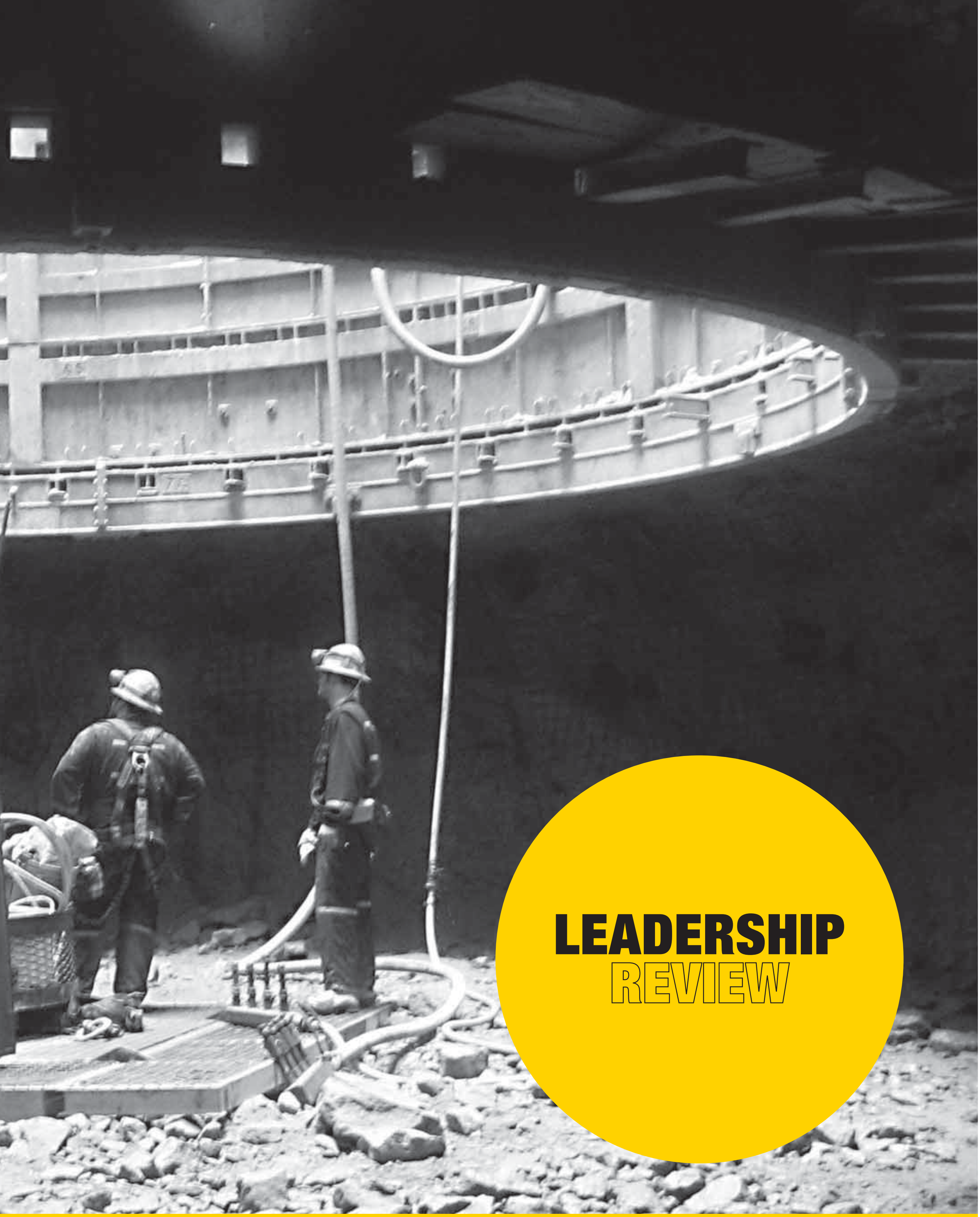
CEMENTATION USA
RESOLUTION COPPER PROJECT
ARIZONA, USA



LEADERSHIP REVIEW

CHAIRMAN'S STATEMENT

MAHLAPE SELLO

DEAR STAKEHOLDER

The year has been one of significant achievement for the Group, and we have ended it with a stronger balance sheet and liquidity position. The past three financial years to June 2014 was a period of *Recovery & Growth* for Murray & Roberts, and we have substantially achieved the objectives that were set for this period. Significant progress has been made on the Recovery phase of this strategy but the Growth phase has to some extent progressed at a slower than anticipated pace. The positive side of completing the acquisition of the non-controlling interests in Clough ("Clough Transaction") has been somewhat dragged down by depressed South African trading conditions.

RECOVERY – THE FOUNDATION FOR FUTURE GROWTH

The erosion of confidence and value, caused principally by the underperformance of the South African construction businesses and payment disputes with major clients, has been largely reversed through the Recovery phase of our strategy. The Group has undergone significant restructuring and re-energising, including the establishment of more rigorous risk and commercial management systems and strengthening of the operational management capacity. While this has been implemented across the Group, the refocusing and return to profitability of our Infrastructure & Building (previously Construction Africa and Middle East) operating platform was a key deliverable in this strategy.

The other leg on which the Recovery programme stood was the resolution of outstanding major claims on the three legacy projects of the Dubai International Airport, Gautrain and the Gorgon Pioneer Materials Offloading Facility ("GPMOF").

