the group's share of the 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 and losses resulting from transactions between the group and the associated companies are eliminated to the extent of the interest in the associated companies.

If an associated company applies accounting policies that are materially different to those adopted by the group, adjustments are made to the financial statements of the associated company, prior to equity accounting the investment.

The financial statements of the associate are prepared for the same reporting period as the group.

Borrowing costs

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 2011 and 2010.

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 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 2011 and 2010.

Available-for-sale financial investments
Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income 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 until 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; and

- 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 profit or loss. 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 profit or loss 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. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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 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. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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*.

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.

Upon loss of joint control, the group measures and recognises its remaining investments at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

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 coveys a right to use the asset.

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.

The group principally operates fixed price contracts. Revenue from **construction contracts** is recognised, when the outcome of the construction contract can be measured reliably, by reference to the stage of completion of the contract activity (percentage of completion method) of the contract at the reporting date.

The outcome of a construction contract can be estimated reliably when:

(i) the total contract revenue can be measured reliably;
(ii) it is probable that the economic benefits associated with the contract will flow to the entity;
(iii) the costs to complete the contract and the stage of completion can be measured reliably; and
(iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

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.

Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue, and they are capable of being reliably measured.

- 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.

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

The group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

Assets covered by a single contract are treated separately when:
» The separate proposals have been submitted for each asset.
» Each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset.
» The costs and revenues of each asset can be identified.

A group of contracts are treated as a single construction contract when:
» The group of contracts is negotiated as a single package; the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin.
» The contracts are performed concurrently or in a continuous sequence.

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 notes 5 and 12).

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

Consolidation of Qakazana Investment Holdings (Pty) Ltd 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
- Notes 3 and 4 – Investments
- Note 25 – Employee benefits.

Revenue recognition

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

Standards and interpretations issued that are not yet effective

The following standards and interpretations have not been applied by the group as the standards and interpretations are not yet effective. The group intends to adopt those standards when they become effective.

IAS 1 Financial statement presentation (Amendment)

The amendment is effective for annual periods beginning on or after 1 January 2012 and requires that items of other comprehensive income be grouped in items that would be reclassified to profit or loss at a future point (for example, upon derecognition or settlement) and items that will never be reclassified. This amendment only affects the presentation in the financial statements and will have no impact on the group's financial position or performance.

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 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments of IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The group had made a voluntary change in accounting policy to recognise actuarial gains and losses in other comprehensive income in the current period. The group is currently assessing the full impact of the remaining amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

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 by the end of 2012. 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 if 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.

Consolidated statement of financial position

as at 30 June 2012

2011 USDm	2012 USDm		Note	2012 Rm	2011 Rm
		ASSETS			
		Non-current assets			
886,7	**811,7**	Property, plant and equipment	1	**6 664,4**	6 020,6
218,1	**188,6**	Goodwill and other intangibles	2	**1 548,5**	1 481,0
13,5	**13,2**	Investment in associates and joint ventures	3	**108,3**	91,8
19,3	**17,4**	Available for sale investments	4	**142,8**	131,3
150,1	**167,2**	Deferred tax	5	**1 372,7**	1 019,2
1 287,7	**1 198,1**			**9 836,7**	8 743,8
		Current assets			
304,4	**300,5**	Inventories	6	**2 467,0**	2 066,5
1 197,7	**1 271,9**	Trade and other receivables	7	**10 442,2**	8 132,0
826,4	**633,7**	Cash and cash equivalents	21.8	**5 202,5**	5 611,0
2 328,5	**2 206,1**			**18 211,7**	15 809,5
3 616,2	**3 404,2**	**TOTAL ASSETS**		**27 948,4**	24 553,4
		EQUITY AND LIABILITIES			
		Capital and reserves			
2,8	**2,3**	Share capital	8	**18,8**	19,3
274,5	**172,4**	Share premium	9	**1 415,8**	1 863,9
19,8	**73,5**	Non-distributable reserves	10	**602,4**	134,5
1 605,5	**1 323,3**	Distributable reserves		**10 864,4**	10 900,7
1 902,6	**1 571,5**	*Total equity attributable to owners of the parent*		**12 901,4**	12 918,4
(0,4)	**1,2**	Non-controlling interests		**10,2**	(2,5)
1 902,2	**1 572,7**	**TOTAL EQUITY**		**12 911,6**	12 915,9
		Non-current liabilities			
7,1	**91,2**	Borrowings	11.1	**748,5**	48,1
122,6	**82,1**	Deferred tax	12	**673,7**	832,3
129,7	**173,3**			**1 422,2**	880,4
		Current liabilities			
1 524,0	**1 565,1**	Trade and other payables	13	**12 849,8**	10 347,7
36,2	**63,7**	Borrowings	11.1	**523,1**	245,9
24,1	**29,4**	Taxation payable	21.5	**241,7**	163,5
1 584,3	**1 658,2**			**13 614,6**	10 757,1
3 616,2	**3 404,2**	**TOTAL EQUITY AND LIABILITIES**		**27 948,4**	24 553,4

Consolidated statement of comprehensive income

for the year ended 30 June 2012

2011 USDm	2012 USDm		Note	2012 Rm	2011 Rm
4 869,5	**5 302,9**	*Revenue*	14	**40 885,5**	34 323,6
4 112,8	**4 675,9**	Cost of sales		**36 051,3**	28 989,8
756,7	**627,0**	*Gross profit*		**4 834,2**	5 333,8
385,7	**365,0**	Operating expenses		**2 814,5**	2 718,6
371,0	**262,0**	*Operating profit before depreciation and amortisation*		**2 019,7**	2 615,2
156,2	**191,8**	Depreciation	1	**1 478,7**	1 100,9
3,4	**4,8**	Amortisation of intangibles	2	**36,9**	24,2
211,4	**65,4**	*Operating profit before non-trading items*		**504,1**	1 490,1
(2,0)	**4,0**	Non-trading items	18	**30,7**	(13,8)
209,4	**69,4**	*Net operating profit*		**534,8**	1 476,3
(1,1)	**5,4**	Share income/(loss) from associates and joint ventures	3	**41,4**	(7,6)
49,2	**29,3**	Income from investments	16	**225,9**	346,9
257,5	**104,1**	*Operating income*		**802,0**	1 815,6
8,3	**9,8**	Finance cost	17	**75,7**	58,5
249,2	**94,3**	*Profit before taxation*		**726,3**	1 757,1
82,8	**26,3**	Taxation	19	**203,1**	583,7
166,4	**68,0**	*Profit for the year*		**523,2**	1 173,4
		Other comprehensive income for the year:			
29,7	**61,3**	Exchange differences on translation of foreign operations		**472,4**	209,3
196,1	**129,3**	*Total comprehensive income for the year*		**995,6**	1 382,7
		Profit for the year attributable to:			
167,0	**67,5**	Equity holders of Aveng Limited		**520,8**	1 177,2
(0,5)	**0,3**	Non-controlling interests		**2,4**	(3,8)
166,5	**67,8**	*Profit for the year*		**523,2**	1 173,4
		Total comprehensive income attributable to:			
196,7	**128,7**	Equity holders of Aveng Limited		**992,6**	1 386,5
(0,5)	**0,4**	Non-controlling interests		**3,0**	(3,8)
196,2	**129,1**			**995,6**	1 382,7
		Determination of headline earnings			
167,0	**67,5**	Profit for the year attributable to equity holders of Aveng		**520,8**	1 177,2
2,0	**(3,4)**	Non-trading items net of taxation	20	**(26,3)**	13,8
169,0	**64,1**	*Headline earnings*	20	**494,5**	1 191,0
		EARNINGS PER SHARE (cents)			
43,0	**17,5**	Earnings	20	**134,9**	302,9
43,5	**16,6**	Headline earnings	20	**128,1**	306,4
40,2	**16,4**	Diluted earnings	20	**126,1**	283,3
40,7	**15,5**	Diluted headline earnings	20	**119,8**	286,6
20,6	**7,8**	**DIVIDEND PER SHARE (cents)**	20	**60,0**	145,0
		NUMBER OF SHARES (millions)			
393,0	**389,8**	In issue	8	**389,8**	393,0
388,7	**386,0**	Weighted average	20	**386,0**	388,7
445,5	**412,9**	Diluted weighted average	20	**412,9**	415,5

Consolidated statement of cash flows

for the year ended 30 June 2012

2011 USDm	2012 USDm		Note	2012 Rm	2011 Rm
		Cash retained from operating activities			
209,4	**69,3**	Cash retained from operations	21.1	**534,7**	1 476,3
159,6	**196,6**	Depreciation and amortisation		**1 515,6**	1 125,1
(24,3)	**22,4**	Non-cash and other movements	21.2	**172,9**	(171,3)
344,7	**288,3**	*Cash generated by operations*		**2 223,2**	2 430,1
49,2	**29,3**	Income from investments	16	**225,9**	346,9
(265,8)	**(103,6)**	(Increase) in working capital	21.3	**(798,9)**	(1 873,2)
128,1	**214,0**	*Cash generated by operating activities*		**1 650,2**	903,8
(8,3)	**(9,8)**	Finance cost	21.4	**(75,7)**	(58,5)
(64,6)	**(73,5)**	Taxation paid	21.5	**(567,0)**	(455,1)
55,2	**130,7**	*Cash available from operating activities*		**1 007,5**	390,2
(80,2)	**(72,8)**	Dividend paid	21.6	**(561,2)**	(565,1)
25,0	**57,9**			**446,3**	(174,9)
		Investing activities			
(161,8)	**(158,2)**	Property, plant and equipment purchased – expansion		**(1 220,1)**	(1 140,5)
(96,1)	**(112,5)**	– replacement		**(867,1)**	(677,5)
2,1	**3,9**	Investments in associate companies	21.7	**30,4**	14,5
12,6	**19,3**	Proceeds on disposal of property, plant and equipment		**149,0**	88,5
(40,4)		Purchase of subsidiaries			(285,2)
(283,6)	**(247,5)**			**(1 907,7)**	(2 000,2)
		Operating free cash utilised before foreign exchange rate impact		**(1 461,4)**	(2 175,1)
		Foreign exchange rate on operating free cash		**513,8**	315,3
		Operating free cash utilised		**(947,5)**	(1 859,8)
		Financing activities with equity holders			
(16,6)	**(58,2)**	Shares repurchased		**(448,6)**	(117,3)
		Increase in shares by minorities in subsidiary company		**10,0**	
(52,6)	**(58,2)**	*Movement in net cash position (net cash outflow)*		**(1 386,1)**	(1 977,1)
		Financing activities with debt holders			
36,0	**112,7**	Long-term borrowings raised		**868,8**	46,6
		Long-term borrowings (repaid)		**(23,6)**	(300,1)
(361,2)	**(70,2)**	*Net decrease in cash and cash equivalents*		**(540,8)**	(2 230,6)
1 082,6	**700,4**	Cash and cash equivalents at beginning of year		**5 400,0**	7 630,6
721,4	**630,2**	*Cash and cash equivalents at end of year*	21.8	**4 859,1**	5 400,0
(11,8)	**(120,4)**	Borrowings, excluding overdrafts	11.3	**(928,1)**	(83,0)
754,3	**509,9**	Net cash position	11.3	**3 931,0**	5 317,0

Consolidated statement of changes in equity

for the year ended 30 June 2012

	Attributable to equity holders of Aveng Limited							
			Non-distributable reserves					
	Share capital Rm	Share premium Rm	Foreign currency translation Rm	Other non-distri-butable reserves Rm	Retained income Rm	Total Rm	Non-controlling interests Rm	Total equity Rm
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)				(117,3)		(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
Profit for the year					520,8	520,8	2,4	523,2
Other comprehensive income			484,3	(12,4)		471,9	0,6	472,5
Total comprehensive income			484,3	(12,4)	520,8	992,7	3,0	995,7
Dividends paid					(561,2)	(561,2)	(0,2)	(561,4)
Shares issued	0,4	326,5				326,9	10,0	336,9
Share repurchase programme	(0,5)	(448,1)				(448,6)		(448,6)
Movement in treasury shares	(0,4)	(326,5)				(326,9)		(326,9)
Transfers				(4,0)	4,0			
Balance at 30 June 2012	**18,8**	**1 415,8**	**545,9**	**56,6**	**10 864,4**	**12 901,4**	**10,2**	**12 911,6**

** Amounts less than R100 000*

Segmental report

for the year ended 30 June 2012

		2012 Rm	%	2011 Rm	%
OPERATIONAL SEGMENTATION					
Revenue	*Construction and Engineering*				
	South Africa and Africa	**9 934,0**	**24,3**	9 575,0	27,9
	Australasia and Pacific	**17 122,4**	**41,9**	13 280,9	38,7
	Total Construction and Engineering	**27 056,4**	**66,2**	22 855,9	66,6
	Open cut mining	**4 677,3**	**11,4**	3 656,0	10,7
	Manufacturing and Processing	**9 147,4**	**22,4**	7 807,1	22,7
	Administration	**4,4**		4,6	
		40 885,5	**100,0**	34 323,6	100,0
Net operating profit	*Construction and Engineering*				
	South Africa and Africa	**(732,7)**	**(137,0)**	443,0	30,0
	Australasia and Pacific	**359,5**	**67,2**	291,0	19,7
	Total Construction and Engineering	**(373,2)**	**(69,8)**	734,0	49,7
	Open cut mining	**477,5**	**89,3**	413,7	28,0
	Manufacturing and Processing	**585,1**	**109,4**	321,1	21,8
	Administration	**(154,6)**	**(28,9)**	7,5	
		534,8	**100,0**	1 476,3	100,0
Assets	*Construction and Engineering*				
	South Africa and Africa	**4 970,8**	**25,4**	4 129,7*	23,3
	Australasia and Pacific	**5 610,3**	**28,7**	4 531,6	25,6
	Total Construction and Engineering	**10 581,1**	**54,1**	8 661,3	48,9
	Open cut mining	**3 647,3**	**18,6**	3 035,5	17,1
	Manufacturing and Processing	**5 280,4**	**27,0**	5 740,0	32,4
	Administration	**64,9**	**0,3**	263,3*	1,5
		19 573,7	**100,0**	17 700,1	100,0
Liabilities	*Construction and Engineering*				
	South Africa and Africa	**2 923,1**	**22,7**	2 770,5	26,8
	Australasia and Pacific	**5 961,2**	**46,3**	4 445,6	42,9
	Total Construction and Engineering	**8 884,3**	**69,1**	7 216,1	69,7
	Open cut mining	**1 603,7**	**12,5**	1 074,9	10,4
	Manufacturing and Processing	**1 407,3**	**11,0**	1 487,3	14,4
	Administration	**954,5**	**7,4**	569,0	5,5
		12 849,8	**100,0**	10 347,3	100,0
Capital expenditure	*Construction and Engineering*				
	South Africa and Africa	**328,7**	**15,7**	232,1	12,8
	Australasia and Pacific	**611,2**	**29,3**	472,7	26,0
	Total Construction and Engineering	**939,9**	**45,0**	704,8	38,8
	Open cut mining	**934,3**	**44,8**	710,9	39,1
	Manufacturing and Processing	**197,8**	**9,5**	438,1	24,1
	Administration	**15,1**	**0,7**	(35,8)	(2,0)
		2 087,1	**100,0**	1 818,0	100,0
Depreciation	*Construction and Engineering*				
	South Africa and Africa	**178,4**	**12,1**	169,7	15,4
	Australasia and Pacific	**618,4**	**41,8**	319,5	29,0
	Total Construction and Engineering	**796,8**	**53,9**	489,2	44,4
	Open cut mining	**526,4**	**35,6**	468,2	42,5
	Manufacturing and Processing	**127,0**	**8,6**	122,8	11,2
	Administration	**28,5**	**1,9**	20,7	1,9
		1 478,7	**100,0**	1 100,9	100,0

