

03

ALL OUR PLATFORMS HAVE CLEAR STRATEGIES FOR THE NEXT THREE-YEAR PLANNING PERIOD, AIMED AT FULFILLING THE OBJECTIVES OF THE GROUP'S *NEW STRATEGIC FUTURE PLAN*.

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OIL & GAS

“GLOBAL POPULATION GROWTH AND URBANISATION WILL CONTINUE TO DRIVE DEMAND FOR ENERGY, PARTICULARLY CLEANER-BURNING LNG.”



PETER BENNETT | Business platform CEO

OVERVIEW

The businesses within this platform are:

- Booth Welsh – Ayrshire, Scotland
- CH-IV – Houston, USA
- Clough Enercore – Calgary, Canada
- Clough – Perth, Australia
- Clough Murray & Roberts – Cape Town, South Africa
- e2o – Adelaide, Australia

Instability in energy markets continued throughout FY2016, with the oil price falling to its lowest level since 2003.

The platform's strategy has subsequently been reviewed in light of the prolonged downturn in energy markets and seeks to support its revenue base through:

- Continued geographical diversification of its oil and gas service offerings into international growth markets;
- Continued focus on commissioning and brownfields oil and gas opportunities, in Australia and internationally; and
- Tactical diversification into civil infrastructure markets in Australia.

During the past year, the platform continued to provide a range of engineering, construction, commissioning and brownfield services to some of the world's largest LNG projects, and despite declining market conditions, delivered financial results in line with management expectations.

FINANCIAL

The platform experienced a reduction in revenue and operating profit in FY2016 as a number of the major greenfields LNG projects in Australasia transition from their construction to operations phases. This transition was anticipated and strategies were put in place over previous years to focus the business towards brownfields, maintenance and capital works projects in this market.

The market response to the sudden and significant decline in global energy prices was more abrupt than anticipated. Global energy producers deferred or cancelled several major new projects and, in the short term, deferred discretionary brownfields expenditure to preserve cash.

These macro factors negatively impacted the financial performance of the platform. Revenue decreased to R11,2 billion (FY15: R11,8 billion) while operating profit fell by 37% to R525 million (FY15: R838 million), as clients reduced contracted rates on projects and extended payment terms, and competition for work intensified.

Revenue was generated largely on continuing greenfield Australian LNG projects: Chevron's Wheatstone and Gorgon projects, and INPEX's Ichthys LNG project. The North American, UK and Australian businesses also made material contributions to revenue and this was enhanced with the acquisition of Enercore Projects in Canada, subsequently renamed Clough Enercore.

The order book at year end was R6,4 billion (FY15: R8,4 billion). The reduction in order book reflects the winding down of a number of large projects and the current challenging oil price environment. It is expected that if the oil price stabilises around USD50 per barrel, confidence in the sector could return and project opportunities previously deferred could be reinstated. Through the continued expansion into international markets and the diversification into complementary infrastructure markets in Australia, the platform aspires to contribute significantly to the Group's earnings in future.

LEADERSHIP

On 1 February 2016, Peter Bennett was appointed as the chief executive officer of the platform. Peter succeeded Kevin Gallagher, who resigned to lead a major oil producer in Australia.

During the year the leadership team was strengthened with key appointments. Roberta Selleck (HSSE manager), Christian Ainslie (group general counsel and company secretary) and Lana King (head of human resources), were promoted to the executive committee. Business development was also restructured to be independent of operations and is headed by Raj Ratneser.

Two proprietary programmes were also launched: MAP, which implements and verifies critical controls on high-risk project activities and Clearview Assurance, which optimises governance and productivity on projects.

Operating model

Considering the depressed energy market, the business was rightsized and streamlined to become more competitive in winning smaller projects.

The overhead cost base was significantly reduced, which will result in an annual saving of approximately AUD40 million. The restructuring has eliminated duplication across the business and the previous multiple-unit business structure has been replaced with two regional operating divisions:

- Australia & Asia Pacific Operations; and
- Americas & EMEA Operations.