Resolution of the GPMOF claim with Boskalis Australia Pty Ltd ("Boskalis") was achieved in the year. Although the settlement covered more than the uncertified revenue on this project, the complexities of the claim, exacerbated by the mid-project bankruptcy of our joint-venture partner, carried with them a degree of uncertainty in terms of likely higher recovery which led us to settle the dispute and close this project.

The outstanding two claims processes are progressing, although slower than we had hoped. We anticipate resolution of the Dubai International Airport claim in the 2015 calendar year and Gautrain in 2016. As the largest remaining objective in concluding the Recovery phase of our strategy, we look forward to drawing a line under these disputes.

The reorganisation of the Group, which has involved the successful completion of an array of disposals and the Clough Transaction, has provided a strong foundation for the achievement of the Growth phase of our strategy. The competencies and capacity we require to realise the growth opportunities are in place. Where we do not have the required skills we have developed clear plans to achieve this.

GROWTH – THE EVOLUTION OF OUR STRATEGY

A refined and more detailed growth strategy, named the *New Strategic Future,* was approved by our Board towards the end of the financial year.

This *New Strategic Future* is particularly focused on bringing the Group's core competencies of engineering and construction to bear in the natural resources sectors. The longer-term demand fundamentals in these sectors are compelling, grounded in the global pursuit of accelerated economic and social development, energy security and water stewardship. These plans are a natural and logical progression based on the current suite of opportunities before us.

This strategy brings with it increasing international exposure to the Group and its successful implementation will require accelerated investment in our international businesses. Specifically, this will entail making further acquisitions designed to grow our capacity in more profitable segments of the engineering and construction value chain.

THIS NEW STRATEGIC FUTURE IS PARTICULARLY FOCUSED ON BRINGING THE GROUP'S CORE COMPETENCIES OF ENGINEERING AND CONSTRUCTION TO BEAR IN THE NATURAL RESOURCES SECTORS.

The concerns we have previously expressed about the lack of appropriate major project opportunities in the domestic market will be mitigated by this focus on global growth sectors, with the concomitant increase in revenue and profit contribution from our international businesses. The return to profitability of the Infrastructure & Building platform has been an achievement for the Group and is indeed most welcome. However, it is difficult to see this platform making a meaningful contribution in the short to medium term, given the depressed nature of its markets.

The reality is that our local civil infrastructure construction business is highly dependent on the performance of the South African economy and the level of fixed capital formation. Low economic growth rate expectations and the recent downgrade to South Africa's credit and currency ratings is of concern.

This has been exacerbated by the direct impact of industrial action on the delivery of our current projects in the South African market. In managing the natural tension between business and labour in such a way that the relationship does not break down and cause the adverse effects we have seen of late, our fervent hope is that all stakeholders will commit to finding lasting and equitable solutions.

We are heartened by recent statements from Government, specifically the President in his State of the Nation Address, expressing the need to accelerate the rollout of the National Development Plan ("NDP"). We believe this plan, if properly implemented, will set the country on a higher growth trajectory and begin to address the complex issues that are affecting the country. We trust the Government will apply itself with vigour in its next five-year term of office to realise the promise of the NDP as envisaged.

Our operating platforms have the capacity and capability to play a significant role in the development of infrastructure on the African continent to enable economic and social development in a sustainable way, in line with the Group's statement of purpose.

The pace at which the enabling conditions for investment in the rest of Africa are being addressed has however created challenges for the Group. This has impacted on our intended rate of expansion towards a meaningful presence in sub-Saharan Africa. This expansion is of particular importance to our Group, which stands to benefit from the promising outlook for the mining and oil & gas sectors across the continent.

We have plans in place to target these opportunities in selected markets as they develop. We recognise that the continent is not homogenous and that the countries in Africa all have unique challenges that need to be overcome. Given the compelling growth opportunities that specific regions on the continent present to our Group, we are committed to and capable of overcoming these challenges.

International diversification did not start off as a key objective of our strategic thinking, but it is an inevitable outcome of our pursuit of the growth sectors of our business, which is based on a determination to create value for our shareholders, governments and local communities in the countries in which we operate.

THE COMPETITION COMMISSION

Our Board believes it has dealt most thoroughly with the historical competition law infringements in South Africa.

The Board and management have been decisive and thorough in implementing measures to ensure this does not happen again. Murray & Roberts is a Group with a strong value system that demands ethical business conduct from its leaders, employees, contractors and partners. It is this principled stand that we will take, without exception, as we rise to the challenges and the opportunities of the *New Strategic Future* for the Group.

CHAIRMAN'S STATEMENT continued

THE PURSUIT OF ZERO HARM

In the past year, management across the Group maintained their focus on safety as a top priority and the Group's lost time injury and total injury rates continued to decline. The Board however regrets the death of four employees resulting from fatal injuries sustained while on duty. We are deeply saddened by these fatalities. The Board extends its heartfelt condolences to the families, friends and colleagues of the deceased. We welcome management's undertaking to consolidate and further improve on the gains that have been made in the Group's safety performance in the year ahead.

REDOUBLING OUR EFFORTS TO BECOME AN EMPLOYER OF CHOICE

Our intention is to be an employer of choice. We are acutely aware that achieving the aims of our strategy rests on our ability to attract and retain the skills we need, and to expect the highest levels of performance from our people.

Of course, there are numerous aspects to earning the reputation of being an employer of choice, especially for a Group with the international breadth of Murray & Roberts. Progress has been made on many of these aspects, including remuneration structures, employee relations, training and development and wellness interventions, all of which have been supported by increased investment in our people management practices.