Note: Results of the new Aveng Water business included under the Construction and Engineering segment
** Restated*

		2012 Rm	%	2011 Rm	%
GEOGRAPHICAL SEGMENTATION					
Revenue	Republic of South Africa	**18 484,7**	**45,2**	17 503,1	51,0
	Rest of Africa and Mauritius	**4 971,2**	**12,2**	3 415,3	10,0
	Australasia and Pacific islands	**14 737,9**	**36,0**	10 656,3	31,0
	South East Asia	**2 581,1**	**6,3**	2 679,6	7,8
	Middle East and Other	**88,3**	**0,2**	69,4	0,2
	South America	**22,3**	**0,1**	–	
		40 885,5	**100,0**	34 323,7	100,0
Assets (excluding cash)	Republic of South Africa	**10 412,0**	**53,2**	10 833,0	61,2
	Rest of Africa and Mauritius	**3 484,6**	**17,8**	2 294,1	13,0
	Australasia and Pacific islands	**4 748,2**	**24,3**	3 537,1	20,0
	South East Asia	**890,8**	**4,6**	1 012,6	5,7
	Middle East and Other	**38,1**	**0,2**	23,2	0,1
		19 573,7	**100,0**	17 700,0	100,0
Capital expenditure	Republic of South Africa	**975,3**	**46,7**	966,5	53,2
	Rest of Africa and Mauritius	**499,3**	**23,9**	377,6	20,8
	Australasia and Pacific islands	**565,4**	**27,1**	452,1	24,9
	South East Asia	**46,4**	**2,1**	21,8	1,1
	Middle East and Other	**0,7**	**0,0**		
		2 087,1	**100,0**	1 818,0	100,0
Depreciation	Republic of South Africa	**517,0**	**35,0**	488,0	44,3
	Rest of Africa and Mauritius	**342,0**	**23,1**	293,0	26,6
	Australasia and Pacific islands	**432,6**	**29,3**	261,0	23,7
	South East Asia	**186,0**	**12,7**	58,6	5,4
	Middle East and Other	**1,1**	**0,1**	–	
		1 478,7	**100,0**	1 100,6	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; Open cut 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;

Operating segments have consistently adopted the consolidated basis of accounting and there are no differences in measurement applied.

The group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as "Net operating profit".

Segment assets exclude investments in associates and joint ventures, available-for-sale investments, deferred tax assets and cash and cash equivalents.

Segment liabilities comprise trade and other payables.

Information provided about capital expenditures and depreciation comprises property, plant and equipment.

	Land and buildings Rm	Owned plant, equipment and vehicles Rm	Leased plant, equipment and vehicles Rm	**Total Rm**
1. PROPERTY, PLANT AND EQUIPMENT				
2012				
Cost				
At beginning of year – historical cost	1 040,8	9 694,8	69,6	**10 805,2**
Foreign exchange movements	20,4	297,0	14,0	**331,4**
Additions	67,8	2 019,3		**2 087,1**
Transfers		(30,7)	30,7	
Disposals	(21,1)	(426,3)	(1,9)	**(449,3)**
At end of year	1 107,9	11 554,1	112,4	**12 774,4**
Accumulated depreciation				
At beginning of year – historical cost	180,1	4 572,3	32,2	**4 784,6**
Foreign exchange movements	4,3	204,4	9,0	**217,7**
Current year charge	29,6	1 430,3	18,8	**1 478,7**
Transfers		(8,6)	8,6	
Disposals	(3,6)	(365,9)	(1,5)	**(371,0)**
At end of year	210,4	5 832,5	67,1	**6 110,0**
Net book value at end of year	897,5	5 721,6	45,3	**6 664,4**
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**

1. PROPERTY, PLANT AND EQUIPMENT continued

Land and buildings comprise:	2012 Rm	2011 Rm
Freehold	**1 039,1**	978,9
Long leasehold	**68,8**	61,9
	1 107,9	1 040,8

Rates and methods of depreciation	Method	Rate	Rate
Freehold buildings	Straight line	**2%**	2%
Leasehold property	Straight line	**Lease period**	Lease period
Plant and machinery	Straight line	**10 – 25%**	10 – 25%
Office equipment	Straight line	**10 – 33%**	10 – 33%
Furniture and fittings	Straight line	**15 – 20%**	15 – 20%
Motor vehicles	Straight line	**10 – 25%**	10 – 25%

	Rm	Rm
The carrying value of property, plant and equipment which is temporally idle is	**Nil**	32,5

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 and other intangibles	Goodwill Rm	Indefinite useful life trademarks Rm	Brand names Rm	Customer lists Rm	Know-how Rm	Computer software Rm	Total Rm
Balance at 30 June 2009	1 014,7	37,2	6,0	10,1	25,0		**1 093,0**
Acquired in business combination	27,9						**27,9**
Amortisation			(0,7)	(10,1)	(6,2)		**(17,0)**
Goodwill impaired	(12,8)						**(12,8)**
Foreign exchange movements	(6,3)	0,7					**(5,6)**
Balance at 30 June 2010	1 023,5	37,9	5,3		18,8		**1 085,5**
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**
Adjustment to goodwill on prior period acquisition	1.7						**1.7**
Capitalised during the period						35,9	**35,9**
Amortisation			(2,9)	(17,5)	(9,5)	(7,0)	**(36,9)**
Foreign exchange movements	66,8						**66,8**
Balance at 30 June 2012	1 384,3	37,9	23,6	56,9	16,9	28,9	**1 548,5**

2. GOODWILL AND OTHER INTANGIBLES continued

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 and the know-how have a useful life of five years.

In addition, certain brand names were considered to have an indefinite life.

Computer software capitalised relates to certain new ERP systems implemented in the current period. Software is written off over a period of five years.

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 entities below which were tested separately);
Key Plan (Pty) Ltd;
Empowa Grinaker – LTA (Pty) Ltd;
CMM Consultants (Pty) Ltd;
Andersen & Hurley (Pty) Ltd;
Dynamic Fluid Control (Pty) Ltd.

McConnell Dowell Corporation Limited (excluding the entities below which were tested separately):
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.

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 2009 (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.

	2012 Rm	2011 Rm
3. INVESTMENT IN ASSOCIATES AND JOINT VENTURES		
Opening balance	**91,8**	116,8
Acquisitions/(disposals)	**3,4**	(14,1)
Dividends received	**(33,8)**	(35,2)
Exchange difference movements	**(1,4)**	2,1
Loans advanced		34,8
Fair value adjustment	**6,9**	(5,0)
Share of results before taxation	**43,3**	(1,5)
Share of taxation	**(1,9)**	(6,1)
At end of year	**108,3**	91,8
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	**93,3**	82,9
Current assets	**216,5**	149,5
	309,8	232,4
Current liabilities	**140,0**	149,3
Interest-bearing debt	**44,6**	9,6
Non-interest-bearing debt	**25,3**	9,9
Equity	**99,9**	63,6
	309,8	232,4
Revenue	**487,3**	400,8
Expenses	**(440,6)**	(403,9)
Net finance income	**(3,4)**	1,6
Income/(loss) before taxation	**43,3**	(1,5)
Taxation	**(1,9)**	(6,1)
Income/(loss) after taxation	**41,4**	(7,6)
Loans to the associate companies are unsecured, interest free and have no fixed repayment terms.		
Directors' valuation of unlisted associates	**108,3**	91,8
There are no individually significant associates and joint ventures included in the above carrying value and all operate within the construction and engineering sector.		

		2012 Rm	2011 Rm
4.	**AVAILABLE FOR SALE INVESTMENTS**		
	At beginning of year	**131,3**	94,1
	Acquisitions		46,6
	Fair value adjustments	**11,5**	5,2
	Impairment		(14,6)
	At end of year	**142,8**	131,3
	Balance at end of year comprises:		
	N3 Toll Concession Company (Pty) Limited	**11,8**	11,8
	Goldfields Mall (Pty) Limited	**77,1**	72,9
	GoldlinQ	**53,9**	46,6
	Total available for sale investments	**142,8**	131,3

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. In the current year, there were no impairments recognised, although in 2011 the group made an impairment of Vexicom (Pty) Limited to the value of R14,6 million, which is recognised in operating profit in the statement of comprehensive income and disclosed in note 15.

		2012 Rm	2011 Rm
5.	**DEFERRED TAX ASSET**		
	Balance at beginning of year	**1 019,2**	981,7
	Transfer from/(to) statement of comprehensive income – current year	**411,7**	(3,6)
	– prior year	**20,7**	
	Effect of change in tax rate	**(8,5)**	
	Exchange difference movements	**75,4**	41,1
	Reclassified from deferred tax liability	**(145,8)**	
	Balance at end of year	**1 372,7**	1 019,2
	Balance at end of year comprises:		
	Accelerated capital allowances	**99,7**	14,4
	Provisions	**405,9**	387,3
	Unrealised foreign exchange loss	**48,4**	0,5
	Contracts	**284,9**	248,1
	Other	**223,1**	152,3
	Assessed losses carried forward	**310,7**	216,6
		1 372,7	1 019,2

	2012 Rm	2011 Rm
6. INVENTORIES		
At cost, net of impairment provisions		
Raw materials	**1 114,2**	991,8
Consumable stores	**137,5**	113,0
Work in progress	**88,2**	65,5
Finished goods	**1 155,4**	947,4
Properties held for development and resale		0,4
Less: Impairment provisions	**(28,3)**	(51,6)
	2 467,0	2 066,5
Inventories written off	**9 787,0**	16 449,0
Inventories expensed during the year	**9 942,6**	7 293,7
7. TRADE AND OTHER RECEIVABLES		
Contracts in progress and contract receivables		
Gross costs incurred plus profits recognised, less estimated losses relating to contracts in progress at year-end, less progress payments amounts receivable in excess of amounts billed	**7 741,1**	3 875,5
Advances received in excess of work performed	**(346,6)**	(486,9)
Gross amounts due on contracts	**7 394,5**	3 388,6
Retentions receivable	**101,7**	165,3
Gross amounts due from customers	**7 496,2**	3 553,9
Allowance for impairment on receivables	**(100,2)**	(100,7)
Net amount due from customers	**7 396,0**	3 453,2
Trade and other receivables		
Gross trade receivables	**1 662,3**	1 614,5
Gross other receivables	**1 289,6**	2 105,4
Prepayments and other	**161,5**	1 056,7
Gross trade and other receivables	**3 113,4**	4 776,6
Allowance for impairment on receivables	**(67,2)**	(97,8)
Net amount due from customers	**3 046,2**	4 678,8
Total receivables	**10 442,2**	8 132,0
The maximum exposure to credit risk in relation to trade and other receivables	**10 448,1**	7 273,8

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 R167,4 million (2011: R198,5 million) were provided for in an allowance account.

7. TRADE AND OTHER RECEIVABLES continued

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

	Total individually impaired Rm
Balance as at 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**
Charge for the year	**27,9**
Utilised during the year	**(59,0)**
Balance as at 30 June 2012	**167,4**

				Past due but not impaired		
	Total Rm	Impaired Rm	Neither past due nor impaired Rm	< 30 days Rm	30 to 60 days Rm	> 60 days Rm
At 30 June, the ageing analysis of trade and contract receivables is as follows:						
2012	**10 448,1**	**167,4**	**3 539,8**	**5 478,8**	**686,7**	**575,4**
2011	7 273,8	198,5	4 061,8	2 165,2	345,7	502,6

8. SHARE CAPITAL

	Shares 2012	Shares 2011	2012 Rm	2011 Rm
Authorised				
Ordinary share capital			**44,1**	44,1
882 034 263 ordinary shares of 5 cents each				
Issued				
Ordinary share capital				
Opening balance – shares of 5 cents each	**386 982 849**	389 988 186	**19,3**	19,5
Repurchases – shares of 5 cents each	**(11 750 000)**	(3 005 337)	**(0,5)**	(0,2)
Issued – BEE initial shares of 5 cents each	**269**			
Issue of shares of 5 cents each	**8 586 593**		**0,4**	
Movement of treasury shares of 5 cents each	**(8 586 593)**		**(0,4)**	
Closing balance – shares of 5 cents each	**375 233 118**	386 982 849	**18,8**	19,3

8. SHARE CAPITAL continued

	2012 Rm	2011 Rm
8.1 Treasury shares		
Shares held by the Aveng Limited Share Purchase Trust		
– Market value	**215,5**	215,5
– Number of shares	**6 018 386**	6 018 386
Shares held by the Aveng Management Company (Pty) Ltd		
– Market value	**307,4**	
– Number of shares	**8 586 593**	
8.2 Reconciliation of issued shares		
Number of shares in issue	**389 838 097**	393 001 235
Number of shares held in trust by the Aveng Limited Share Purchase Trust	**(6 018 386)**	(6 018 386)
Number of shares held by the Aveng Management Company (Pty) Ltd*	**(8 586 593)**	
Net shares issued to the public	**375 233 118**	386 982 849

Refer to note 8.3 for additional disclosure

8.3 *Proposed amendments to the black economic empowerment transaction*

In anticipation of the first expiry date of the existing BEE scheme, the scheme participants indicated that they would prefer to receive Aveng Shares on exercise of the put option. Alternatively, they would be willing to remain in the existing BEE structure for an extended period, provided their upside, downside and dividend flows are linked to Aveng shares going forward. To effect this desire by the scheme participants, the board made certain amendments to the terms of the original BEE transaction to ensure the continuation of the existing BEE structure.

In terms of the amendments made to the scheme, a scrip lending agreement was entered into between Investec Private Bank Limited and Aveng Management Company, pursuant to which Aveng Management Company (Pty) Ltd, a wholly owned subsidiary of Aveng, lent 8 586 593 Aveng treasury shares to Investec Private Bank Limited to facilitate the debt to be provided to the Empowerment Trust, including the undertaking and pledge agreements by Aveng and the Aveng Management Company (Pty) Ltd with the Investec Private Bank Limited and any other agreements or documentation for the purposes of implementing these scrip lending agreements. These shares have been reversed on consolidation and shall be delivered to the Empowerment Trust at the end of the scheme in order to discharge its obligation to Investec Private Bank Limited.

9. SHARE PREMIUM

	2012 Rm	2011 Rm
Balance at the beginning of the year	**1 863,9**	1 981,0
Repurchase of 11 750 000 (2011: 3 005 337) shares of 5 cents each	**(448,1)**	(117,1)
Issue of 8 586 862 shares of 5 cents each	**326,5**	
Movement of 8 586 593 (2011: Nil) treasury shares*	**(326,5)**	
Balance at the end of the year	**1 415,8**	1 863,9

**Refer to note 8.3 above.*

10. NON-DISTRIBUTABLE RESERVES

	2012 Rm	2011 Rm
Balance at end of the year comprises:		
Capital redemption reserve fund	**0,2**	0,2
Foreign currency translation reserve	**545,9**	61,6
Guardrisk Life Fund and other reserves	**56,3**	72,7
	602,4	134,5

Movements in other reserves relate to a fair value adjustment through retained income.

