AVENG

"Targeting consistent long-term value"

- **Headline earnings per share up 10,5%**
- **Dividend up 11,1%**

AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2003

Consolidated balance sheet

	2003 Rm	2002 Rm
ASSETS		
Non-current assets		
Property, plant and equipment	**1 922,9**	1 770,0
Goodwill	**959,2**	1 075,7
Investments	**526,1**	507,9
Deferred tax	**29,8**	22,4
	3 438,0	3 376,0
Current assets		
Inventories and contracts in progress	**1 121,4**	1 249,5
Trade, other receivables and prepayments	**3 122,5**	3 020,6
Cash and cash equivalents	**673,8**	678,6
	4 917,7	4 948,7
TOTAL ASSETS	**8 355,7**	8 324,7
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary shareholders' funds	**2 823,2**	2 555,0
Minority interests	**173,9**	248,7
Total shareholders' funds	**2 997,1**	2 803,7
Non-current liabilities		
Interest-bearing borrowings	**732,1**	614,9
Deferred tax	**53,2**	89,3
	785,3	704,2
Current liabilities		
Trade and other payables	**3 242,7**	3 507,5
Short-term borrowings	**1 256,2**	1 253,3
Taxation	**74,4**	56,0
	4 573,3	4 816,8
TOTAL EQUITY AND LIABILITIES	**8 355,7**	8 324,7

Cash flow statement

	2003 Rm	2002 Rm
Cash retained from operating activities	**190,9**	216,8
Net fixed assets purchased	**(551,7)**	(624,4)
Acquisitions net of disposals		0,3
Investments – other	**238,5**	243,7
Net long-term borrowings	**152,9**	48,9
Proceeds from disposal of treasury shares		169,0
Net increase in cash and cash equivalents	**30,6**	54,3
Cash and cash equivalents at beginning of the year	**(430,9)**	(485,2)
Cash and cash equivalents at end of the year	**(400,3)**	(430,9)

Other group information

	2003 Rm	2002 Rm
Determination of headline and diluted headline earnings:		
Adjustment for amortisation of goodwill	**59,9**	53,8
Surplus on disposal of properties	**(0,7)**	(1,3)
(Surplus)/loss on disposal of investments	**(191,7)**	5,9
Taxation	**6,9**	
Headline earnings adjustment	**(125,6)**	58,4
Earnings	**587,3**	362,5
Headline earnings	**461,7**	420,9
Net debt to equity ratio (%)	**43,9**	42,4
Effective taxation rate excluding associated companies and joint ventures (%)	**24,5**	26,7
Capital expenditure		
Expansion	**403,8**	315,6
Replacement	**423,8**	387,5
	827,6	703,1
Goodwill and amortisation		
At beginning of year	**1 075,7**	1 050,5
Net acquisition, disposal of subsidiaries	**(4,8)**	
Foreign exchange movements	**(51,8)**	79,0
Goodwill written off	**(59,9)**	(53,8)
	959,2	1 075,7
Weighted average number of shares		
in issue (millions)	**396,1**	396,1
Weighted average	**389,3**	378,6
Diluted weighted average	**389,3**	392,3

Consolidated income statement

	2003 Rm	2002 Rm	% Change
Revenue	**13 244,2**	13 185,2	0,4
Operating income before depreciation	**1 047,1**	1 008,3	
Depreciation	**375,4**	364,2	
Operating income	**671,7**	644,1	4,3
Income from associates	**155,1**	113,8	
Income from investments	**53,9**	48,6	
Income before interest paid	**880,7**	806,5	9,2
Interest paid	**315,4**	242,6	
Income before goodwill and non-trading items	**565,3**	563,9	
Amortisation of goodwill	**(59,9)**	(53,8)	
Non-trading items	**192,4**	(4,6)	
Income before taxation	**697,8**	505,5	38,0
Taxation	**100,6**	119,7	
Income after taxation	**597,2**	385,8	54,8
Minority interests	**9,9**	23,3	
Earnings	**587,3**	362,5	62,0
Headline earnings adjustment	**(125,6)**	58,4	
Headline earnings	**461,7**	420,9	9,7
EARNINGS PER SHARE (cents)			
Earnings	**150,9**	95,7	57,7
Diluted headline	**118,6**	107,3	10,5
NET ASSET VALUE PER SHARE (cents)	**712,7**	645,0	10,5
DIVIDEND PER SHARE (cents)	**30,0**	27,0	11,1