FOCUSED ACCELERATION IN TRANSFORMATION

In relation to our South African businesses, we have previously stated our intention to accelerate our transformation efforts. While we recognise that we have a considerable way to go, good progress has been made in most pillars of the Broad-based Black Economic Empowerment ("BBBEE") scorecard, particularly preferential procurement. The notable exception remains our employment equity performance. In this respect, we have prepared plans with specific timeframes and targets, the achievement of which are a key performance area for senior management.

With the amended BBBEE Codes of Good Practice coming into effect on 30 April 2015, our current Level 2 BBBEE rating will, as for other industry players, deteriorate to a lower effective rating. We will need to revise our plans accordingly, both in respect of employment equity and the other pillars of the scorecard. Our transformation efforts will continue to find their basis in our philosophy that while broad-based transformation and employment equity are moral, social and legal imperatives, they are most importantly economic imperatives that will shape our Group's future within the South African context.

BOARD OF DIRECTORS

During the year Thenjiwe Chikane resigned from the Board. Subsequent to year end Ralph Havenstein was appointed as an independent non-executive director and member of the health, safety & environment committee and social & ethics committee. Although comfortably meeting its statutory requirements, we recognise that the Board will benefit from further appointments. Bert Kok was appointed as company secretary, succeeding Rentia Joubert. I express my best wishes to the new arrivals and my grateful appreciation to my colleagues on the Board for their wisdom and guidance through the year.

STAKEHOLDER CONFIDENCE

The investment community has been complimentary regarding the deliberate and exacting way in which management has delivered on the implementation of the *Recovery & Growth* strategy. We are confident that the Group has the right fundamentals to deliver on its *New Strategic Future* strategy.

The comprehensive overhaul and enhancement of procedures and systems in bidding processes, risk management, contract execution and claims identification and processing, underpinned by the requisite talent identification, skills retention, development and training, will ensure that future loss-making projects are limited to the extent possible.

DIVIDEND

The Board is pleased to have declared a final gross dividend of 50 cents per share for the year.

OUTLOOK AND APPRECIATION

The Board is pleased with the significant strategic and operational progress that has been achieved and the improvement in the Group's financial results. We believe that the positive trend in earnings is sustainable, and that we have the leadership, structure and capacity in place to deliver on our plans for growth and profitability. More detail on these plans is provided in the Group chief executive's and Group financial director's report.

On behalf of the Board I extend my appreciation to our many stakeholders for their continued support during the past three years. While we recognise that restoring the trust and earning the support of all our stakeholders is contingent on continuing to deliver on what we promise, we believe that you have every reason to share our confidence that the Group is well set for a *New Strategic Future.*

MAHLAPE SELLO
Group chairman

MURRAY & ROBERTS WATER
TARKWA WATER TREATMENT PLANT, GHANA

GROUP DIRECTORATE

MAHLAPE SELLO (52)

Master of Arts and Law (Russia) LLB (Wits)

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Mahlape was appointed to the Board in 2009 and became chairman in 2013. She is chairman of the nomination committee and a member of the social & ethics committee, the health, safety & environment committee and the remuneration & human resources committee. She is also a trustee of The Murray & Roberts Trust. Mahlape is a member of the South African Law Reform Commission and the chairperson of the Advertising Industry Tribunal of the Advertising Standards Authority of South Africa.

DAVID (DAVE) DUNCAN BARBER (61)

FCA (England & Wales) AMP (Harvard)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dave was appointed to the Board in 2008. He is chairman of the audit & sustainability committee and a member of the risk management committee. Dave was previously a director of AFGRI.

RALPH HAVENSTEIN (57)

BCom, MSc Chem Eng

INDEPENDENT NON-EXECUTIVE DIRECTOR

Ralph was appointed to the Board in August 2014. He is a member of the health, safety & environment committee and the social & ethics committee. Ralph is a chemical engineer and has completed a Senior Executive Programme at the Stanford Graduate School of Business. Ralph currently serves as a non-executive director on the boards of Northam Platinum, Omnia Holdings, Atlatsa Resources Corporation, Hernic Ferrochrome and Reatile.

ROYDEN THOMAS VICE (67)

BCom CA(SA)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Royden was appointed to the Board in 2005. He is chairman of the remuneration & human resources committee and a member of the risk management committee, the audit & sustainability committee and the nomination committee. He is also a trustee of The Murray & Roberts Trust. Royden is chairman of Hudaco Industries and a Governor of Rhodes University.

NOMALIZO (NTOMBI) BERYL LANGA-ROYDS (52)

BA (Law), LLB

INDEPENDENT NON-EXECUTIVE DIRECTOR

Ntombi was appointed to the Board in 2013. She is chairman of the social & ethics committee and a member of the remuneration & human resources committee. She is also a trustee of The Murray & Roberts Trust. She owns Nthake Consulting, a human resources consultancy business and has more than 25 years of experience in human resources. Ntombi is an independent non-executive director of African Bank, PPC and Mpact.

JOHN MICHAEL MCMAHON (67)

PrEng BSc Eng (Glasgow)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Michael was appointed to the Board in 2004. He is the chairman of the risk management committee and a member of the audit & sustainability committee, the health, safety & environment committee, the nomination committee and the remuneration & human resources committee. He is also a trustee of The Murray & Roberts Trust and was previously the chairman of Central Rand Gold and Impala Platinum.