	2012 Rm	2011 Rm
11. BORROWINGS		
11.1 Non-current and current borrowings		
Summary of interest-bearing borrowings by maturity		
Current portion of borrowings	**523,1**	245,9
Overdrafts	**343,4**	211,0
Current portion of interest-bearing borrowings	**179,7**	34,9
Non-current borrowings	**748,5**	48,1
Non-interest-bearing*	**55,3**	46,6
Interest-bearing	**693,2**	1,5
Total borrowings	**1 794,7**	294,0

** The majority of non-interest-bearing borrowings comprises a deferred equity commitment to acquire 10% of the shares in GoldlinQ Holdings (Pty) Limited.*

11.2 Analysis of borrowings

	Final repayment date	Rate of interest per year (payable half-yearly) 2012 %	2011 %	2012 Rm	2011 Rm
*Secured loans**					
	2012		6,1 – 15		245,9
	2013	**4,6 – 16,3**	6,1 – 15	**523,1**	1,5
	2014	**4,6 – 16,3**		**166,5**	
	2015	**4,6 – 16,3**		**171,4**	
	2016	**4,6 – 16,3**		**254,7**	
	2017	**9,2 – 16,3**		**100,6**	
				1 216,3	
Non-interest-bearing borrowings	2014			**55,3**	46,6
Total borrowings			Note 11.1	**1 271,6**	294,0

** There were no unsecured borrowings in the current or prior year.*

11. BORROWINGS continued

11.3 Borrowings and cash analysis

	2012 Rm	2012 %	2011 Rm	2011 %
Gross borrowings – Geographic				
South African Rands	**117,4**	**62,3**	213,1	72,5
Foreign currencies	**677,3**	**37,7**	80,9	27,5
	1 794,7	**100,0**	294,0	100,0
Cash – Geographic				
South African Rands	**1 686,0**	**32,4**	2 517,1	44,9
Foreign currencies	**3 516,5**	**67,6**	3 093,9	55,1
	5 202,5	**100,0**	5 611,0	100,0

Interest rate structure

	2012 Gross Rm	2012 Cash Rm	2012 Net cash position Rm	2012 %
Fixed and variable (interest rates)				
Fixed – long term	**693,2**		**693,1**	
– short term	**179,7**		**179,9**	
Variable	**343,4**	**(5 202,5)**	**(4 859,2)**	
	1 216,3	**(5 202,5)**	**(3 986,2)**	

	2011 Gross Rm	2011 Cash Rm	2011 Net Rm	2011 %
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

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.

	2012 Rm	2011 Rm
Total variable borrowings	**343,4**	211,0
Effect on profit before tax – plus 50 basis points	**(1,7)**	(1,1)
– minus 50 basis points	**1,7**	1,1

Changes in the basis point has no effect on other comprehensive income.

Secured loans include individual loans amounting to USD30 million and USD14,4 million. These loans are repayable quarterly and bear interest at 4,65%, 4,58% and 4,58% annually. The date of final payment is 26 June 2017, 26 June 2016 and 28 June 2016 respectively. Equipment with a book value of R526 358 646 has been pledged as collateral for this debt. The group also entered into a finance lease in the current year amounting to R248 million. The finance lease is repaid monthly, with a final maturity in 2017, and bears interest at 16,3%. McConnell Dowell also entered into a sale and leaseback arrangement to the value of AUD25 million. Payments are made monthly with the final payment to be made in June 2016. Interest is charged at 5,515% per annum.

		2012 Rm	2011 Rm
12.	**DEFERRED TAX LIABILITY**		
	At beginning of year	**832,3**	655,1
	Transfer from statement of comprehensive income – current year	**29,8**	140,5
	– prior year	**(48,1)**	1,2
	Exchange difference movements	**5,4**	11,4
	Effect of change in foreign tax rate		(0,2)
	Acquisition of business		24,3
	Reclassified to deferred tax asset	**(145,8)**	
	At end of year	**673,7**	832,3
	Balance at end of year comprises:		
	Accelerated capital allowances	**616,4**	515,8
	Other	**57,3**	316,5
		673,7	832,3
13.	**TRADE AND OTHER PAYABLES**		
	Trade	**3 121,8**	2 563,4
	Contracts in progress due to customers	**2 785,5**	2 440,3
	Cheques not presented	**148,4**	421,7
	Due to subcontractors	**131,9**	220,5
	Accrued expenses	**5 151,3**	3 519,6
		11 338,9	9 165,5
	IFRS 2 share-based payment provision	**102,8**	19,1
	Other employment-related provisions	**1 408,1**	1 163,1
		12 849,8	10 347,7

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

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

Other employment-related provisions consist of the following:

	Employee entitlements	Leave pay benefits	**Total**
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)**
Reallocation			
Currency adjustment	(5,8)	(0,3)	**(6,1)**
Balance as at 30 June 2011	951,3	211,8	**1 163,1**
Charge for the year	284,3	272,4	**556,7**
Utilised during the year	(178,8)	(25,73)	**(204,5)**
Reversals	(174,0)		**(174,0)**
Currency adjustment	26,6	40,3	**67**
Balance as at 30 June 2012	909,3	498,8	**1 408,1**

– 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.

		2012 Rm	2011 Rm
14. REVENUE			
Sale of goods		**8 813,1**	7 807,2
Construction contract revenue		**31 851,1**	25 333,1
Rendering of services		**32,3**	724,5
Operating lease and other revenue		**189,0**	458,8
Revenue		**40 885,5**	34 323,6

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.

		2012 Rm	2011 Rm
15. OPERATING PROFIT DISCLOSURES			
In arriving at operating profit the following items have been taken into account:			
Income			
Profit on disposal of property, plant and equipment		**70,7**	0,9
(Loss) on disposal of investments			(0,1)
Settlement of Marikana dispute			87,5
Expenses			
Auditor's remuneration:	– fees for audit	**28,0**	31,9
	– fees for other services	**1,4**	0,9
	– expenses	**1,9**	1,0
Depreciation:	– land and buildings	**29,6**	28,6
	– owned plant, equipment and vehicles	**1 430,3**	1 051,8
	– leased plant, equipment and vehicles	**18,8**	20,5
Amortisation of intangibles:	– brand names	**2,9**	2,4
	– customer lists	**17,5**	13,1
	– know-how	**9,5**	8,7
	– computer software	**7,0**	
Foreign exchange gains		**(5,9)**	(14,9)
Impairment of investments			14,6
Impairment charges on receivables		**27,9**	102,6
Operating leases:	– land and buildings	**41,7**	44,9
	– plant, equipment and vehicles	**113,8**	10,9
Professional fees	– managerial, legal, financial and technical	**5,3**	16,3
Staff costs:	– salaries and wages	**10 965,8**	8 889,5
	– contributions to medical and retirement funds	**103,7**	97,8
	– share-based payment expenses	**3,0**	19,1
	Aveng Australia staff costs (included in staff costs) (AUD)	**624,2**	511,2
	Foreign currency conversion effect (included in staff costs)	**716,2**	
Competition commission administrative penalty			128,9

	2012 Rm	2011 Rm
16. INCOME FROM INVESTMENTS		
Dividends – unlisted	**36,8**	34,6
Interest – external cash investments at amortised cost	**189,1**	312,3
	225,9	346,9

Interest has been earned at prevailing market rates in South Africa (5% to 9%).

Rates are applicable for 2012 and 2011.

		2012 Rm	2011 Rm
17.	**FINANCE COST**		
	Interest expense on financial liabilities	**75,7**	58,5
	No borrowing costs have been capitalised during the year (2011: nil).		
	Interest has been charged at prevailing market rates in South Africa (8% to 15%).		
	Rates are applicable for 2012 and 2011.		
18.	**NON-TRADING ITEMS**		
	(Loss)/profit on disposal of property, plant and equipment	**(0,3)**	0,9
	Loss on disposal of investments		(0,1)
	Impairment of investment	**–**	(14,6)
	Profit on sale of investment – change in holding in subsidiary	**31,0**	
		30,7	(13,8)
19.	**TAXATION**		
	South African normal taxation – current	**211,1**	236,7
	South African normal taxation – prior	**0,3**	
	Foreign normal taxation – current	**385,4**	175,0
	Foreign normal taxation – prior	**(15,0)**	(30,5)
	Taxation – STC	**57,0**	57,4
	Deferred tax – current	**(381,9)**	144,1
	Deferred tax – prior	**(68,8)**	1,2
	Deferred tax – foreign rate change	**8,6**	(0,2)
	Capital gains tax (CGT)	**4,4**	
	JV's & Asco's tax charge	**1,9**	
		203,1	583,7
	Reconciliation of rate of taxation (%)	**%**	%
	Standard rate of company taxation	**28,0**	28,0
	Adjusted for:		
	Assessed loss utilised		(2,4)
	Current year's tax losses not utilised		6,7
	Disallowable expenditure	**3,8**	6,5
	Exempt income	**(1,9)**	(1,7)
	Foreign tax adjustment		0,2
	Foreign tax differential	**(3,8)**	
	Income from associates		0,3
	Other	**(1,8)**	(3,2)
	STC	**7,8**	
	Prior years	**(3,1)**	(1,1)
	Change in tax rate	**(1,2)**	(0,1)
	Effective taxation rate	**28,0**	33,2
	Effective rate of taxation for the year before non-trading items and associated companies	**31,1**	32,8

The estimated losses which are available for the reduction of future taxable income, and for which deferred taxation has been recognised, is R310,7 million (2011: R249,1 million).

South African income tax is calculated at 28% (2011: 28%) of the assessable profit for the year. Taxation in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

	2012 Rm	2011 Rm
20. EARNINGS AND HEADLINE EARNINGS PER SHARE		
Weighted average number of shares:		
Weighted average number of shares in issue by company	**397 676 896**	394 697 457
Less: Weighted average number of treasury shares	**(11 648 939)**	(6 018 386)
Weighted average number of shares in issue	**386 027 957**	388 679 071
Add: Contingently issuable shares	**26 833 103**	26 833 103
Diluted weighted average number of shares in issue	**412 861 060**	415 512 174
Contingently issuable shares issued to subsidiary – Aveng Management Company (Pty) Limited	**8 586 593**	
Determination of headline earnings:		
Profit for the year attributable to equity holders of Aveng	**520,8**	1 177,2
Loss/(profit) on disposal of property, plant and equipment (refer to note 18)	**0,3**	(0,9)
Profit on disposal of investments (refer to note 18)		0,1
Profit on sale – change in holding in subsidiary	**(31,0)**	
Impairment of investments (refer to note 18)		14,6
	490,1	1 191,0
Tax effect on the above adjustments	**4,4**	
Headline earnings	**494,5**	1 191,0
Determination of diluted earnings:		
Profit for the year attributable to equity holders of Aveng	**520,8**	1 177,2
Diluted earnings	**520,8**	1 177,2
Determination of diluted headline earnings:		
Headline earnings	**494,5**	1 191,0
Diluted headline earnings	**494,5**	1 191,0
Earnings per share (cents)	**134,9**	302,9
Earnings per share – diluted (cents)	**126,1**	283,3
Headline earnings per share (cents)	**128,1**	306,4
Headline earnings per share – diluted (cents)	**119,8**	286,6
Dividend per share (cents)	**60,0**	145,0

	Note	2012 Rm	2011 Rm
21. NOTES TO THE CASH FLOW STATEMENT			
21.1 Cash retained from operations			
Profit before tax		**726,3**	1 757,1
Adjusted for:			
(Income)/loss from associates and joint ventures		**(41,4)**	7,6
Income from investments		**(225,9)**	(346,9)
Interest paid		**75,7**	58,5
		534,7	1 476,3
21.2 Non-cash and other movements			
Profit on disposal of property, plant and equipment		**(70,7)**	(35,6)
(Loss)/surplus on disposals of investments		**(30,1)**	0,1
Impairment of investments			14,6
Gains on foreign exchange		**(5,9)**	(14,9)
Other non-cash items		**279,6**	(135,5)
		172,9	(171,3)
21.3 Working capital movements			
(Increase)/decrease in inventories		**(398,2)**	28,7
Increase/(decrease) in trade and other payables		**1 769,3**	(956,7)
Increase in trade and other receivables		**(2 170,0)**	(945,2)
		(798,9)	(1 873,2)
21.4 Interest paid			
Interest paid as per statement of comprehensive income		**75,7**	58,5
21.5 Normal taxation paid			
Amounts unpaid at beginning of year		**163,5**	180,0
Amounts charged to the statement of comprehensive income		**645,2**	438,6
Amounts unpaid at end of year		**(241,7)**	(163,5)
		567,0	455,1
21.6 Dividends paid			
Amounts charged to equity		**561,2**	565,1
21.7 Associated companies and joint ventures			
(Acquisition)/disposal of associates and joint ventures		**(3,4)**	14,1
Dividends received		**33,8**	35,2
Net loans (advanced)			(34,8)
		30,4	14,5
21.8 Cash and cash equivalents			
Deposits and cash	11.3	**5 202,5**	5 611,0
Overdrafts	11.1	**(343,4)**	(211,0)
		4 859,1	5 400,0

22. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

Acquisitions during the year ended 30 June 2012:

There were no acquisitions in the current year within the group.

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 are 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.

	% holding	Acquisition value Rm
Dynamic Fluid Controls (Pty) Limited	100	338,6
Perth Building Company (Pty) Limited	100	48,5
		387,1

The aggregated fair value of the identifiable assets and liabilities of the group's investments and acquisitions as at the date of acquisition were:

	2012 Rm	2011 Rm
Cash and cash equivalents		58,5
Trade and other receivables		86,1
Inventories		68,0
Total current assets		212,6
Plant and equipment		56,7
Deferred tax assets		3,3
Intangible assets		126,6
Total non-current assets		186,6
Trade and other payables		120,0
Short-term borrowings		18,6
Total current liabilities		138,6
Deferred tax liability		26,4
Long-term borrowings		101,9
Total non-current liabilities		128,3
Fair value of identifiable net assets		132,3
Amounts written off		
Goodwill arising on consolidation		254,8
Investment in subsidiary		387,1
Cost of the combination		
Cash paid		343,7
Estimated payment to come		43,4
		387,1
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary		58,5
Cash paid		(343,7)
Net consolidated cash outflow		(285,2)

	2012 Rm	2011 Rm
23. COMMITMENTS		
Capital commitments		
Capital expenditure authorised – contracted for	**268,6**	287,8
– not contracted for	**474,2**	205,1
	742,8	492,9
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	**248,9**	154,4
– more than one year and less than five years	**427,4**	299,1
– more than five years	**97,2**	68,8
24. CONTINGENT LIABILITIES		
Contingent liabilities at reporting date, not otherwise provided for in the annual financial statements, arising from:		
– performance bonds and guarantees	**14 266,4**	4 591,5
– other contract claims	**2,7**	
– letters of credit		0,4
	14 269,1	4 591,9

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.