Segmental information

	2003 Rm	%	2002 Rm	%
Turnover				
Construction	**9 832,4**	**74,2**	9 559,2	72,5
Steel & Allied	**3 411,8**	**25,8**	3 626,0	27,5
	13 244,2	**100,0**	13 185,2	100,0
Operating income				
Construction	**342,9**	**51,0**	345,0	53,6
Steel & Allied	**328,8**	**49,0**	299,1	46,4
	671,7	**100,0**	644,1	100,0
Geographical revenue				
Republic of South Africa (CMA)	**7 871,5**	**59,4**	7 286,5	55,3
Africa and Middle East	**3 398,3**	**25,7**	3 499,6	26,5
Australasia and South East Asia	**1 974,4**	**14,9**	2 399,1	18,2
	13 244,2	**100,0**	13 185,2	100,0

Statement of changes in equity

Rm	Share capital and premium	Non-distributable reserves	Automatically convertible subordinated debentures	Retained income	Total
Balance at 1 July 2001	604,1	34,4	171,2	1 203,2	2 012,9
Conversion of debentures	1,6		(171,2)		(169,6)
Disposal of treasury shares	170,1				170,1
Dividends paid				(74,3)	(74,3)
Earnings for the year				362,5	362,5
Equity accounted reserve movements		14,3			14,3
Foreign currency translation		63,4			63,4
Premium on issue of ordinary shares to redeem the debentures	175,7				175,7
Transfers		(0,4)		0,4	
Balance at 30 June 2002	951,5	111,7		1 491,8	2 555,0
Dividends paid				(105,2)	(105,2)
Earnings for the year				587,3	587,3
Equity accounted reserve movements		(42,6)			(42,6)
Foreign currency translation		(169,2)			(169,2)
Repurchase of shares by share trust	(2,1)				(2,1)
Balance at 30 June 2003	949,4	(100,1)		1 973,9	2 823,2

Notes

These results have been compiled in accordance with the South African Statements of Generally Accepted Accounting Practice and the Listings Requirements of the JSE Securities Exchange South Africa and Schedule 4 of the South African Companies Act. The accounting policies used in the preparation of the results are consistent in all material respects with those adopted in the annual financial statements for the year ended 30 June 2002. During the year the group adopted AC 133, Financial Instruments: Recognition and Measurement. There has been no material effect on earnings on the adoption of this statement. No material events have occurred subsequent to the year-end except for the purchase of the 37% minority shares in McConnell Dowell Corporation Limited on 18 August 2003.

The results have been audited by Ernst & Young and the unqualified audit opinion is available on request from the company secretary at the company's registered office.

The group's annual financial report will be available by the end of September 2003.

COMMENTARY

Financial review

The directors of Aveng are able to report to shareholders that in spite of a difficult currency environment during the year ended June 2003, the group returned a growth of 10,5% in diluted headline earnings per share. While lower than our targets for the year, the currency volatility of recent years makes a three-year comparison benchmark more appropriate. Using this benchmark, the group's three-year growth target of CPIX + 10% was achieved.

Revenue was flat, reflecting a 28% rand appreciation against the US dollar, the currency to which approximately 40% of group revenue is linked. This translated into a negative impact of R91 million (R86 million positive in 2002) on the income statement, restraining operating income growth to 4,3%.

The stronger rand also affected the balance sheet which suffered a negative R169 million in foreign currency translation. Increased net borrowings of R125 million reflected a substantial capital expenditure programme and payment difficulties on some contracts. The group's net debt to equity ratio of 43,9% (42,4% in 2002), interrupting the downward trend in this ratio over the past two years.

The past year's 17,2% return on average equity was below the target of 20%. The three-year average return was just short of the long-term target of CPIX + 10%.

The underlying efficiency measures in the business showed improvement. The operating margin of 5,1% is the highest it has ever been. Inventory levels declined by 11%, despite an average 28% rise in steel prices, and revenue per employee continued to grow in real terms.