WILLIAM (BILL) ALAN NAIRN (69)

PrEng BSc Eng (Mining)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Bill was appointed to the Board in 2010. He is chairman of the health, safety & environment committee and a member of the risk management committee and the social & ethics committee. Bill is the non-executive chairman of MDM Engineering Group.

ANDRIES JACOBUS (COBUS) BESTER (54)

BCom (Acc) Hons CA(SA)

GROUP FINANCIAL DIRECTOR

Cobus first joined the Group in 2006 following the acquisition of Concor and was appointed to the Board and as Group financial director in July 2011. Cobus is a director of Murray & Roberts Limited, the chairman of Murray & Roberts International Holdings and a director of Clough. Cobus is the chairman of the Bombela Operating Company and has overall management responsibility for Murray & Roberts Concessions.

HENRY JOHANNES LAAS (55)

BEng (Mining) MBA

GROUP CHIEF EXECUTIVE

Henry first joined the Group in 2001 and was appointed to the Board and as Group chief executive in July 2011. He is a member of the health, safety & environment committee. Henry is a director of Murray & Roberts Limited, Murray & Roberts International Holdings and is the chairman of Clough.

LAMBERTUS (BERT) KOK (50)

FCIS, FCIBM

GROUP SECRETARY

Bert joined the Group in 2011 and was appointed Group secretary in February 2014. Bert is a chartered secretary and has more than 10 years experience in a listed company environment.

** Directors' ages as at 30 June.*

NON-EXECUTIVE DIRECTORS | EXECUTIVE DIRECTORS | GROUP SECRETARY

GROUP CHIEF EXECUTIVE'S AND FINANCIAL DIRECTOR'S REPORT

OVER THE PAST THREE YEARS, THE TIMEFRAME OF OUR RECOVERY & GROWTH STRATEGY, WE HAVE RESTORED FINANCIAL STABILITY AND RETURNED THE GROUP TO PROFITABILITY. WE HAVE ALSO WORKED HARD TO REGAIN THE CONFIDENCE OF ALL OUR STAKEHOLDERS IN THE GROUP'S LEADERSHIP AND FUTURE PROSPECTS.

DEAR STAKEHOLDER

Our *Recovery & Growth* strategy was, by necessity, short-term focused and mainly remedial in scope, and has provided a strong foundation from which we will build towards achieving our vision. By 2020 we aim to be a leading international diversified project engineering, procurement and construction group in selected natural resources and supporting infrastructure sectors. We have been specific in setting the performance dimensions, related objectives and goals to underpin this vision, against which the performance of the executive management is measured.

The Group is an international, engineering-led contractor and we have decided to rename our operating platforms, as we want the platform names to more accurately describe the target market sectors in which the Group applies its core capability. The new platform names are: Oil & Gas (previously Construction Australasia Oil & Gas and Minerals), Underground Mining (previously Construction Global Underground Mining) Energy & Industrial (previously Engineering Africa) and Infrastructure & Building (previously Construction Africa and Middle East). These name changes will assist to reposition Murray & Roberts and its brand as we embark on our new strategy.

In the year ahead, we will consolidate the progress we have made over the past three years, and advance our new longer-term growth strategy.

FINANCIAL

Revenue from continuing operations increased by 5% to R36,0 billion (2013: R34,2 billion) and attributable profit of R1 261 million was recorded (2013: R1 004 million). The 2013 attributable profit includes a profit after taxation and minorities on disposal of the Group's 36% shareholding in Forge Group Limited ("Forge") of R223 million. Diluted headline profit per share from continuing operations increased by 67% to 205 cents (2013: 123 cents).

The Oil & Gas platform recorded an operating profit of R1 026 million (2013: R1 502 million) which includes R67 million of once-off costs relating to the Clough Transaction. The prior year operating profit includes a profit before tax and minorities of R681 million on disposal of the Group's 36% shareholding in Forge, as referred to above. Oil & Gas, which represents the Group's investment in Clough, recorded excellent operational results assisted by a strong growth in revenue. The Group completed the Clough Transaction on 11 December 2013 for a consideration of R4 395 million funded by a combination of Clough on-balance sheet cash of R2 927 million and an external bridge loan facility of R1 468 million. As a result of the transaction the full profits generated by Clough in the second half of FY2014 was attributable to owners of the Group.

The Infrastructure & Building platform recorded an operating profit of R196 million (2013: R85 million operating loss). The South African operations of Infrastructure & Building, although at low operating margins, returned to profitability in the current financial year, after recording losses in the prior year due to several loss-making contracts and extensive strike action. The return to profitability in the Middle East operations was driven by an increase in revenue as well as the favourable close-out positions achieved on legacy contracts. The results of the platform include positive fair value adjustments on the Bombela Concession investment. The financial settlement on GPMOF resulted in the recognition of additional income of R323 million. This was partly offset by a R300 million provision raised against the Gautrain water ingress dispute.

The Underground Mining platform recorded an operating profit of R258 million (2013: R318 million). The Australian and Canadian operations of Underground Mining suffered from the downturn in the commodities cycle with a reduction in both revenue and operating margins. Murray & Roberts Cementation returned to profitability after recording losses in the prior year due to several loss-making contracts and extensive strike action. The South African based

HENRY LAAS & COBUS BESTER

contracts however recorded losses while the Zambian contracts were profitable. The platform's order book strengthened in the second half of the financial year with substantial new orders secured in Cementation USA and Murray & Roberts Cementation.