Competition Commission

As previously reported the Aveng board supports and has cooperated with the Competition Commission in its investigation into historic anti-competitive practices in the South African construction industry in terms of the fast-track settlement process. The Aveng Group has submitted a settlement offer to the Competition Commission. Feedback is awaited. A provision has been raised for this amount.

Foreign currency payables and receivables	Foreign amount millions 2012	Foreign amount millions 2011	Rand millions 2012	Rand millions 2011
25. FOREIGN EXCHANGE EXPOSURE				
Forward exchange contracts on imports				
Euro	**11,0**	22,0	**114,5**	218,7
UK Pound	*	0,2	*	2,6
US Dollar	**11,6**	18,1	**95,1**	124,1
Singapore Dollar	**4,1**		**26,9**	
			236,5	345,4
Forward exchange contracts on exports				
Euro		9,0		89,0
US Dollar	**3,6**	3,2	**30,0**	21,9
			30,0	110,9

25. FOREIGN EXCHANGE EXPOSURE continued

Foreign currency payables and receivables	Foreign amount millions 2012	Foreign amount millions 2011	Rand millions 2012	Rand millions 2011
Total payables				
Australian Dollars	**427,3**	339,7	**3 595,0**	2 472,6
Botswana Pula	**0,2**	138,1	**0,2**	140,9
Brunei Dollars	*****		*****	
Euro	**13,4**	22,2	**139,4**	218,2
Fiji Dollars		*		*
French Pacific Francs	**5,0**		**7,9**	
Hong Kong Dollar	**2,0**		**2,1**	
Indonesian Rupiah	**1,7**	0,8	*****	*
Libyan Dinars		*		0,1
Malaysia Ringgit	**9,2**		**24,0**	
Mozambican Metical	*****	67,3	*****	16,3
New Zealand Dollars	**91,1**	59,6	**600,4**	335,3
Papua New Guinea Kina	**11,7**	8,1	**49,9**	23,9
Philippine Peso	**1,6**	7,6	**0,3**	1,2
Saudi Arabia Riyals	**0,1**		**0,2**	
Singapore Dollars	**42,5**	42,0	**276,8**	220,6
Solomon Island Dollars		*		*
Swedish Krona	**0,3**		**0,4**	
Tanzanian Shilling		1 644,4		7,0
Thai Baht	**3,1**	8,1	**0,8**	1,8
UK Pound	**0,2**	6,1	**2,8**	66,6
United Arab Emirates Dirham	*****	1,5	*****	2,7
US Dollar	**55,6**	57,9	**457,1**	392,9
Zambian Kwacha	**30,3**	98 471,8	*****	139,7
			5 157,3	4 039,7
Total receivables				
Australian Dollars	**335,1**	262,4	**2 819,6**	1 909,9
Botswana Pula	**0,1**	96,5	**0,1**	98,5
CFA Franc BEAC	**7 392,8**		**118,4**	
Chinese Yuan		0,4		0,4
Euro	**0,2**	0,3	**1,8**	2,5
Fiji Dollars	*****	*	*****	
French Pacific Francs	**5,7**		**9,1**	
Hong Kong Dollars	**0,6**	*	**0,6**	
Indonesian Rupiah	**1,0**	0,6	*****	*
Malaysian Ringgit	**5,2**	*	**13,6**	*
Mozambican Metical	*****	49,8	*****	12,1
New Zealand Dollars	**55,2**	48,0	**363,5**	269,9
Papua New Guinea Kina	**0,1**	3,6	**0,4**	10,7
Philippine Peso	**0,8**	2,0	**0,2**	0,3
Saudi Riyal		*		*
Singapore Dollars	**62,4**	61,3	**406,8**	322,0
Solomon Island Dollars		*		*
Tanzanian Shilling	*****	24 649,1	*****	104,9
Thai Baht	**7,8**	16,8	**2,0**	3,7
UK Pounds		4,8		52,1
US Dollars	**135,6**	71,2	**1 114,2**	483,2
Zambian Kwacha	**225 804,2**	130 138,3	**351,6**	184,7
			5 201,9	3 454,9

** Amounts less than R100 000*

Foreign exchange rate table – material currencies	2012 Closing	2012 Average	2011 Closing	2011 Average
25. FOREIGN EXCHANGE EXPOSURE continued				
Australian Dollars	**8,41**	**8,01**	7,28	6,95
Euro	**10,44**	**10,39**	9,82	9,57
UK Pounds	**12,90**	**12,25**	10,90	11,18
US Dollars	**8,21**	**7,71**	6,79	7,05

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.

	2012 Rm	2011 Rm
The principal group funds are:		
Number of members		
Aveng Group and Industry retirement plans	**11 139**	15 013
McConnell Dowell Corporation Limited Plan	**8 593**	6 334
	19 732	21 347
Total number of employees	**33 221**	30 900
Cover ratio	**59%**	69%
The group's retirement expense	**92,5**	97,8

	2012 Rm	2011 Rm
26. EMPLOYEE BENEFITS continued		
26.2 Defined benefit plan		
Valuation method:		
Projected unit credit method	**Yes**	Yes
Principle assumptions:		
Discount rate %	**7,85**	8,50
Expected return on assets %	**7,85**	8,50
General inflation %	**5,95**	6,00
Pension increase allowance	**5,95**	6,00
Real discount rate %	**1,79**	2,36
Present value of obligation:		
Opening balance at 1 July	**223,4**	218,2
Interest cost on opening balance	**5,1**	18,8
Actuarial gain/(loss)	**(0,8)**	4,3
Benefits paid	**(6,0)**	(17,9)
Closing balance at 30 June	**221,7**	223,4
Surplus apportionment	**73,4**	62,5
Total liabilities	**295,1**	285,9
Fair value of plan assets:		
Opening balance at 1 July	**286,0**	282,5
Expected return on fund assets	**23,3**	24,5
Contributions received		2,1
Actuarial (loss)/gain	**(0,8)**	2,7
Benefits paid	**(23,5)**	(25,8)
Surplus	**10,9**	
Closing balance at 30 June	**295,9**	286,0
Actual return on plan assets	**22,5**	22,9
Net benefit income not recognised:		
Interest cost on opening balance	**(5,1)**	(24,5)
Actuarial (gain)/loss	**(0,8)**	0,4
Expected return on fund assets	**23,3**	24,5
Net benefit income not recognised	**17,4**	0,4
Funded status	**74,2**	62,6
Actuarial loss	**(0,8)**	(0,1)
Surplus apportionment	**73,4**	62,5
The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:		
	%	%
Money Market	**74,9**	78,1
Insured policy (Momentum)	**25,1**	21,9

26. EMPLOYEE BENEFITS continued

26.2 *Defined benefit plan* continued

Amounts for current and previous five periods are as follows:

	2012 R'million	2011 R'million	2010 R'million	2009 R'million	2008 R'million	2007 R'million
Fair value of assets	**295,9**	295,9	286,0	338,4	320,4	290,5
Employer's accrued liability	**(221,7)**	(223,4)	(223,4)	(235,4)	(228,2)	(206,3)
Funded status	**74,2**	72,5	62,6	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 option 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% of the issued share capital. No one participant may acquire shares in excess of 2% of the issued share capital of the company.

	Weighted average exercise price 2012	Number of options 2012	Weighted average exercise price 2011	Number of options 2011
The movements during the year under review were as follows:				
Balance at the beginning of the year	**39,56**	**8 452 082**	38,17	4 995 846
Options granted			36,76	5 099 233
Options exercised	**37,28**	**(134 454)**	42,53	(1 004 112)
Options forfeited/cancelled	**39,63**	**(680 808)**	39,38	(638 885)
Balance at the end of the year	**39,99**	**7 636 820**	39,56	8 452 082
Options exercisable at year-end	**43,68**	**2 399 734**	35,80	2 100 877

		2012 R	2011 R
Range of market price at dates of exercising option or taking delivery	Average cost	**14,94**	18,55
	Low	**33,10**	33,85
	High	**41,50**	45,00
	Weighted average	**37,28**	42,53

26. EMPLOYEE BENEFITS continued

26.3 *Executive share option scheme* continued

	Subscription price	Number of options 2012	Number of options 2011
The options outstanding at 30 June 2012 become unconditional between the following dates:			
29 November 2002 and 29 November 2010	5,80	**58 300**	58 300
23 March 2005 and 23 March 2013	8,61	**172 250**	217 500
1 October 2005 and 1 October 2013	7,20	**95 000**	95 000
1 September 2005 and 1 September 2013	8,70		6 250
14 September 2007 and 14 September 2015	16,40		62 500
1 October 2007 and 1 October 2015	53,16	**872 264**	922 362
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	**840 661**	927 605
2 January 2011 and 2 January 2019	30,52	**19 659**	19 659
30 January 2011 and 30 January 2019	26,40	**20 455**	40 909
9 September 2011 and 9 September 2019	40,30	**537 867**	624 109
8 September 2012 and 8 September 2020	37,70	**3 039 931**	3 463 455
13 May 2013 and 13 May 2021	33,85	**1 214 219**	1 248 219
		7 636 820	8 452 082

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, and/or loans to be made by employers of participants in accordance with the provisions of section 44 of the Companies Act, 2008. The scheme held 6 018 386 ordinary shares at 30 June 2012 (2011: 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.

	2012 %	2011 %
The following assumptions were used in valuing the various options at year-end:		
Expected volatility	**22,7**	22,5
Expected dividend yield	**2,87**	4,05

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

26. EMPLOYEE BENEFITS continued

26.4 Share appreciation rights scheme (SARS)

In terms of the Aveng Limited Share Appreciation Rights 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 10% of the issued share capital. No one participant may acquire shares in excess of 2,5% of the issued share capital of the company.

	Weighted average exercise price 2012	**Number of options 2012**	Weighted average exercise price 2011	Number of options 2011
The movements during the year under review were as follows:				
Balance at the beginning of the year				
Options granted	**32,79**	**6 360 875**		
Options exercised				
Options forfeited/cancelled	**(32,79)**	**(237 000)**		
Balance at the end of the year	**32,79**	**6 123 875**		

The appreciation rights, subject to performance criteria having been fulfilled, become unconditional between the following dates:

	Subscription price	**Number of SARs 2012**	Number of SARs 2011
13 December 2014 and 13 December 2016	33,75	**5 653 277**	
22 March 2015 and 22 March 2017	37,95	**416 500**	
22 May 2015 and 22 May 2017	36,97	**54 098**	
		6 123 875	

The right to take delivery or to exercise the option vests in tranches three years from the date of allocation at the rate of 33,3% each year for three years. Participants may defer exercising the right subject to the rules of the scheme and vesting criteria, but must exercise within seven years of the allocation date.

Should the holder resign from a group company prior to the vesting dates, all unvested rights will be forfeited.

26.5 Forfeitable share plan (FSP)

In terms of the Aveng Limited forfeitable share plan, senior executives of the group, including executive directors, are granted shares in the company. The provision of shares will initially serve as a retention mechanism but can in future be used as an incentive mechanism with retention awards only made on an *ad hoc* basis as and when required. Vesting of the awards will be subject to the satisfaction of performance conditions measured over the performance period. From the issue date, the employee is entitled to receive the dividends on the shares. The shares are subject to forfeit if the employee leaves the employ of the group prior to the third anniversary of the award date.

	2012 R
Total number of shares issued	**990 108**
Average purchase of shares	**35,36**
Total value of forfeitable shares issued to employees	**35 010 219**

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The group utilises the following financial instruments:

	Loans and receivables	Financial liabilities at amortised cost	Available-for-sale financial assets
2012			
Available-for-sale investments**			**142,8**
Trade and other receivables**	**10 448,1**		
Cash and cash equivalents*	**5 202,5**		
Trade and other payables**		**5 151,3**	
Interest-bearing borrowings*		**693,2**	
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**		9 165,5	
Interest-bearing borrowings*		294,0	

** Fair value level 2. Fair value is based on normal market rates.*
*** Fair value level 3. Fair value is not based on observable market data.*

The group does not trade in financial instruments, however, during the normal course of operations, the group is exposed to currency, credit, liquidity and interest rate risks. In order to manage these risks, the group may enter into transactions which make use of financial instruments. The group has developed a risk management process to facilitate, control and monitor these risks. This process includes formal documentation of policies, including limits, controls and reporting structures. Further detail is included in the risk review section of the report.

Fair value

At 30 June 2012, 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.

Changes in exchange rates have no effect on other comprehensive income.

Currency risk

The group has limited transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. An insignificant amount of the group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, while 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 related 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. Changes in exchange rates have no effect on other comprehensive income.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

Currency risk continued

The following table demonstrates the sensitivity to a reasonably possible change in the material currencies that the group operates with, all other variables held constant, 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 R million	
	Rate	Increase of 5%	Decrease of 5%	Increase of 5%	Decrease of 5%
2012					
Australian Dollar	**8,41**	**8,83**	**7,99**	**(38,75)**	**38,75**
New Zealand Dollar	**6,59**	**6,92**	**6,26**	**(11,96)**	**11,96**
US Dollar	**8,21**	**8,62**	**7,80**	**32,53**	**(32,53)**
Euro	**10,44**	**10,96**	**9,92**	**(6,82)**	**6,82**
Botswana Pula	**1,05**	**1,10**	**1,00**	**(0,01)**	**0,01**
2011					
Australian Dollar	6,95	7,30	6,60	(28,26)	28,26
New Zealand Dollar	5,35	5,62	5,08	(3,23)	3,23
US Dollar	7,05	7,40	6,70	4,53	(4,53)
Euro	9,57	10,05	9,09	(6,69)	6,69
Botswana Pula	1,03	1,08	0,98	(2,10)	2,10

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.

The 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.

Capital management

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

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

No changes were made in the objectives, policies or processes during the years ended 30 June 2012 and 30 June 2011.

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 901 million (2011: R12 919 million).

28. RELATED PARTIES

During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. Those transactions occurred under terms that are no less favourable than those arranged with third parties.

There were no related party transactions with directors or entities in which the directors have a material interest.

		2012 Rm	2011 Rm
Key management and directors	Short-term employee benefits	**29,2**	329,2
	Post-retirement benefits	**1,5**	17,1
	Termination benefits		23,1
	Share-based payments		14,8
		30,7	384,2

Note: Comparative figures include the realisation of the non-recurring Aveng (Africa) Limited share-based incentive scheme.
Refer to related party note to the Aveng Limited financial statements for further detail on specific related party transactions.

29. DIRECTORS' REMUNERATION AND INTERESTS

The Aveng Group total remuneration cost

The comparative total remuneration and benefits cost for the group is outlined below:

Cost elements	**2012 Rm**	2011 Rm
Employee remuneration (including directors' remuneration)		
Salaries and wages	**10 965,8**	8 889,5
Contributions to medical and retirement funds	**103,7**	97,8
Share-based payment expenses	**3,0**	19,1
Aveng Australia staff costs (included in staff costs) (AUD)	**624,2**	511,2
Foreign currency conversion effect (included in staff costs)	**716,2**	

Non-executive directors' remuneration

Annual review of non-executive directors' fees

Management submits annually to the remuneration and nomination 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 as well as the company's overall performance are used to determine the appropriate fee to be recommended to the board for further review.