Construction

Revenue of R9,8 billion was 3% up on the prior year, contributing 75% of group turnover. Operating income remained unchanged, largely the result of a stronger rand impacting the international businesses together with a difficult contracting environment which resulted in payment delays with a number of claims on road jobs in Africa. Turnkey 'engineer procure contract' projects have led to a number of prolonged negotiations, impacting the cash flow.

Steel & Allied

Revenue of R3,4 billion was approximately 6% down on the prior year. This was largely the result of the serious impact that the compounding effect of a strong rand and rapidly increasing steel prices had on our customers in the manufacturing section, most of whom had large export orders. Assets declined by 15% as a result of more stringent stock management.

Capital expenditure grew substantially to R163 million following the commissioning of the R110 million press feed line at Roodekop and the commencement of construction on the steel service centre at Saldanha.

Cement

Alpha had another good year albeit with a second half volume growth of 4,4% following an exceptionally buoyant first half growth of 9,9%. Outside of South Africa, the Tanzanian business performed well although profitability was diluted by the strong rand.

The R315 million kiln upgrade programme at the Dudfield cement factory is on schedule for completion by calendar year end and while contributing significantly to production efficiencies, will also add 400 000 tons to Alpha's annual clinker capacity.

The non-core businesses of Natal Portland Cement (33% interest) and Omnia Limited (34% interest) were sold during the year. The quest to optimally realign the Slagment and Ash Resources businesses continues.

Post-balance sheet events

Subsequent to the year-end the 37% minority shareholding in McConnell Dowell Corporation Limited was purchased at a cost of R130 million.

Now that Aveng owns 100% of the business, McConnell Dowell will be managed as a business in the construction division. Aveng's risk management systems together with the associated financial disciplines will be introduced into the business, bolt-on opportunities from other group companies will be evaluated and operating capabilities enhanced where required.

Future outlook

In looking forward, the volatile currency environment continues to preclude a short term perspective. The construction order book is running at 91% of revenue – almost exactly in the middle of our target zone. We are able to compete internationally at current rand levels. Locally, there are some exciting projects in the wings. While the steel market is very tough at the moment, largely the result of mining investment inertia, the current declining interest rate environment is expected to boost cement with its strong consumer demand profile.

In addition to the cement expansion project mentioned earlier, Aveng spent R828 million in capital expenditure to prepare itself for future growth, exceeding the depreciation charge of R375 million.

Aveng is value-driven, strategically balanced, and soundly positioned in its chosen segments. While markets remain volatile, the group's longer term outlook is assured.

Dividend declaration

Dividend No 4 of 30,0 cents per share, being the total dividend for the financial year ended 30 June 2003 (2002: 27,0 cents per share) has been declared payable to shareholders recorded in the share register at the close of business on Friday 24 October 2003.

The salient dates are:

Last date to trade shares cum dividend	Friday 17 October 2003
Shares trade ex dividend from	Monday 20 October 2003
Record date	Friday 24 October 2003
Payment date	Monday 27 October 2003

No dematerialisation or rematerialisation of shares may take place for the period from 20 October 2003 to 24 October 2003, both days inclusive.

On Monday 27 October 2003, the dividend will be electronically transferred to the bank accounts of all certificated shareholders unless this has not been requested by or is not available to them. If electronic funds transfer is not applicable cheques dated 27 October 2003 will be posted on that date. Transfers will be made to the dematerialised shareholder accounts at their CSDP or broker on 27 October 2003.

By order of the board

Richard Savage *(Chairman)*, **Carl Grim** *(Chief Executive)*, **Dennis Gammie** *(Financial Director)*

Sandton, 12 September 2003

GRINAKER-LTA

Alpha

Targeting construction in the developing world supported locally by steel and cement

Directors: R B Savage* *(Chairman)*, P L Erasmus* *(Deputy Chairman)*, C Grim (Chief Executive), D R Gammie *(Financial Director)*, C V Campbell*, P F Crowley, B P J Fourie, L Gcabashe*, J R Hersov*, H D K Jones, K W Meissner-Roloff*, V Z Mntambo*, A R Mpungwe*, B P Steele*, M Taback*, W Wassermeier *Non-executive director* **Company secretary:** P H Hansen

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For more information visit
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