The Energy & Industrial platform recorded an operating profit of R144 million (2013: R137 million). The profitability was driven mainly by revenue from the power programme contracts.

Net financing costs reduced to R58 million (2013: R117 million) as a result of an increase in cash in the first half of FY2014 following the sale of Forge, and a reduction in debt also in the first half of FY2014, after the sale of the Construction Products businesses in October 2013. The funding of the Clough Transaction from cash and debt in December 2013 resulted in a slightly higher net interest charge in the second half of the financial year.

The effective taxation rate of 33,8% (2013: 34,5%) decreased marginally. The effective rate was impacted by higher statutory tax rates in Canada, USA and Australia compared to South Africa. Deferred taxation assets were not raised on all taxation losses within the Group.

Income from associates decreased to R1 million (2013: R165 million) due to the disposal of the Group's 36% shareholding in Forge in March 2013.

Profit from discontinued operations was R423 million (2013: R302 million) and includes profit after taxation totalling R379 million on the disposal of the Construction Products and Hall Longmore businesses, which were sold for R1 325 million and R416 million respectively. The prior year profit from discontinued operations include the trading profits of these operations for a full 12-month period, as well as the trading profits and profit on sale of UCW which was sold in June 2013. Subsequent to the financial year end, approval was obtained from the Competition Commission for the disposal of Tolcon for R211 million. The disposal of Tolcon excludes the investments in the Bombela Concession and Bombela Operating Companies and also Entilini Concession and its operating companies as the Group's Concessions businesses are not part of Tolcon.

Profit attributable to non-controlling interests reduced to R139 million (2013: R466 million) due to the acquisition of the non-controlling interests in Clough on 11 December 2013.

Capital expenditure for the year was R961 million (2013: R1 089 million) of which R671 million (2013: R768 million) was for expansion and R290 million (2013: R321 million) for replacement. Underground Mining incurred the bulk of the capital expenditure. The replacement capital expenditure includes R94 million for the replacement of plant lost in a land slide in the operations of Cementation USA in the prior financial year.

The Group generated cash from operations of R1,8 billion (2013: R2 billion). The decrease was mainly due to working capital outflows in Oil & Gas due to the repayment of advances, as well as the unwinding of working capital in the Middle East. The Group ended the financial year with a net cash position (after the deduction of interest bearing debt) of R1,8 billion (2013: R4,3 billion). The Clough Transaction partly offset by the proceeds collected from the disposal of the Construction Products businesses and Hall Longmore, resulted in the decrease in net cash compared to the prior year. Although a large portion of the cash is held offshore in Clough, the South African balance sheet reflected a net cash position at the financial year end. The gross gearing calculated as interest bearing debt over ordinary shareholders equity has increased to 42% (2013: 23%) due to a reduction in retained earnings as a result of the Clough Transaction. The premium paid for the non-controlling interests in Clough was recorded as a debit of R3,1 billion to retained earnings in terms of IFRS 3: Business Combinations, due to a controlling interest of 62% held in Clough by the Group prior to the acquisition. Had the Group not held a controlling interest prior to the acquisition, this premium would have been recorded as goodwill, and the gross gearing would have reduced to 28%.

GROUP CHIEF EXECUTIVE'S & FINANCIAL DIRECTOR'S REPORT continued

The Group's order book at year end was R40,9 billion (2013: R46,1 billion). The reduction was mainly due to a decrease in the order book of Oil & Gas, as well as a reduction in the order book of the power programme in the Infrastructure & Building and Energy & Industrial platforms.

The results reflect a significant increase of 67% in diluted continuing headline earnings per share. The improvement in profitability was driven by excellent results from Oil & Gas and an improvement in the results of Infrastructure & Building relative to FY2013, when this platform recorded a loss. Furthermore, the results in the second half of the financial year benefited from the acquisition of the non-controlling interests in Clough. The Group's profitability, the disposal of non-core businesses and the Clough Transaction has positioned the Group to embark on its new strategic path.

LEADERSHIP

An important aspect of our *Recovery & Growth* strategy has been to reposition the Group for revenue and profit growth by aligning the Group's portfolio of businesses with its chosen natural resources growth market sectors. In the last financial year we finalised the disposal of the non-core manufacturing businesses and we were satisfied with the value achieved through this disposal process. We also completed the strategic acquisition of the non-controlling interests in Clough, which became a wholly owned subsidiary with effect from 11 December 2013.

The Clough Transaction has enhanced the Group's exposure to one of its target market sectors and will allow us to leverage its oil & gas capabilities and expertise in the imminent opportunities which we believe Africa presents. Besides the growth opportunities it yields, the acquisition has been immediately accretive in earnings per share, and has simplified the corporate and operating structure of the Group.

The transaction and full integration of Clough into the Group have been smooth, setting the basis for the important role that this business will play in our future.

RELATIONSHIP

Rekindling a sense of positive energy among our employees was from the outset an important objective of the *Recovery & Growth* strategy. Whilst greater financial stability and longer-term strategic clarity have certainly contributed to this, we continue to develop and implement best practices to make the Group an employer of choice. These practices have resulted in an improved score in the *Deloitte Best Company to Work For Survey*, a valuable independent benchmark based on the feedback of our employees in South Africa. In the latest survey, our overall score was again favourable and showed a slight improvement, moving us close to achieving the Standard of Excellence.

We have also advanced our employee relations framework, which aims to depolarise the relationship between labour and management in the project environment. This initiative is spearheaded by the Energy & Industrial platform and has particular relevance on Eskom's power programme projects, which have experienced episodic strike action.