The fees recommended by the remuneration and nomination committee are debated by the board and a final proposal is then submitted to the annual general meeting for approval by shareholders.

The chairman of the board and the non-executive directors, independent or otherwise, are not eligible to receive share options or incentive awards. Non-executive directors' fees are included in the notice of annual general meeting for approval by way of an ordinary resolution.

29. DIRECTORS' REMUNERATION AND INTERESTS continued

The Aveng Group total remuneration cost

Non-executive directors' remuneration

Annual review of non-executive directors' fees

Entity	Position	2012/2013 Current fees (R)	Recommended % increase	Recommended fees (R)
Main board	Chairman	769 560	6	815 700
	Director	253 340	6	268 500
	Ad hoc meetings**	22 260	6	23 600
Subsidiary boards	Director	134 620	6	142 700
	McConnell Dowell travel allowance	61 480	6	65 200
Remuneration and nomination committee	Chairman	170 660	6	180 900
	Member	67 840	6	71 900
Safety, health and environmental committee	Chairman	147 340	6	156 200
	Member	56 180	6	59 600
Tender risk committee	Member*	5 830	6	6 200
Social, ethics and transformation committee	Chairman	147 340	6	156 200
	Member	56 180	6	59 600
Risk committee	Chairman	170 660	6	180 900
	Member	67 840	6	71 900
Audit committee	Chairman	225 780	6	239 300
	Member	127 200	6	134 800
	Subsidiaries	68 900	6	73 000
Investment committee	Chairman*	9 010	6	9 600
	Member*	6 784	6	7 200
Ad hoc committee meetings	Member***			15 300

* *Per meeting attended.*

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

*** *No provision has been made in the past for payment of a fee to committee members in the event of* ad hoc *committee meetings. Directors who are not members of a board committee are also requested on an* ad hoc *basis to attend meetings of certain committees. The proposed fee structure as set out above now includes a fee payable under these circumstances. The meeting attendance fee to directors who are not members of the relevant committee will only be paid if attendance is based on a formal invitation from the committee chairman.*

Note: Where additional formal meetings of the board or committee are required, a meeting fee pro-rated to the annual fee for the board or committee is paid. Where a non-executive director is required to attend a meeting of a committee of which he is not a member, a similar rules applies. A governance protocol to monitor non-executive director attendance in these circumstances is in place.

29. DIRECTORS' REMUNERATION AND INTERESTS continued

Disclosure of non-executive directors' emoluments, for the year ended 30 June

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**
AW Band	**2012**	**272**	**509**	**796**	**386**	**182**	**2 144**
	2011	257	480	750	335	175	**1 997**
K Rumble (resigned Dec 2011)	**2012**	**60**	**50**		**77**		**187**
	2011	236			266	18	**520**
M Hermanus	**2012**	**272**	**91**		**62**	**61**	**486**
	2011	257			52	18	**327**
MJD Ruck	**2012**	**250**			**143**		**393**
	2011	236	24		118	18	**396**
PK Ward	**2012**	**272**	**97**		**541**		**911**
	2011	257	88		406	40	**791**
RL Hogben	**2012**	**272**	**102**		**286**		**661**
	2011	236	178		239		**653**
PJ Erasmus	**2012**	**250**			**253**	**61**	**564**
	2011	60			15		**75**
TM Mokgosi-Mwantembe	**2012**	**272**			**129**		**401**
	2011	120					**120**
		1 920	**849**	**796**	**1 877**	**304**	**5 747**

Disclosure of executive directors' emoluments , for the year ended 30 June

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**
HJ Verster	**2012**	**3 036**	**188**		**498**	**454**	**4 176**
	2011	2 350	150		1 250		**3 750**
JJA Mashaba	**2012**	**3 019**	**187**		**374**	**373**	**3 953**
	2011	2 777	177		354	234	**3 542**
WR Jardine	**2012**	**4 207**	**263**		**789**	**842**	**6 101**
	2011	3 814	244		609	551	**5 218**
SD Pell (appointed June 2012)	**2012**	**234**	**32**				**266**
	2011						
DG Robinson**	**2012**	**8 567**	**1 285**		**2 742**	**784**	**13 377**
	2011	7 036	1 050	403	1 761	695	**10 945**
SJ Scott (resigned Sept 2010)	2011	613	61				**674**
	2012	**19 063**	**1 955**		**4 403**	**2 453**	**27 873**
	2011	15 977	1 621	403	3 974	1 480	23 455

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

29. DIRECTORS' REMUNERATION AND INTERESTS continued

Directors' interests in shares

Interest of directors of the company in share capital

	Ordinary shares 2012	Ordinary shares 2011
Executive directors		
Non-executive directors		
RL Hogben	**16 770**	16 770
PK Ward	**2 000**	2 000
Total	**18 770**	18 770
% of issued securities	**0**	0

Securities are beneficially held.

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

The company has not been advised of any changes in the above interests during the period 1 July 2012 to the date of this report. No executive share options were exercised in the current year.

Executive directors' interest in share options

Executive share options exercised

No executive share options were 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 2011	Number granted during the year	Number redeemed or taken up during the year	**Number entitled to at 30 June 2012**
WR Jardine	Oct 2010	Oct 2018	42,80	69 897			**69 897**
	Oct 2011	Oct 2018	42,80	69 897			**69 897**
	Oct 2012	Oct 2018	42,80	69 897			**69 897**
	Oct 2013	Oct 2018	42,80	69 899			**69 899**
	Sep 2011	Sep 2019	40,30	40 794			**40 794**
	Sep 2012	Sep 2019	40,30	40 794			**40 794**
	Sep 2013	Sep 2019	40,30	40 794			**40 794**
	Sep 2014	Sep 2019	40,30	40 794			**40 794**
	Sep 2012	Sep 2020	37,70	54 021			**54 021**
	Sep 2013	Sep 2020	37,70	54 021			**54 021**
	Sep 2014	Sep 2020	37,70	54 021			**54 021**
	Sep 2015	Sep 2020	37,70	54 021			**54 021**
				658 850			**658 850**

29. DIRECTORS' REMUNERATION AND INTERESTS continued

	Date from which exercisable	Date on which expires	Strike price	Number entitled to at 1 July 2011	Number granted during the year	Number redeemed or taken up during the year	**Number entitled to at 30 June 2012**
HJ Verster	Sep 2012	Sep 2020	37,70	66 246			**66 246**
	Sep 2013	Sep 2020	37,70	66 246			**66 246**
	Sep 2014	Sep 2020	37,70	66 246			**66 246**
	Sep 2015	Sep 2020	37,70	66 249			**66 249**
				264 987			**264 987**
JJA Mashaba	Sep 2009	Oct 2017	54,84	38 750			**38 750**
	Sep 2010	Oct 2017	54,84	38 750			**38 750**
	Sep 2011	Oct 2017	54,84	38 750			**38 750**
	Sep 2012	Oct 2017	54,84	38 750			**38 750**
	Oct 2010	Oct 2018	42,80	39 816			**39 816**
	Oct 2011	Oct 2018	42,80	39 816			**39 816**
	Oct 2012	Oct 2018	42,80	39 816			**39 816**
	Oct 2013	Oct 2018	42,80	39 816			**39 816**
	Sep 2011	Sep 2019	40,30	17 314			**17 314**
	Sep 2012	Sep 2019	40,30	17 314			**17 314**
	Sep 2013	Sep 2019	40,30	17 314			**17 314**
	Sep 2014	Sep 2019	40,30	17 316			**17 316**
	Sep 2012	Sep 2020	37,70	18 486			**18 486**
	Sep 2013	Sep 2020	37,70	18 486			**18 486**
	Sep 2014	Sep 2020	37,70	18 486			**18 486**
	Sep 2015	Sep 2020	37,70	18 486			**18 486**
				457 466			**457 466**
DG Robinson	Nov 2009	Nov 2017	61,80	18 341			**18 341**
	Nov 2010	Nov 2017	61,80	18 341			**18 341**
	Nov 2011	Nov 2017	61,80	18 341			**18 341**
	Nov 2012	Nov 2017	61,80	18 344			**18 344**
	Oct 2010	Oct 2018	42,80	21 593			**21 593**
	Oct 2011	Oct 2018	42,80	21 593			**21 593**
	Oct 2012	Oct 2018	42,80	21 593			**21 593**
	Oct 2013	Oct 2018	42,80	21 593			**21 593**
	Sep 2011	Sep 2019	40,30	11 029			**11 029**
	Sep 2012	Sep 2019	40,30	11 029			**11 029**
	Sep 2013	Sep 2019	40,30	11 029			**11 029**
	Sep 2014	Sep 2019	40,30	11 030			**11 030**
	Sep 2012	Sep 2020	37,70	16 649			**16 649**
	Sep 2013	Sep 2020	37,70	16 649			**16 649**
	Sep 2014	Sep 2020	37,70	16 649			**16 649**
	Sep 2015	Sep 2020	37,70	16 650			**16 650**
				270 453			**270 453**

29. DIRECTORS' REMUNERATION AND INTERESTS continued

Share appreciation rights scheme

In terms of the Aveng Limited Share appreciation rights 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 10% of the issued share capital. No one participant may acquire shares in excess of 2,5% of the issued share capital of the company.

	Weighted average exercise price 2012	**Number of options 2012**	Weighted average exercise price 2011	Number of options 2011
The movements during the year under review were as follows:				
Balance at the beginning of the year				
Options granted	**32,79**	**6 360 875**		
Options exercised				
Options forfeited/cancelled	**(32,79)**	**(237 000)**		
Balance at the end of the year	**32,79**	**6 123 875**		

The appreciation rights, subject to performance criteria having been fulfilled become unconditional between the following dates:

	Subscription price	**Number of SARs 2012**	Number of SARs 2011
13 December 2014 and 13 December 2016	33,75	**5 653 277**	
22 March 2015 and 22 March 2017	37,95	**416 500**	
22 May 2015 and 22 May 2017	36,97	**54 098**	
		6 123 875	

The right to take delivery or to exercise the option vests in tranches three years from the date of allocation at the rate of 33,3% each year for three years. Participants may defer exercising the right subject to the rules of the scheme and vesting criteria, but must exercise within seven years of the allocation date. Should the holder resign from the group company prior to the vesting dates, all unvested rights will be forfeited.

Share appreciation rights	Date from which exercisable	Date on which expires	Strike price (R)	Number entitled to at 1 July 2011	Number granted during the year	Number redeemed or taken up during the year	**Number entitled to at 30 June 2012**
WR Jardine	Dec 2014	Nov 2018	33,75		62 999		**62 999**
	Dec 2015	Nov 2018	33,75		62 999		**62 999**
	Dec 2016	Nov 2018	33,75		62 999		**62 999**
	May 2015	Apr 2019	36,97		18 032		**18 032**
	May 2016	Apr 2019	36,97		18 032		**18 032**
	May 2017	Apr 2019	36,97		18 032		**18 032**
					243 093		**243 093**
HJ Verster	Dec 2014	Nov 2018	33,75		36 999		**36 999**
	Dec 2015	Nov 2018	33,75		36 999		**36 999**
	Dec 2016	Nov 2018	33,75		37 002		**37 002**
					111 000		**111 000**

29. DIRECTORS' REMUNERATION AND INTERESTS continued

Share appreciation rights	Date from which exercisable	Date on which expires	Strike price (R)	Number entitled to at 1 July 2011	Number granted during the year	Number redeemed or taken up during the year	**Number entitled to at 30 June 2012**
JJA Mashaba	Dec 2014	Nov 2018	33,75		29 999		**29 999**
	Dec 2015	Nov 2018	33,75		29 999		**29 999**
	Dec 2016	Nov 2018	33,75		30 002		**30 002**
					90 000		**90 000**
DG Robinson	Dec 2014	Nov 2018	33,75		40 381		**40 381**
	Dec 2015	Nov 2018	33,75		40 381		**40 381**
	Dec 2016	Nov 2018	33,75		40 381		**40 381**
					121 143		**121 143**

Forfeitable share plan

In terms of the Aveng Limited forfeitable share plan, 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 an overall limit of 1% of the issued share capital. The maximum number of shares allocated to each participant shall not exceed 20% of the scheme's overall limit.

Forfeitable share plan	Date from which exercisable	Number entitled to at 1 July 2011	Number granted during the year	Number redeemed or taken up during the year	**Number entitled to at 30 June 2012**
WR Jardine	Dec 2014		220 460		220 460
	May 2015		81 147		81 147
			301 607		301 607
HJ Verster	Dec 2014		111 111		111 111
JJA Mashaba	Dec 2014		89 661		89 661
DG Robinson	Dec 2014		149 689		149 689

29. DIRECTORS' REMUNERATION AND INTERESTS continued

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**
BW Wilmot	2 521 380	1 619 695	691 873		39 170[1]	**4 872 118**
LS Letsoalo	2 827 499	576 861	398 200	37 000	426 311[2]	**4 265 871**
HA Aucamp	2 369 000	650 321	50 792			**3 070 113**
GI McCaig	3 298 542				1 795 833[3]	**5 094 375**

[1] *Payment of empowerment award and variable vehicle expenses*
[2] *Payment of first tranche of appointment award and empowerment units*
[3] *Payment of appointment award and relocation assistance allowance benefits*

30. 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 could require adjustment or additional disclosure.