The two regional operating divisions will focus on delivering specialised EPC services to their respective regions. The operating divisions are also leveraging Clough's client network in Australia to develop and maintain relationships beyond Australia and support the expansion of services across the project lifecycle.

| R MILLIONS | ENGINEERING | | CONSTRUCTION & FABRICATION | | GLOBAL MARINE* | | COMMISSIONING & BROWNFIELDS | | CORPORATE OVERHEADS AND OTHER | | TOTAL | |
|-------------------------|--------------|-------|----------------------------|------|----------------|-------|-----------------------------|-------|-------------------------------|-------|----------------|---------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenue | 2 707 | 4 679 | 126 | 705 | 936 | 2 085 | 6 977 | 3 384 | 466 | 953 | 11 212 | 11 806 |
| Operating profit/(loss) | 329 | 666 | (13) | 103 | (4) | 51 | 735 | 389 | (522) | (371) | 525 | 838 |
| Margin (%) | 12% | 14% | (10%) | 15% | 0% | 2% | 11% | 11% | - | - | 5% | 7% |
| Order book | 1 574 | 4 405 | 1 208 | - | 341 | 832 | 3 306 | 3 209 | - | - | 6 429 | 8 446 |
| Segment assets | | | | | | | | | | | 2 919 | 3 675 |
| Segment liabilities | | | | | | | | | | | 2 072 | 2 808 |
| People | | | | | | | | | | | 1 464 | 2 495 |
| LTIFR (fatalities) | | | | | | | | | | | 0.18(0) | 0.24(0) |

* With effect 1 July 2014, Marine is reported under the Oil & Gas platform under Global Marine.

OIL & GAS CONTINUED



Seven strategic imperatives will underpin the platform’s achievement of its growth aspiration:

| | |
|-----------|--|
| 01 | BUILD A GLOBAL OIL AND GAS EPC AND EPCM PRODUCTS AND SERVICES BUSINESS |
| 02 | BUILD A GLOBAL OIL AND GAS COMMISSIONING AND BROWNFIELDS BUSINESS |
| 03 | SELECTIVELY PARTICIPATE IN THE WATER, POWER AND INFRASTRUCTURE BUSINESS IN AUSTRALIA |
| 04 | ENTER AND GROW THE ASIA PACIFIC OIL AND GAS EPC BUSINESS |
| 05 | GROW THE NORTH AMERICAN OIL AND GAS EPC BUSINESS |
| 06 | GROW EMEA OIL AND GAS EPC BUSINESS |
| 07 | SUSTAINABLY REDUCE OVERHEADS |

➤ “IT IS EXPECTED THAT IF THE OIL PRICE STABILISES AROUND USD50 PER BARREL, CONFIDENCE IN THE SECTOR COULD RETURN AND PROJECT OPPORTUNITIES PREVIOUSLY DEFERRED COULD BE REINSTATED.”

Governance

The platform continues to align its management systems and policy frameworks to the needs of a global business in order to achieve the highest standards of project delivery, business integrity, ethics and corporate governance. Every Clough employee completed Code of Conduct training to reinforce ethical business practices internally and externally.

RELATIONSHIP

Stakeholder engagement

No work stoppages were experienced on any project sites, however a number of matters were taken to various industrial tribunals.

A difficult matter arose on the Wheatstone Hook-up and Commissioning project with a claim from the three maritime unions, relating to personnel supplied by a maritime manning agent to the Accommodation Support Vessel Operator. The platform provided significant support to its lower-tier contractors and directed their strategy on this case. The Maritime Union of Australia has now withdrawn their claim and defence of this matter saved our client approximately AUD8 million.

Managing human capital

The platform remains committed to providing ongoing development opportunities for its people. In the pursuit of excellence, individual development needs are assessed predominantly through the annual performance review and capability review processes.

The approach to talent management was reinvigorated during the year, with a bespoke online tool launched to support the process.

The PMA, launched in FY2015, has continued with strong executive support and a committed cohort of participants. During the year, all initial participants successfully completed Level 1 training, with Level 2 commencing in May 2016. Level 2 modules are designed to teach participants best practice approaches for the various project lifecycle activities and include learnings to enhance both technical and leadership skills. Completing Level 2 training is expected to take 18 months. The deployment of an online solution allows for efficient training, irrespective of work location.

Refining the approach to learning and development over the next 12 months is critical to maximise the reach and effectiveness of the development spend. Focus areas are leadership development, the PMA and other business-critical training.

OPERATIONAL

Project activity declined during the year as the projects that were under construction reached completion, with no new construction projects awarded. Geographic expansion continued as the platform develops its global network of engineering and operating centres. The platform currently has no projects in distress.

Australia & Asia Pacific Operations

This division was the largest contributor to platform revenue and profit, although its performance was impacted by the sharp decline in global energy prices, which caused clients to renegotiate contract terms, extend payment terms and delay future project investment. This trend is expected to continue into FY2017. Significant reduction in expenditure was required to preserve gross margins and remain cost competitive in pursuing smaller brownfields and maintenance project opportunities.