Our initiatives to strengthen our leadership capabilities and employee relations and to accelerate the transformation of our South African employee profile will remain key focus areas for the Group.

In terms of our reputation among our stakeholders, good progress was made but more needs to be done to repair the damage that resulted from the Competition Commission inquiry. In particular, our industry's relationship with the South African Government has to be restored. We recognise that this will take time to achieve through a consistent demonstration of integrity and commitment to responsible corporate citizenship.

OPERATIONAL

The Oil & Gas platform continues to deliver strong operational and financial results. The Australian oil and gas industry is transitioning to a brownfields (asset support and maintenance) project market from the current greenfields activities, but ongoing market opportunities remain. The Clough AMEC Joint Venture signed a A$20 million engineering, procurement and construction management contract for Arrow Energy's Daandine Expansion Project, and was awarded a contract for the engineering, detailed design and provision of procurement services for the Rio Tinto Cape Lambert Power Station project. In August 2014, Clough completed a US$5 million strategic acquisition of CH-IV International, a boutique engineering company based in the USA and highly regarded in micro, midscale and large liquified natural gas ("LNG") developments.

The Underground Mining platform is performing well and is showing strong growth potential in developing its order book in all main geographic areas from a relatively low base, considering the current subdued state of the commodity cycle. Murray & Roberts Cementation has received its first major order from De Beers on the Venetia project to the value of R2,6 billion, and has also been appointed as the preferred bidder for the multi-billion rand Kalagadi Manganese contract. The North American business now holds a strong order book after two awards, to the value of R1,6 billion, were received earlier this calendar year. Tender activity in all geographic regions is increasing which is a good sign of market improvement.

The Energy & Industrial platform continues to be largely dependent on the Kusile and Medupi power station projects, but it is establishing a position in the broader local petrochemical, industrial engineering and renewable energy sectors. The key prospects in the short term lie in the renewable energy programme and good relationships have been established to access a fair share of work on available projects. The platform is also targeting the industrial water sector and it recently secured its second water project, a mine water treatment contract for a blue-chip mining client to undertake basic engineering design and pilot testing at one of its operations in Ghana.

The Infrastructure & Building platform has returned to profitability, albeit at very low margins as the South African construction sector continues to be extremely competitive. The platform continues to derive value and build a reputation for delivering through its focus on operational excellence. It is well positioned as the preferred bidder to implement civil infrastructure work on three wind farms in the new financial year. The market in the Middle East is showing signs of recovery and we secured two new projects in the year under review, to the value of R1 billion.

We continue to focus on operational excellence and during the past year introduced a specific leadership development programme to better equip our project teams for the challenging task of successfully delivering construction projects. The majority of our project leaders have already enrolled on this programme.

A key achievement during the past year was the commercial settlement reached with Boskalis in respect of all claims and counter claims on the GPMOF project. This agreement settled all uncertified revenues previously accounted for on this project and allowed additional income of R323 million to be declared. A cash payment was received at the end of June and a further payment will be received at the end of September 2014.

In November 2013, the arbitration tribunal ruled in favour of Gauteng Province in respect of the Gautrain water ingress matter. While we accept the award, the tribunal also ruled that the tunnel is perfectly safe to operate, which we embrace, as we do not want to see any further impact on commuter's use of the system due to construction interventions. It is important to note the opinion of the design experts we appointed to determine the rectification work required. Based on their experience of other drained train tunnels elsewhere in the world, their view is that there is no practical reason why any further work should be undertaken in the tunnel, other than to give effect to the tribunal's ruling. Based on an early assessment by the design experts of the potential remedial work that may be required, we recorded a provision of R300 million for our share of potential cost to be incurred by the Bombela Civil Joint Venture. The amount of any other potential financial compensation, if any, related to this matter cannot be determined at this stage. We continue to engage with the Gauteng Province on this matter to define the exact rectification work required, if any.

The delay and disruption claim is by far the largest element of the Gautrain claims and the legal process on this multi-billion rand claim is progressing. This is a very complex process and the resolution of the claim is not expected sooner than the 2016 calendar year. Any award will attract interest dating from 2009 to the date of award. The merit of the Sandton Cavern claim was ruled by the arbitrator in favour of the Bombela Civil Joint Venture in October 2013 and the quantum hearing is scheduled for May 2015.

In respect of the Dubai International Airport final payment, the respondent to the claim has finally been determined and the claim is expected to be arbitrated upon during the 2015 calendar year.

RISK

Safety performance is of significant importance to us and to our clients, and achieving world-class safety standards deepens our competitive advantage. In the past year we continued to entrench our health and safety framework, underpinned by our *Zero Harm through Effective Leadership* programme. We also finalised critical standards, including the standard for contractor management.

2014 saw a further improvement in our safety performance resulting in a Group record-low lost time injury frequency rate ("LTIFR") of 0.80. The platforms' respective safety performances, when compared to peers in their respective markets, were world-class. This result demonstrates a maturing health and safety culture necessary in the challenging environments in which we operate. However, we are extremely disappointed to report four fatalities in the year. It remains unacceptable to have employees losing their lives as a result of workplace incidents, as fatal incidents have adverse impacts on families, communities and our company. We extend our condolences to the families of the deceased.

We will continue to strive for industry-leading health and safety performance to derive competitive advantage. Similarly, we will advance the implementation of our framework for managing and reporting environmental risk.