Company statement of financial position

at 30 June 2012

	Note	2012 Rm	2011 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	1		3,8
Investment in subsidiary companies	2	**2 342,2**	2 342,2
Deferred tax	9		7,1
		2 342,2	2 353,1
Current assets			
Other receivables		**1,6**	9,2
Amounts owing by subsidiaries	3	**4 692,6**	2 949,8
Cash and cash equivalents	10.3	**291,3**	1 799,7
		4 985,5	4 758,7
TOTAL ASSETS		**7 327,7**	7 111,8
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	4	**19,5**	19,6
Share premium	5	**1 747,4**	1 869,0
Non-distributable reserves		**(53,9)**	(53,9)
Distributable reserves		**4 402,6**	4 125,1
Total equity		**6 115,6**	5 959,8
Current liabilities			
Trade and other payables	6	**34,1**	37,2
Amounts owing to subsidiaries	3	**1 178,0**	1 108,3
Taxation			6,5
		1 212,1	1 152,0
TOTAL EQUITY AND LIABILITIES		**7 327,7**	7 111,8

Company statement of comprehensive income

for the year ended 30 June 2012

	Note	2012 Rm	2011 Rm
Revenue	7	**1 008,0**	810,1
Operating expenses		**21,8**	91,5
Operating profit	8	**986,2**	718,6
Profit before taxation		**986,2**	718,6
Taxation	9	**138,9**	122,6
Profit and total comprehensive income for the year		**847,4**	596,0
Profit and total comprehensive income attributable to:			
Equity holders of Aveng Limited		**847,4**	596,0
Non-controlling interests			
Profit and total comprehensive income for the year		**847,4**	596,0

Company statement of changes in equity

for the year ended 30 June 2012

	Share capital Rm	Share premium Rm	Non-distributable reserves Rm	Distributable reserves Rm	Total Rm
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 issue	(0,2)	(117,0)			(117,2)
Share repurchase programme					
Dividends paid				(573,8)	(573,8)
Balance at 30 June 2011	19,6	1 869,0	(53,9)	4 125,1	5 959,8
Profit and total comprehensive income for the year 2012				847,4	847,4
Share issue	0,5	326,5			
Share repurchase programme	(0,6)	(448,1)			(448,7)
Dividends paid				(569,9)	(569,9)
Balance at 30 June 2012	**19,5**	**1 747,4**	**(53,9)**	**4 402,6**	**6 115,6**

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

Company statement of cash flows

for the year ended 30 June 2012

	Note	2012 Rm	2011 Rm
Cash retained from operating activities		**(1 390,5)**	(1 665,5)
Cash generated by operations	10.1	**427,4**	198,6
Income from investments		**760,1**	614,3
Increase in working capital	10.2	**(1 869,9)**	(1 778,8)
Cash generated by operating activities		**(682,3)**	(965,9)
Taxation paid	10.4	**(138,3)**	(125,8)
Cash available from operating activities		**(820,6)**	(1 091,7)
Dividends paid		**(569,9)**	(573,8)
Investing activities			
Investment in property, plant and equipment	1	**3,8**	(2,8)
		3,8	(2,8)
Financing activities			
Share repurchase programme		**(121,7)**	(117,2)
		(121,7)	(117,2)
Net decrease in cash and cash equivalents		**(1 508,4)**	(1 785,5)
Cash and cash equivalents at beginning of year		**1 799,7**	3 585,2
Cash and cash equivalents at end of year	10.3	**291,3**	1 799,7

		2012 Rm	2011 Rm
1.	**PROPERTY, PLANT AND EQUIPMENT**		
	Owned plant, equipment and vehicles		
	Beginning of the year		
	Cost	**8,0**	5,2
	Accumulated depreciation	**(4,2)**	(3,1)
	Net book value	**3,8**	2,1
	Current year movements		
	Additions		2,8
	Disposals	**(3,8)**	
	Depreciation		(1,1)
	Net book value at end of year		3,8
	Made up as follows:		
	Cost		8,0
	Accumulated depreciation		(4,2)
	Net book value at end of year		3,8
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	**2 949,8**	1 247,1
	Current year movements	**1 379,9**	1 702,7
	Balance at end of year	**4 692,6**	2 949,8
	Comprising:		
	– Interest-bearing	**3 839,0**	2 488,0
	– Non-interest-bearing	**853,6**	461,8
		4 692,6	2 949,8
	AMOUNTS OWING TO SUBSIDIARIES		
	Balance at beginning of year	**1 108,3**	1 108,3
	Current year movements	**69,7**	
	Balance at end of year	**1 178,0**	1 108,3
	Comprising:		
	– Non-interest-bearing	**1 178,0**	1 108,3
		1 178,0	1 108,3
	Total net indebtedness	**(3 514,6)**	(1 841,5)
	Interest is charged at normal rates. These loans have no fixed terms of repayment. No amounts were written off during the year.		

		2012 Rm	2011 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 393 001 235 (2011: 396 006 572) ordinary shares of 5 cents each	**19,6**	19,8
	Issued 8 586 862 (2011: nil)	**0,5**	
	Repurchase of 11 750 000 (2011: 3 005 337) shares of 5 cents each	**(0,6)**	(0,2)
	Closing 389 838 097 (2011: 396 006 572) shares of 5 cents each	**19,5**	19,6
5.	**SHARE PREMIUM**		
	Balance at beginning of year	**1 869,0**	1 986,0
	Issued 8 586 862 (2011: nil)	**326,5**	
	Repurchase of 11 750 000 (2011: 3 005 337) shares	**(448,1)**	(117,0)
	Balance at end of year	**1 747,4**	1 869,0
6.	**TRADE PAYABLES AND PROVISIONS**		
	Other payables	**34,1**	31,6
	IFRS 2 share-based payment provision		5,6
		34,1	37,2
7.	**REVENUE**		
	Turnover		85,6
	Dividends – unlisted	**526,1**	395,5
	Dividends – preference	**201,3**	93,2
	Interest – investments	**32,7**	125,6
	Interest – subsidiary companies	**247,9**	110,2
	Income from investments	**1 008,0**	724,5
	Total revenue	**1 008,0**	810,1
8.	**OPERATING INCOME DISCLOSURES**		
	In arriving at operating income the following items have been taken into account:		
	Auditors remuneration – fees for audit	**1,9**	1,8
	Depreciation		1,1
	Operating lease expenses		5,5
	Professional fees – managerial, legal, financial and technical	**0,4**	12,4
	Contributions to retirement contribution funds		1,7

	2012 Rm	2011 Rm
9. TAXATION		
South African – taxation normal	**74,8**	64,7
South African – taxation deferred	**7,1**	0,5
Secondary Tax on Companies	**57,0**	57,4
	138,9	122,6
Reconciliation of rate of taxation (%)		
Standard rate	**28,0**	28,0
Exempt income	**(21,2)**	(19,0)
Disallowable expenditure	**1,5**	0,1
Secondary Tax on Companies	**5,8**	8,0
Effective rate of taxation for the year	**14,1**	17,1
Deferred taxation		
At the beginning of the year	**7,1**	7,6
Transfer from statement of comprehensive income – current year	**(7,1)**	(0,5)
At the end of the year		7,1
Comprising:		
Provisions and accruals		7,1
		7,1
10. NOTES TO THE CASH FLOW STATEMENT		
10.1 Cash generated from operations		
Income before taxation	**986,2**	718,6
Adjusted for:		
– depreciation		1,1
– income from investments	**(760,1)**	(614,3)
– non-cash preference dividend receivable	**201,3**	93,2
	427,4	198,6
10.2 Decrease in trade and other receivables		
Decrease in trade and other receivables	**7,6**	18,3
Decrease in trade and other payables	**(3,1)**	(1,2)
Movements in amounts owing to/from subsidiaries	**(1 874,4)**	(1 795,9)
	(1 869,9)	(1 778,8)
10.3 Cash and cash equivalents		
Deposits and cash at bank	**291,3**	1 799,7
	291,3	1 799,7
10.4 Taxation paid		
Opening balance	**6,5**	10,2
Current year's charge	**131,8**	122,1
Closing balance	**0,0**	(6,5)
Paid during the year	**138,3**	125,8

11. RELATED PARTIES

During the year the company and its subsidiaries, in the ordinary course of business, entered into various transactions. 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.

	Net indebtedness due by/(to) companies		Intergroup revenue		Management fees paid		Interest fees paid		Dividends paid	
	2012 Rm	2011 Rm	**2012 Rm**	2011 Rm	**2012 Rm**	2011 Rm	**2012 Rm**	2011 Rm	**2012 Rm**	2011 Rm
Aveng Limited	**(3 514,3)**	(1 841,7)					**(215,4)**	(11,9)	**(780,3)**	(652,4)
Aveng Australia Holdings (Pty) Limited		51,4							**587,7**	526,1
Aveng Management Company (Pty) Limited	**224,9**	(101,9)								
Grinaker-LTA Properties (Pty) Limited*			**(49,9)**				**46,3**			
Grinaker-LTA Intellectual Property (Pty) Limited					**0,1**					
Aveng (Africa) Limited	**3 401,7**	2 303,4	**60,3**	127,0	**(20,9)**	(19,5)	**169,0**	11,9		
Qakazana Investment Holdings (Pty) Limited	**490,8**	364,5							**126,3**	126,3
Richtrau 191 (Pty) Limited	**6,1**	6,1								
Steelmetals (Pty) Limited	**(46,7)**	(43,1)							**75,0**	
Trident Steel Holdings (Pty) Limited	**(514,0)**	(690,0)	**(10,4)**	(127,0)	**20,8**	19,5				
Aveng Limited Share Purchase Trust	**(48,5)**	(48,7)							**(8,7)**	

**Relating to intergroup operating lease charges*

Registration number	Name	Country	Group effective % holding at Aveng level
1931/003300/06	Aveng (Africa) Limited	South Africa	75,0
146 800 311	Aveng Australia (GCRT) (Pty) Limited	South Africa	100,0
108 058 331	Aveng Australia Holdings (Pty) Limited	South Africa	100,0
2001/016818/07	Aveng Moolmans (Pty) Limited	South Africa	75,0
154067786	Aveng Rail Australia (Pty) Limited	Australia	100,0
1989/006995/07	Aveng Water (Pty) Limited	South Africa	75,0
152 498 809	Aveng Water Australia (Pty) Limited	Australia	100,0
008 125 111	Built Environs (Pty) Limited	Australia	87,5
105 555 762	Built Environs WA (Pty) Limited (formerly Perth Building Company (Pty) Limited	Australia	87,5
44646	Dutco McConnell Dowell Middle East LLC	UAE	49,0
	Dutco McConnell Dowell Qatar LLC	Qatar	100,0
2007/007722/07	Dynamic Fluid Control (Pty) Limited	South Africa	75,0
2000/018373/07	Dynamic Fluid Control 262 (Pty) Limited	South Africa	75,0
2007/007671/07	Dynamic Fluid Control KZN (Pty) Limited	South Africa	75,0
2007/007664/07	Dynamic Fluid Control Mining (Pty) Limited	South Africa	75,0
2007/007574/07	Dynamic Fluid Control Water (Pty) Limited	South Africa	75,0
	E+PC Engineering & Projects Company (Zambia) Limited	Zambia	75,0
1964/009785/06	E+PC Engineering & Projects Company Limited	South Africa	75,0
2001/018197/07	Empowa Grinaker-LTA (Pty) Limited	South Africa	75,0
2002/020961/07	Ensimbini Reinforcing (Pty) Limited	South Africa	15,0
2004/003554/07	Fraser & Chalmers Siyakha (Pty) Limited	South Africa	67,5
1325	Grinaker-LTA (Botswana) (Pty) Limited	Botswana	75,0
51843	Grinaker-LTA (Ghana) Limited	Ghana	75,0
1178	Grinaker-LTA (Namibia) (Pty) Limited	Namibia	75,0
42564	Grinaker-LTA Construction (Zambia) Limited	Zambia	75,0
1935/0073433/06	Grinaker-LTA Construction and Development Limited	South Africa	75,0
1963/006056/06	Grinaker-LTA Engineering and Mining Services Limited	South Africa	75,0
2000/025312/07	Grinaker-LTA Intellectual Property (Pty) Limited	South Africa	75,0
19805/3729	Grinaker-LTA International Construction Limited	Mauritius	75,0
20326/4162	Grinaker-LTA International Holdings Limited	Mauritius	75,0
400060142	Grinaker-LTA Mozambique Limitada	Mozambique	75,0
2001/000387/07	Grinaker-LTA Properties (Pty) Limited	South Africa	100,0
631/1994	Infraset Swazi (Pty) Limited (Fyfe Swazi (Pty) Limited)	Swaziland	75,0
9666	Infraset Zambia Limited (Zambia Concrete Limited)	Zambia	67,5
80/149	Karibib Mining and Construction Company (Namibia) Limited	Namibia	75,0
2007/0435	Keyplan Water Treatment (Pty) Limited (Namibia) – Aveng Water Treatment	Namibia	75,0
1979/003513/07	KZN Reinforcing and Fixing Services (Pty) Limited	South Africa	25,0
2003/016205/07	Lennings Rail Services (Pty) Limited	South Africa	75,0
2002/003353/07	Lesedi Tracks (Pty) Limited	South Africa	18,8
77/129	Lesotho Reinforcing (Pty) Limited	Lesotho	75,0
18316	LTA Mali S.A.	Mali	75,0

Group operating entities continued

Registration number	Name	Country	Group effective % holding at Aveng level
1987/00179/07	MacIntosh Property Holding Company (Pty) Limited	South Africa	75,0
95543	Marples Construction Limited	UK	75,0
2796796	Marples Limited	UK	75,0
C-02492	McConnell Dowell (American Samoa) Limited	American Semoa	100,0
993	McConnell Dowell (Fiji) Limited	Fiji	100,0
	McConnell Dowell (Malaysia) Sdn Bhd	Malaysia	100,0
	McConnell Dowell Abu Dhabi LLC	UAE	100,0
AK/78238	McConnell Dowell Constructors Limited	New Zealand	100,0
ACN002 929 017	McConnell Dowell Constructors (Aust.) (Pty) Limited	Australia	100,0
	McConnell Dowell Constructors (PNG) Limited	PNG	100,0
0105548141251	McConnell Dowell Constructors Thai Limited	Thailand	100,0
ACN008 444 880	McConnell Dowell Corporation Limited	Australia	100,0
	McConnell Dowell Gulf Limited	Hong Kong	100,0
003 207 270	McConnell Dowell Holdings (Pty) Limited	Australia	100,0
	McConnell Dowell International Limited	Hong Kong	100,0
2002B665471	McConnell Dowell NC S.A.R.L.	New Caledonia	100,0
A199608206	McConnell Dowell Philippines Inc.	Philippines	100,0
005761071	McConnell Dowell (Pty) Limited	Australia	100,0
2051015286	McConnell Dowell Saudi Arabia Limited	Saudi Arabia	100,0
308/1971	McConnell Dowell South-East Asia Pte Limited	Singapore	100,0
2002/029255/07	Misa Scaffolding (Pty) Limited	South Africa	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
80433	Moolman Mining Tanzania Limited	Tanzania	75,0
1968/010975/07	Namascor (Pty) Limited	South Africa	75,0
106 / BH.04-06 / X / 1998	PT Wanamas Puspita	Indonesia	100,0
9031812979	PT. McConnell Dowell Indonesia	Indonesia	94,0
PEM 00162 / WPJ.02 / KP.0903 / 2006	PT. McConnell Dowell Services	Indonesia	100,0
2004/022639/07	Qakazana Investment Holding (Pty) Limited	South Africa	75,0
9745	Rehm Grinaker Construction Company Limited	Mauritius	32,3
81/00025/07	Reinforcing and Allied Industries (Namibia) (Pty) Limited	Namibia	75,0
1966/005453/07	Reinforcing Fixing Services (Pty) Limited	South Africa	75,0
1978/003880/07	RPP Developments (Pty) Limited	South Africa	7,5
2007/033907/07	RPP JV Properties (Pty) Limited	South Africa	30,0
1988/013937/07	Steeledale Fixing Systems (Pty) Limited	South Africa	75,0
81/00025/07	Steeledale Reinforcing and Trading Namibia (Pty) Limited	Namibia	75,0
1986/00415/07	Toll Highway Development Company (Pty) Limited	South Africa	75,0
1972/006101/07	Trident Steel (Pty) Limited	South Africa	75,0
2009/021554/07	Vexicom (Pty) Limited	South Africa	75,0

Shareholders' diary

Financial year-end	30 June
Annual general meeting	8 November 2012
Publication of results –	
» Half-year ended 31 December 2012	15 March 2013
» Year ended 30 June 2013	10 September 2013

Dividend

Dividend number	14
SA cents per share	60
Date declared	Monday, 3 September 2012
Last date to trade cum dividend	Friday, 5 October 2012
Trading ex dividend commences	Monday, 8 October 2012
Record date to receive dividends	Friday, 12 October 2012
Payment date	Monday, 15 October 2012

Shares may not be dematerialised/rematerialised between Monday, 8 October 2012 and Friday, 12 October 2012, both days included.

Shareholders' analysis

REGISTERED SHAREHOLDER SPREAD	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	2 639	51,04	1 105 300	0,28
1 001 – 10 000 shares	1 678	32,46	5 491 696	1,41
10 001 – 100 000 shares	549	10,62	19 273 761	4,94
100 001 – 1 000 000 shares	237	4,58	73 898 891	18,96
1 000 001 shares and above	67	1,30	290 068 449	74,41
Total	5 170	100,00	389 838 097	100,00

DISTRIBUTION OF SHAREHOLDERS	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Unit trusts/mutual funds	227	4,39	133 472 004	34,24
Pension funds	217	4,19	122 724 525	31,48
Other managed funds	100	1,93	31 917 627	8,19
Insurance companies	31	0,60	50 814 686	13,03
Sovereign wealth	17	0,33	21 161 425	5,43
Employees	2	0,04	8 929 482	2,29
Private investors	48	0,93	8 075 829	2,07
Custodians	21	0,41	4 504 617	1,16
Exchange-traded fund	3	0,06	2 194 898	0,56
University	9	0,17	779 112	0,20
Foreign government	1	0,02	455 300	0,12
Charity	4	0,08	417 746	0,11
Investment trust	2	0,04	290 532	0,07
Local authority	2	0,04	145 413	0,04
American Depositary Receipts	1	0,02	82 538	0,02
Stockbrokers	1	0,02	36 715	0,01
Remainder	4 484	86,73	3 835 648	0,98
Total	5 170	100,00	389 838 097	100,00

PUBLIC AND NON-PUBLIC SHAREHOLDINGS	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	5	0,10	14 623 749	3,75
» Directors	2	0,04	10 000	0,00
» Hogben Family Trust	1	0,02	8 770	0,00
» Aveng Limited Share Purchase Trust	1	0,02	6 018 386	1,54
» Aveng Management Company	1	0,02	8 586 593	2,20
Public shareholders	5 166	99,92	375 214 348	96,25
Total	5 166	100,00	389 838 097	100,00

BENEFICIAL SHAREHOLDERS HOLDING MORE THAN 3%	Number of shares	% of issued capital
PIC	70 592 311	18,11
Skagen Kon-Tiki Verdipapirfond	21 017 094	5,39
Old Mutual Life Assurance Co Ltd	16 962 353	4,35
Liberty Life Association of Africa	12 773 139	3,28
Saudi Arabian Monetary Agency	12 370 220	3,17
Total	133 715 117	34,30

FOREIGN CUSTODIANS IN EXCESS OF 3%	Number of shares	% of issued capital
Total	112 698 023	28,91

GEOGRAPHIC HOLDINGS BY OWNER	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
South Africa	401	7,76	239 389 562	61,41
United States of America and Canada	128	2,48	67 542 230	17,33
United Kingdom	31	0,60	6 507 796	1,67
Rest of Europe	68	1,32	41 827 528	10,73
Rest of the World	4 542	87,85	34 570 981	8,87
Total	5 170	100,00	389 838 097	100,00

AVENG LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1944/018119/06)
ISIN: ZAE000111829
SHARE CODE: AEG
("Aveng" or "the company")

Notice is hereby given to shareholders recorded in the company's securities register on Friday, 21 September 2012 that the sixty-eighth annual general meeting of the shareholders of Aveng Limited will be held in the boardroom of the company, 204 Rivonia Road, Morningside on Thursday, 8 November 2012 at 10:00 (the AGM) to deal with the business as set out below and to consider and, if deemed appropriate, pass the ordinary and special resolutions set out hereunder in the manner required by the Companies Act 71 of 2008 (Act), as read with the Listings Requirements of the JSE Limited (JSE Listings Requirements), which meeting is to be participated in and voted at by shareholders as at the record date of Friday, 2 November 2012.

Kindly note that in terms of section 63(1) of the Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports.

In terms of the provisions of the Act and the company's Memorandum of Incorporation ordinary resolutions require the approval of more than 50% of the votes cast by shareholders present or represented by proxy at the annual general meeting while special resolutions require approval by at least 75% of such votes.

Shareholders are also referred to the explanatory notes on the resolutions as listed below following the notice of the annual general meeting.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The consolidated audited annual financial statements of the company and its subsidiaries, incorporating the reports of the auditors, the audit committee and the directors for the year ended 30 June 2012 have been distributed as required and will be presented to shareholders as required in terms of section 30(3)(d) of the Act.

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

In accordance with Companies Regulation 43(5)(c), issued in terms of the Act, the chairman of the social, ethics and transformation committee or in his absence, any member of the committee, will present a report to shareholders at the annual general meeting.

RESOLUTIONS FOR CONSIDERATION AND APPROVAL

Ordinary resolutions 1.1 to 1.3: Election of directors

To elect by way of separate resolutions, directors who were appointed subsequent to the previous annual general meeting. The directors, all of whom being eligible, are:

» Mr Stephen Pell
» Mr Mike Kilbride
» Mr Mahomed Seedat

Ordinary resolutions 2.1 to 2.4: Re-election of directors

To re-elect by way of separate resolutions, directors who are retiring by rotation in terms of the provisions of the company's Memorandum of Incorporation. The directors retiring by rotation, are:

» Mr Myles Ruck
» Mr Peter Ward
» Ms May Hermanus
» Mr Juba Mashaba

Ordinary resolutions 3.1 to 3.3: Appointment of audit committee

To elect, by way of separate resolutions, the following independent non-executive directors as members of the audit committee from the end of this annual general meeting until the conclusion of the next annual general meeting in terms of section 94(2) of the Act:

» Mr Peter Ward*
» Mr Myles Ruck*
» Mr Rick Hogben

**Subject to their re-election as directors*

Ordinary resolution 4: Re-appointment of auditors

To reappoint, on recommendation of the current audit committee, Ernst & Young Inc, as independent auditors of the company, the auditor meeting the requirements of section 90(2) of the Act, until conclusion of the next annual general meeting.

Ordinary resolution 5: Remuneration report

To endorse through a non-binding, advisory vote, the remuneration report of the company as set out on pages 106 to 111 of the integrated report of which this notice forms part.

Special resolution 1: General authority to repurchase shares

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"RESOLVED by way of a special resolution that the mandate given to the company in terms of its Memorandum of Incorporation (or one of its wholly owned subsidiaries) providing authorisation, by way of a general approval, to acquire the company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, subject to the Listings Requirements of the JSE Limited (the JSE), be extended, subject to the following:

- This general authority be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this resolution (whichever period is shorter)
- The repurchase being effected through the order book operated by the JSE trading system, without any prior understanding or arrangement between the company and the counterparty
- Repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the ordinary shares for the 5 (five) business days immediately preceding the date on which the transaction was effected
- An announcement being published as soon as the company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the initial number of ordinary shares, and for each 3% (three percent) in aggregate of the initial number of ordinary shares repurchased thereafter, containing full details of such repurchases
- The number of shares which may be acquired pursuant to this authority in any one financial year may not in the aggregate exceed 20% (twenty percent) of the company's issued share capital as at the date of passing of this special resolution or 10% of the company's issued share capital in the case of an acquisition of shares in the company by a subsidiary of the company
- The company's sponsor confirming the adequacy of the company's working capital for purposes of undertaking the repurchase of ordinary shares in writing to the JSE prior to the company entering the market to proceed with the repurchase
- The company and/or its subsidiaries not repurchasing securities during a prohibited period as defined in the JSE Listings Requirements, unless it has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement published on SENS prior to the commencement of the prohibited period
- At any point in time the company only appointing one agent to effect any repurchases on its behalf
- The board of directors passing a resolution that they authorised the repurchase and that the company passed the solvency and liquidity test set out in section 4 of the Companies Act of 2008 and that since the test was done there have been no material changes to the financial position of the group."

The directors, having considered the effects of the maximum repurchase permitted, are of the opinion that for a period of 12 (twelve) months after the date of the notice of the annual general meeting and at the actual date of the repurchase:

- The company and the group will be able, in the ordinary course of business, to pay its debts
- The working capital of the company and the group will be adequate for ordinary business purposes
- The assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards, will exceed The liabilities of the company and the group
- The company's and the group's ordinary share capital and reserves will be adequate for ordinary business purposes.

Special resolution 2: Directors' remuneration

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"RESOLVED, as a special resolution:

» That the company be and is hereby authorised to pay remuneration to its directors for their services as directors, as contemplated in section 66(8) and 66(9) of the Companies Act of 2008

» That the remuneration structure and amounts as set out below, be and are hereby approved until such time as rescinded or amended by shareholders by way of a special resolution."

		2011/2012		
Entity	**Position**	**Current fees (R)**	**Recommended % increase**	**Recommended fees (R)**
Main board	Chairman	769 560	6	815 700
	Director	253 340	6	268 500
	Ad hoc meetings**	22 260	6	23 600
Subsidiary boards	Director	134 620	6	142 700
	McConnell Dowell travel allowance	61 480	6	65 200
Remuneration and nomination committee	Chairman	170 660	6	180 900
	Member	67 840	6	71 900
Safety, health and environmental committee	Chairman	147 340	6	71 900
	Member	56 180	6	156 200
Tender risk committee	Member*	5 830	6	6 200
Social, ethics and transformation committee	Chairman	147 340	6	156 200
	Member	56 180	6	59 600
Risk committee	Chairman	170 660	6	180 900
	Member	67 840	6	71 900
Audit committee	Chairman	225 780	6	239 300
	Member	127 200	6	134 800
	Subsidiaries	68 900	6	73 000
Investment committee	Chairman*	9 010	6	9 600
	Member*	6 784	6	7 200
Ad hoc committee meetings	Member***			15 300

* *Per meeting attended.*

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

*** *No provision has been made in the past for payment of a fee to committee members in the event of* ad hoc *committee meetings. Directors who are not members of a board committee are also requested on an* ad hoc *basis to attend meetings of certain committees. The proposed fee structure as set out above now includes a fee payable under these circumstances. The meeting attendance fee to directors who are not members of the relevant committee will only be paid if attendance is based on a formal invitation from the committee chairman.*

Special resolution 3: Financial assistance to related and inter-related companies

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"RESOLVED, by way of a special resolution, that the authority of the directors of the company as previously approved by shareholders as required in terms of sections 44 and/or 45(2) of the Companies Act of 2008 and the company's Memorandum of Incorporation to provide financial assistance to all related and inter-related companies within the Aveng group of companies, at such times and on such terms and conditions as the directors in their sole discretion deem fit and subject to all relevant statutory and regulatory requirements being met, be and is hereby renewed, such authority to remain in place until rescinded by way of special resolution passed at a duly constituted annual general meeting of the company."

Special resolution 4: Approval of the new Memorandum of Incorporation
To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"RESOLVED, by way of a special resolution, that the existing Memorandum of Incorporation (formerly the company's memorandum and articles of association) be and is hereby abrogated in its entirety and replaced with a new Memorandum of Incorporation, a draft of which has been tabled at the annual general meeting at which this resolution was tabled for approval and initialled by the chairman of the said meeting for purposes of identification, with effect from the date of filing thereof at the Companies and Intellectual Property Commission."

Ordinary resolution 6: Signing authority
To authorise any one director or the secretary of the company to do all such things and sign all such documents as are deemed necessary to implement the resolutions set out in the notice convening the annual general meeting at which this ordinary resolution will be considered and approved at such meeting.

ADDITIONAL INFORMATION

The following additional information, some of which may appear elsewhere in the integrated annual report, is provided in terms of the JSE Listings Requirements for purposes of the general authority to repurchase the company's shares set out in special resolution 1 above:
- » Directors and management – pages 24 and 70
- » Major shareholders – page 184
- » Directors' interests in ordinary shares – page 168
- » Share capital of the company – page 146
- » Material change – there were no material changes in the annual financial statements
- » Directors' report – page 118

LITIGATION STATEMENT

The directors in office whose names appear on pages 24 and 25 of the integrated annual report, are not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have, or have had, in the recent past, being at least the previous 12 (twelve) months from the date of this integrated report, a material effect on the group's financial position.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors in office, whose names appear on pages 24 and 25 of the integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 1 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 special resolution contains all information required by the JSE Listings Requirements.

MATERIAL CHANGES

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the company's financial year-end and the date of signature of the integrated report.

DIRECTORS' INTENTION REGARDING THE GENERAL AUTHORITY TO REPURCHASE THE COMPANY'S SHARES

The directors have no specific intention, at present, for the company to repurchase any of its shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year which is in the best interests of the company and its shareholders.

ELECTRONIC PARTICIPATION

Should any shareholder of the company wish to participate in the annual general meeting by way of electronic participation, such shareholder shall make application in writing (including details as to how the shareholder or its representative can be contacted) to so participate, to the transfer secretaries at the applicable address set out below at least 5 (five) business days prior to the annual general meeting in order for the transfer secretaries to arrange for the shareholder (and its representative) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Act and for the transfer secretaries to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The company reserves the right not to provide for electronic participation at the annual general meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the company will be borne by the shareholder so accessing the electronic participation.

PROXIES AND VOTING

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration, and who are entitled to attend, participate in and vote at the annual general meeting, are entitled to appoint a proxy to attend, speak and vote in their stead. A proxy need not be a shareholder and shall be entitled to vote on a show of hands or poll. It is requested that proxy forms be forwarded so as to reach the transfer secretaries, Computershare Investor Services (Proprietary) Limited (70 Marshall Street, Corner Sauer Street, Johannesburg; PO Box 61051, Marshalltown, 2107), by no later than 48 (forty-eight) hours before the commencement of the annual general meeting. If shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration, and who are entitled to attend, participate in and vote at the annual general meeting do not deliver proxy forms to the transfer secretaries by the relevant time, such shareholders will nevertheless be entitled to lodge the form of proxy in respect of the annual general meeting immediately prior to the annual general meeting, in accordance with the instructions therein, with the chairman of the meeting.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own-name" registration, should contact their CSDP or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker:

» To furnish them with their voting instructions; or
» In the event that they wish to attend the annual general meeting, to obtain the necessary letter of representation to do so.

On a show of hands, every shareholder present in person or represented by proxy and entitled to vote shall have only one vote irrespective of the number of shares such shareholder holds. On a poll, every shareholder present in person or represented by proxy and entitled to vote, shall be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of the shares held by such shareholder bears to the aggregate amount of the nominal value of all shares issued by the company.

Shareholders and proxies of shareholders are advised that they will be required to present reasonably satisfactory identification in order to attend or participate in the annual general meeting as required in terms of section 63(1) of the Act of 2008. Forms of identification that will be accepted include original and valid identity documents, driver's licences and passports.

For the purpose of resolutions proposed in terms of the JSE Listings Requirements wherein any votes are to be excluded from that resolution, any proxy given by a holder of securities to the holder of such an excluded vote shall be excluded from voting for the purposes of that resolution.

By order of the board

Ms M Nana
Company secretary

Morningside

28 September 2012

Annual general meeting – explanatory notes

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

At the annual general meeting, the directors must present the annual financial statements for the year ended 30 June 2012 to shareholders, together with the reports of the directors, the audit committee and the auditors. These are contained within the integrated report.