A notable development has been the implementation of our employee health and wellness programme, *Philisa*, in our South African operations. This comprehensive programme provides a range of services including wellness screening and health education, counselling and chronic disease management. It also assists managers with the processes required to maintain a safe, productive and healthy workforce.

The Group has made significant progress over the past three years in formalising, enhancing and embedding its approach to risk management at strategic, corporate, operational and project levels. Based on the ongoing learnings from project execution, we continue to improve our commercial management processes. The Group's shared lessons-learnt and contracting principles registers have been supplemented with more detailed registers in each of the four platforms.

The ability to identify, manage and mitigate risk at the project level is critical. The reality in our business is that, on the one hand, it is impossible to price for all identified project risks and still remain competitive, while on the other hand, many risks only manifest during the execution phase of a project. We are confident that we now have the awareness and risk management processes in place to limit loss-making projects.

A NEW STRATEGIC FUTURE

Leading on from our *Recovery & Growth* strategy we have developed a longer-term strategic plan, the *New Strategic Future* for the Group, which the Board has approved in concept for further investigation and implementation. As we move to implement this strategy, we will be guided by the principle of *Engineered Excellence*. This commits us to strive for excellence through detailed planning in everything we undertake, whether it is the way we deliver our projects, structure our balance sheet or develop our people.

Our point of departure in developing the *New Strategic Future* for the Group was to ensure the delivery of the investment margins and aspirations we have set to maximise shareholder value. We believe this strategy will support sustainable growth in profitability, cash generation and returns to shareholders over the medium to long term.

The Group's core capability is delivering large engineering and construction projects, but we needed to clarify where and how to focus this core strength to earn the highest returns for our shareholders. This entailed detailed analysis and identification of the market sectors, value chain segments and geographies that we believe provide the most compelling potential within our core ambit of engineering and construction.

Based on this extensive strategic planning work, our overarching intention is to position Murray & Roberts as a leading diversified international project engineering, procurement and construction Group in selected natural resources and supporting infrastructure sectors.

Global socio-economic drivers such as economic growth, population growth and urbanisation, together with environmental imperatives such as the transition to lower-carbon energy and addressing water

GROUP CHIEF EXECUTIVE'S & FINANCIAL DIRECTOR'S REPORT continued

scarcity, underpin the long-term demand for natural resources and the associated infrastructure. Hence our decision to focus our engineering and construction service offering on the natural resources market sector. Specifically, we aim to grow in the oil and gas, mining, energy and industrial markets, where we are able to leverage our current capabilities, and are evaluating the potential to establish a meaningful presence in the global industrial water market.

We will continue to diversify our business model, by establishing specialist engineering, commissioning and asset support capabilities in these market sectors. These segments of the engineering and construction project value chain yield higher profit margins at lower risk, compared to the pure construction segment. Growing into these value chain segments where we are currently under-represented, will also strengthen our capability in offering more complete project solutions. The benefits of this are considerable, enabling stronger direct relationships with clients, as well as visibility and control over more of the project delivery process, allowing for better risk identification and mitigation.

Our intent is to consider smaller bolt-on acquisitions to enhance our capability and increase the contribution from these higher yielding value chain segments, balancing our current weighting in the lower yielding construction segment. While this repositioning will be an evolutionary process, we have already identified a number of smaller acquisition targets, which we expect to pursue in FY2015.

The Group's focus on the natural resources markets will increase its international footprint, giving it exposure to different regions that will enable the Group to better weather economic cyclicality and realise the opportunities in higher growth markets. Our financial results in the last two years have demonstrated the importance of our international operating platforms, which accounted for more than 70% of revenue and 80% of profit. We expect our international businesses to continue making a similarly significant and growing contribution into the foreseeable future.

In relation to our Africa strategy, we will, as for other geographic regions, concentrate on pursuing opportunities within our chosen market sectors and doing more for our clients across the project value chain. We will also look to increase collaboration opportunities between operating platforms, such as sharing local market presence and knowledge, and identifying new opportunities to leverage our global capabilities. The hub and spoke approach remains the model for our African strategy, with Ghana the hub for West Africa, Zambia for Central Africa and Kenya/Tanzania for East Africa. Mozambique remains a specific neighbouring target country based on the significant opportunity associated with the imminent oil and gas developments.

A YEAR OF CONSOLIDATION

In the financial year ahead, we will focus on consolidating the strong base for future growth that we have established through the successful delivery of our *Recovery & Growth* strategy.

We anticipate no change to the subdued outlook in the Infrastructure & Building operating platform, although activity levels in the Middle East are showing signs of recovery. Operational excellence to preserve margins will remain of critical importance in this difficult environment. In the Energy & Industrial operating platform, we will concentrate on accelerating the replacement of power programme related work. The Underground Mining operating platform should benefit from anticipated growth in all its underground mining markets, and we are confident we can manage the capacity requirements of this commodity upturn. Prospects in the Oil & Gas operating platform remain strong, with the industry transitioning to large brownfields (commissioning and asset support) opportunities, in addition to ongoing greenfield opportunities.

In respect of the baseline for earnings growth going forward, it is important to note that whereas the associated income lost due to the divestment of Forge was replaced by the Clough Transaction, we still need to address the earnings gap created by the disposal of the Construction Products operating platform.

As we move into the *New Strategic Future*, we look forward to communicating the specific actions we will be taking in relation to the objectives we have set, once we are in a position to do so.