PRESENTATION OF REPORT BY SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

In terms of Regulation 43(5)(c), one of the statutory functions of a social and ethics committee constituted in terms of the Act is to report, through one of its members, to shareholders at the company's annual general meeting on the matters within the committee's mandate. The chairman of the social, ethics and transformation committee, or in his absence one of the members of the committee, shall provide a report to shareholders at the annual general meeting on the statutory matters within the committee's mandate in compliance with this requirement.

RESOLUTIONS

Ordinary resolutions 1.1 to 1.3 – Election of directors

In accordance with the company's Memorandum of Incorporation, a director appointed as such following the conclusion of the previous annual general meeting shall stand down and, if eligible and willing to do so, offer himself for election by shareholders at the first annual general meeting of shareholders following his appointment. The following newly appointed directors, being eligible, have offered themselves for election by shareholders:

» Mr Stephen Pell
» Mr Mike Kilbride
» Mr Mahomed Seedat

Brief biographical details of each of the above directors are contained on pages 24 and 25 of the integrated report of which this notice forms part.

Ordinary resolutions 2.1 to 2.4 – Re-election of directors

In accordance with the company's Memorandum of Incorporation, one third of the directors are required to retire at each annual general meeting and may, if eligible, offer themselves for re-election.

The following directors, retiring by rotation and being eligible, have offered themselves for re-election:

» Mr Myles Ruck
» Mr Peter Ward
» Ms May Hermanus
» Mr Juba Mashaba

Brief biographical details of each of the above directors are contained on pages 24 and 25 of the integrated report of which this notice forms part.

Ordinary resolutions 3.1 to 3.3 – Appointment of audit committee

In terms of section 94(2) of the Act, a public company must at each annual general meeting elect an audit committee comprising at least three members who are directors and who meet the criteria of section 94(4) of the Act. Regulation 42 to the Act specifies that one third of the members of the audit committee must have appropriate academic qualifications or experience in the areas as listed in the regulation.

The board of directors of the company is satisfied that the proposed members of the audit committee meet all relevant requirements.

Ordinary resolution 4 – Reappointment of auditors

Ernst & Young, external auditor of the company, have indicated their willingness to continue in office and ordinary resolution 4, based on the recommendation of the audit committee, proposes the reappointment of that firm as the company's auditors until conclusion of the next annual general meeting.

Ordinary resolution 5 – Remuneration report

The King Report on Corporate Governance for South Africa, 2009 recommends that the remuneration philosophy of the company be submitted to shareholders for consideration and for an advisory, non-binding vote to provide shareholders with an opportunity to indicate should they not be in support of the material provisions of the remuneration philosophy and policy of the company.

Special resolution 1 – General authority to repurchase shares

Section 48 of the Act authorises the board of directors of a company to approve the acquisition of its own shares subject to the provisions of section 48 and section 46 having been met. The JSE Listings Requirements require the shareholders of the company to approve the authority to repurchase shares and the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the annual general meeting for special resolution 1 to become effective.

Special resolution 2 – Directors' remuneration

In terms of section 66(8) and section 66(9) of the Act, companies may pay remuneration to directors for their services as directors unless otherwise provided by the Memorandum of Incorporation and on approval of shareholders by way of a special resolution. Executive directors are not specifically remunerated for their services as directors but as employees of the company and as such, the resolution as included in the notice requests approval of the remuneration paid to non-executive directors for their services as directors of the company.

Special resolution 3 – Financial assistance to related and inter-related companies

Section 45(2) of the Act authorises the board to provide direct or indirect financial assistance to a related or inter-related company, subject to subsections (3) and (4) of section 45 of the Act and unless otherwise provided in the company's Memorandum of Incorporation. In terms of section 45(3) of the Act, a special resolution of shareholders is required in these instances. The main purpose of the special resolution as set out in the notice of the meeting is to approve the granting of inter-company loans, a recognised and well known practice, details of which are also set out in the notes to the annual financial statements.

Special resolution 4 – Approval of a new Memorandum of Incorporation

The notice of the annual general meeting as contained in this integrated report includes a special resolution for the approval of a new Memorandum of Incorporation for the company by shareholders.

A copy of the complete Memorandum of Incorporation is available for inspection at the company's registered office, 204 Rivonia Road, Morningside from the date of the notice of the annual general meeting (i.e. 28 September 2012) until 8 November 2012, the date of the annual general meeting.

The Act abolishes the distinction between the memorandum of association and the articles of association and provides that there will only be one constitutional document for a company, namely the Memorandum of Incorporation (MoI). The company proposes to adopt a new MoI, in substitution for its memorandum of association and the articles of association which in the course of law became its MoI, upon the advent of the Companies Act, 71 of 2008, but is required to be brought in harmony with the Act and changes to the JSE Listings Requirements.

The salient features of the Memorandum of Incorporation are set out in Annexure "A" to these explanatory notes.

Ordinary resolution 6 – Signing authority

Authority is required to do all such things and sign all documents and take all such action as necessary to implement the resolutions set out in the notice and approved at the annual general meeting. It is proposed that the company secretary and/or director be authorised accordingly.

GENERAL

Shareholders and proxies attending the annual general meeting on behalf of shareholders are reminded that section 63(1) of the Act requires that reasonably satisfactory identification be presented in order for such shareholder or proxy to be allowed to attend or participate in the meeting.

PROPOSED MEMORANDUM OF INCORPORATION: SALIENT FEATURES

Any reference to “the Act” means the Companies Act, 71 of 2008.

UNISSUED SECURITIES

Unissued equity securities shall be offered to existing shareholders, pro rata to their shareholdings, unless such securities are to be issued for an acquisition of assets. However, the shareholders in general meeting may authorise the directors to issue unissued securities, and/or grant options to subscribe for unissued securities, as the directors in their discretion deem fit, provided that such corporate action(s) has/have been approved by the JSE and are subject to the Listings Requirements.

TRANSFERABILITY OF SECURITIES AND TRANSFER OF SECURITIES

(a) Securities for which listing is sought must be fully paid up and freely transferable, unless otherwise required by statute.

(b) All authorities to sign transfer deeds granted by holders of securities for the purpose of transferring securities that may be lodged, produced or exhibited with or to the company at any of its transfer offices shall, as between the company and the grantor of such authorities, be taken and deemed to continue and remain in full force and effect, and the company may allow the same to be acted upon until such time as express notice in writing of the revocation of the same shall have been given and lodged at the company’s transfer offices at which the authority was lodged, produced or exhibited. Even after the giving and lodging of such notices, the company shall be entitled to give effect to any instruments signed under the authority to sign, and certified by any officer of the company, as being in order before the giving and lodging of such notice.

RATIFICATION OF ULTRA VIRES ACTS

The proposal of any resolution to shareholders in terms of sections 20(2) and 20(6) of the Act is prohibited in the event that such a resolution would lead to the ratification of an Act that is contrary to the Listings Requirements; unless otherwise agreed with the JSE.

RULES

The directors’ power to make, amend or repeal rules as contemplated in section 15(3) of the Act is prohibited.

PREFERENCES, RIGHTS, LIMITATIONS AND OTHER SHARE TERMS

(a) Securities in each class for which listing is applied rank *pari passu* in respect of all rights.

(b) In the event of voting by poll, every holder of an ordinary share has one vote in respect of each share that he holds.

(c) The holders of securities, other than ordinary shares and any special shares created for the purposes of black economic empowerment in terms of the BEE Act and BEE Codes, are not entitled to vote on any resolution taken by the company, save for as permitted by the JSE Listings Requirements. In instances that such shareholders are permitted to vote at general/annual general meetings, their votes do not carry any special rights or privileges and they are entitled to one vote for each share that they hold, provided that their total voting right at such a general/annual general meeting may not exceed 24,99% of the total voting rights of all shareholders at such meeting.

(d) Any amendment to the MoI must be approved by a special resolution of ordinary shareholders, save where such an amendment is ordered by a court in terms of sections 16(1)(a) and 16(4) of the Act.

(e) If any amendment relates to the variation of any preferences, rights, limitations and other terms attaching to any other class of shares already in issue, that amendment will not be implemented without a special resolution, taken by the holders of shares in that class at a separate meeting. In such instances, the holders of such shares will be allowed to vote at the meeting of ordinary shareholders subject to the JSE Listings Requirements. No resolution of shareholders of the company shall be proposed or passed, unless a special resolution, of the holders of the shares in that class, have approved the amendment.

(f) Preferences, rights, limitations or other terms of any class of shares of a listed company must not be varied and no resolution may be proposed to shareholders for rights to include such variation in response to any objectively ascertainable external fact or facts as provided for in sections 37(6) and 37(7) of the Act.

CAPITALISATION ISSUES

Any capitalisation issue by the company shall at least be subject to the fulfilment of the requirements set out in section 47 of the Act.

SCRIP DIVIDEND AND CASH DIVIDEND ELECTIONS

The grant of the right of election is not prohibited.

PAYMENTS TO SECURITIES HOLDERS

Payments to securities holders are provided for in accordance with the JSE Listings Requirements and capital shall not be repaid upon the basis that it may be called up again.

OTHER CORPORATE ACTIONS

The following corporate actions are provided for, in accordance with the JSE Listings Requirements:

(a) Issue of shares for cash and options and convertible securities granted/issued for cash;
(b) Repurchase of securities;
(c) Alteration of share capital, authorised shares and rights attaching to a class/es of shares.

DEBT INSTRUMENTS

The granting of special privileges to holders of debt instruments, such as attending and voting at general meetings and the appointment of directors, is prohibited.

RESOLUTIONS AND MEETINGS

(a) Notice periods are as provided for in section 62(1) of the Act. The passing of a special resolution is subject to the approval of at least 75% of the votes cast by all equity securities holders present in person, or represented by proxy, at the general meeting/annual general meeting convened to approve such resolution.
(b) All shareholder meetings convened in terms of the JSE Listings Requirements shall be held "in person" and not by means of a written resolution as is contemplated in section 60 of the Act.
(c) There is no prohibition or restriction on the company from calling any meeting for the purposes of adhering to the JSE Listings Requirements.
(d) Notices of general/annual general meetings are to be delivered to each shareholder entitled to vote at such meeting and who has elected to receive such documents.
(e) Provision is made for delivering notices of meetings to the JSE at the same time as notices are sent to shareholders and must also be announced through SENS.
(f) The quorum at a general meeting is at least three shareholders entitled to attend and vote thereat. In addition, the quorum requirements provided for in section 64(1) of the Act will be 25% in respect of the meeting. Once a quorum has been established, all the shareholders of the quorum must be present at the meeting to hear any matter that must be considered at the meeting.

LIEN UPON SECURITIES

The company has no power to claim a lien on securities.

COMMISSION

The company may not pay commission exceeding 10% to any person in consideration for their subscribing or agreeing to subscribe, whether absolutely or conditionally, for any securities of the company.

RECORD DATE

The record date for all transactions is as set out in the JSE Listings Requirements.

DIRECTORS

(a) The minimum number of directors is four.

(b) The board may appoint directors as an addition to the board or to fill a casual vacancy.

(c) The appointment of all directors is subject to shareholder approval at any general/annual general meeting. Provision is made for the appointment of alternate directors.

(d) Should the number of directors fall below the minimum provided in the MoI, the remaining directors must, as soon as possible, and, in any event, not later than three months from the date that the number of directors falls below the minimum, fill the vacancies or call a general meeting for the purpose of filling the vacancies. A failure by the company to have the minimum number of directors during the three-month period does not limit or negate the authority of the board of directors or invalidate anything done by the board of directors or the company. After the expiry of the three-month period, the remaining directors shall only be permitted to act for the purpose of filling vacancies or calling general meetings of shareholders.

(e) A director may be employed in any other capacity in the company or as a director or employee of a company controlled by, or itself a major subsidiary of, the company and, in such event, his appointment and remuneration in respect of such other office shall be determined by a disinterested quorum of directors.

(f) The directors may be paid all their travelling and other expenses, properly and necessarily incurred by them in and about the business of the company, and in attending meetings of the directors or of committees thereof; and, if any director is required to perform extra services, to reside abroad or be specifically occupied about the company’s business, he may be entitled to receive such remuneration as is determined by a disinterested quorum of directors, which may be either in addition to or in substitution for any other remuneration payable.

(g) At least one third of non-executive directors must retire at the company’s annual general meeting (or other general meeting held on an annual basis), provided the meeting is not conducted in terms of section 60 of the Act. These retiring members of the board of directors may be re-elected, provided they are eligible. The board of directors, through the nomination committee, should recommend eligibility, taking into account past performance and contribution made.

(h) The directors shall be entitled to elect a chairman, deputy chairman and/or any vice chairman and to determine the period for which they, respectively, shall hold office. Where the quorum of directors is two, the chairman shall not be permitted to have a casting vote if only two directors are present at a meeting of directors.

(i) A decision that could be voted on at a meeting of the board of directors of a company may, instead, be adopted by written consent of a majority of the directors, given in person or by electronic communication, provided that each director has received notice of the matter to be decided. Such resolution, inserted in the minute book, shall be as valid and effective as if it had been passed at a meeting of directors. Any such resolution may consist of several documents and shall be deemed to have been passed on the date on which it was signed by the last director who signed it (unless a statement to the contrary is made in that resolution).

(j) Life directorships and directorships for an indefinite period are not permissible.

DIVIDENDS

(a) The directors of the company will declare dividends, subject to compliance with the relevant provisions of the Act.

(b) Dividends are to be payable to shareholders registered as at a date subsequent to the date of declaration or date of confirmation of the dividend, whichever is the later.

(c) The company must hold all monies due to shareholders in trust indefinitely, but subject to the laws of prescription. Notwithstanding the aforegoing, unclaimed dividends may be forfeited for the benefit of the company after a period of three years if so resolved by the board.

ANNUAL FINANCIAL STATEMENTS

A copy of the annual financial statements must be distributed to shareholders at least 15 business days before the date of the annual general meeting at which they will be presented.

- 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.

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, 8 November 2012 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

(please print)

of (address)

being the registered holder(s) of ordinary shares in the capital of the company do hereby appoint:

1. or failing him/her,

2. 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 1.1: Election of directors – Mr Stephen Pell			
	Ordinary resolution 1.2: Election of directors – Mr Mike Kilbride			
	Ordinary resolution 1.3: Election of directors – Mr Mahomed Seedat			
2.	Ordinary resolution 2.1: Re-election of director – Mr Myles Ruck			
	Ordinary resolution 2.2: Re-election of director – Mr Peter Ward			
	Ordinary resolution 2.3: Re-election of director – Ms May Hermanus			
	Ordinary resolution 2.4: Re-election of director – Mr Juba Mashaba			
3.	Ordinary resolution 3.1: Election of audit committee member – Mr Peter Ward			
	Ordinary resolution 3.2: Election of audit committee member – Mr Myles Ruck			
	Ordinary resolution 3.3: Election of audit committee member – Mr Rick Hogben			
4.	Ordinary resolution 4: Reappointment of external auditors			
5.	Ordinary resolution 5: Remuneration report			
6.	Special resolution 1: General authority to repurchase shares			
7.	Special resolution 2: Directors' remuneration:			
8.	Special resolution 3: Financial assistance to related and inter-related companies			
9.	Special resolution 4: Approval of the new Memorandum of Incorporation			
10.	Ordinary resolution 6: Signing authority			

Signed at on 2012

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 10:00 on Tuesday, 6 November 2012. 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.

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