APPRECIATION

We congratulate and thank our executive team and all of our employees for their contribution to the successful completion of our *Recovery & Growth* strategy. In particular, we thank the Board for its valued counsel and leadership in developing the *New Strategic Future* for the Group. We stand at the threshold of an exciting and rewarding phase of development in our Group, as we become a leading internationally recognised engineering and construction firm, known for excellence in all that we do.

HENRY LAAS
Group chief executive

COBUS BESTER
Group financial director

KUSILE POWER STATION
MPUMALANGA, SOUTH AFRICA

GROUP EXECUTIVE

COBUS BESTER (54)

BCom (Acc) Hons CA(SA)

GROUP FINANCIAL DIRECTOR

Cobus joined the Group in 2006 following the acquisition of Concor and was appointed to the Board and as Group financial director in July 2011. Cobus is a director of Murray & Roberts Limited, the chairman of Murray & Roberts International Holdings, and a director of Clough Limited. Cobus is the chairman of the Bombela Operating Company and has overall management responsibility for Murray & Roberts Concessions.

Corporate office finance & payroll
Financial control & reporting
Information management & technology
Murray & Roberts Properties
Secretarial
Taxation
Treasury

COMMITTEE PARTICIPATION
Audit & Sustainability Committee
Remuneration & Human Resources Committee
Risk Management Committee
Social & Ethics Committee

ORRIE FENN (59)

BSc (Hons) Eng MPhil Eng DEng

OPERATIONS EXECUTIVE

Orrie joined the Group and was appointed to the executive committee in 2009. He is the executive director responsible for the Underground Mining operating platform.

Cementation Canada & USA
Cementation Sudamérica
Murray & Roberts Cementation
RUC Cementation Mining

COMMITTEE PARTICIPATION
Health, Safety & Environment Committee

KEVIN GALLAGHER (49)

BEng (Mechanical) Hons, FIEAust

OPERATIONS EXECUTIVE

Kevin joined the Group in 2011 and was appointed to the executive committee on 11 December 2013. He is responsible for the Oil & Gas operating platform.

Booth Welsh
CH-IV
Clough
e_2o
Murray & Roberts Marine

COMMITTEE PARTICIPATION
Health, Safety & Environment Committee

JEROME GOVENDER (42)

BSc (QS) MSc MBA

OPERATIONS EXECUTIVE

Jerome joined the Group in 2002 and was appointed to the executive committee on 1 August 2012. He is responsible for the Infrastructure & Building operating platform.

Murray & Roberts Construction
Murray & Roberts Concessions
Murray & Roberts Middle East

COMMITTEE PARTICIPATION
Health, Safety & Environment Committee

IAN HENSTOCK (59)

BCompt (Hons) CA(SA) HDip Tax Law MBA

COMMERCIAL EXECUTIVE

Ian joined the Group and was appointed to the executive committee in 2008. He is the corporate executive responsible for the assurance, commercial, legal and risk portfolios. Ian is a director of Murray & Roberts International Holdings and a director of Clough Limited.

Commercial
Forensics
Internal audit
Legal, compliance & ethics
Risk & insurance

COMMITTEE PARTICIPATION
Audit & Sustainability Committee
Risk Management Committee
Social & Ethics Committee

HENRY LAAS **THOKOZANI MDLULI** **FRANK SAIEVA** **ANDREW SKUDDER**

HENRY LAAS (54)

BEng (Mining) MBA

GROUP CHIEF EXECUTIVE

Henry joined the Group in 2001 and was appointed to the Board and as Group chief executive in July 2011. He is a member of the health, safety & environment committee. Henry is a director of Murray & Roberts Limited, Murray & Roberts International Holdings and of Clough Limited.

Sustainable delivery of Group strategy & performance

COMMITTEE PARTICIPATION
Audit & Sustainability Committee
Health, Safety & Environment Committee
Nomination Committee
Remuneration & Human Resources Committee
Risk Management Committee
Social & Ethics Committee

THOKOZANI MDLULI (42)

BSc PBL MBL

HEALTH, SAFETY & ENVIRONMENT EXECUTIVE

Thokozani joined the Group in 2010 and was appointed to the executive committee in 2013. He is responsible for health, wellness, safety and environment. Thokozani oversees the Group's BBBEE verification and transformation plans.

Health, safety & environment
Wellness
BBBEE

COMMITTEE PARTICIPATION
Health, Safety & Environment Committee
Social & Ethics Committee

** Directors' ages as at 30 June.*

FRANK SAIEVA (54)

BEng (Mechanical)

OPERATIONS EXECUTIVE

Frank joined the Group and was appointed to the executive committee on 1 July 2011. He is the executive responsible for the Energy & Industrial operating platform, which includes the power programme.

Genrec
Murray & Roberts Electrical & Control Systems
Murray & Roberts Power & Energy
Murray & Roberts Resources & Industrial
Murray & Roberts Water

COMMITTEE PARTICIPATION
Health, Safety & Environment Committee

ANDREW SKUDDER (44)

BSc PDM MBA

SUSTAINABILITY EXECUTIVE

Andrew joined the Group in 2004 and was appointed to the executive committee in 2008. He is responsible for the Group's sustainability strategy. Andrew is a director of the Underground Mining operating platform companies and trustee of the Murray & Roberts Retirement Fund.

Branding & communications
Corporate social investment & Letsema BBBEE
Remuneration & benefits
Strategy
Sustainability
Talent management

COMMITTEE PARTICIPATION
Remuneration & Human Resources Committee
Social & Ethics Committee