Major project work was completed on projects in Australia, including the construction of the first LNG Train on the Gorgon LNG Project with construction on Trains 2 and 3 continuing.

The Wheatstone LNG Jetty was completed ahead of schedule, which established a good basis for the commercial settlement negotiations on several unresolved claims. The Wheatstone Jetty project won the Group's project of the year safety award.

Subsidiary company e2o continued to support clients, performing commissioning work on the Gorgon and Wheatstone LNG projects. As these projects move into their operational phases, e2o will continue to provide ongoing operational support. Strong operational performance was also delivered on the hook-up and commissioning contract for the offshore Wheatstone platform, and substantial hook-up contracts were secured on the Ichthys LNG project offshore facilities, thereby continuing Clough's leading role on this project.

The Clough-Amec Foster Wheeler joint venture continued to undertake work on the ConocoPhillips Bayu-Undan contract, successfully completing scheduled maintenance work during the year. Clough continued to provide brownfield services to support Chevron and ENI's Australian operations, which present opportunities for future project work.

Americas & EMEA Operations

The near-term future will continue to present ongoing challenges and uncertainties due to the cyclical nature of the oil and gas industry. However, the division is structured and positioned to grow the relevance, size and capability of its global operations, and forging long-term relationships with clients in this region will be important to secure work and repeat business.

Solid advancements and results were achieved in line with the platform's global expansion strategy. The platform is continuing to grow its bolt-on acquisitions through leveraging the niche capabilities of these subsidiary companies across the platform's global operations and expanding their service offerings across the project value chain.

CH-IV, acquired during FY2015, continued to grow in line with expectations, securing a number of small but key contracts with Eagle LNG, National Grid and Freeport, providing specialist front-end engineering and regulatory support services. These contracts support the platform's *Early Contractor Involvement* strategy of securing front-end work on projects with the ultimate objective of taking on larger full EPC work packages during the project implementation phase.

EC&I engineering firm Booth Welsh, also acquired during FY2015, continued to further develop specialist EC&I products and services. These products and services provide benefits to clients through achieving improved asset performance in areas such as process efficiency, automation, operating costs, reliability and safety. Booth Welsh secured extensions of several framework agreements in the UK with clients such as GlaxoSmithKline, EDF Energy, Scotia Gas Networks and DSM.

During FY2016, the engineering company Enercore Projects was acquired to establish a permanent presence in Canada and now provides engineering capability and operational flexibility to support the delivery of projects in the North America region.

A regional structure has been implemented based on a project operations approach. During the year, there was a strong focus on operational performance and technical excellence, including HSSE performance, improvement of project delivery processes, enhanced functional support services, intercompany support and work share. A key focus has been cost control and aligning cost levels to current market conditions. Further steps are underway to establish stronger project delivery capability across the region.

Currently, corporate M&A activity is focused on developing EPC capability in the North American markets.

OIL & GAS CONTINUED**RISK****Health and safety**

The platform has maintained a strong safety performance, celebrating 224 consecutive days LTI free at year-end.

During the year, the platform continued to apply its award-winning (2015 Coffey IFAP Safety Innovation Award) MAP programme. The implementation of the programme has had a positive impact with no fatal incidents recorded since the programme's formal inception in January 2015.

Projects across the platform have committed to strong HSSE awareness with continual improvement in the reporting of leading indicators. The Wheatstone Jetty project has been recognised through the Best Safety Performance at Project Level award by the Group. The project was successfully completed and fully demobilised in June 2016 without any lost time incidents. The project duration was two and a half years with 1.65 million man-hours worked.

Technical and structural improvements were introduced to the HSSE management system during the year to better meet business requirements and align with the Group HSE Framework.

Environment

The platform has sustained a strong environmental performance with no serious environmental incidents or incidents of non-compliance occurring during FY2016.

Significantly, the quarantine management programme implemented by Kellogg Joint Venture (Clough share 20%) to support the Gorgon LNG project, has provided biosecurity of the Barrow Island Class "A" nature reserve. This programme involved inspection and as required fumigation of all mobile plant, equipment and supplies to prevent the introduction of any plant, animal or other biota to the waters and island throughout the five years of the construction programme.

In collaboration with clients, projects have continued to implement waste management programmes, which reduce waste generation from shipping and packaging, while optimising recycling of construction materials.

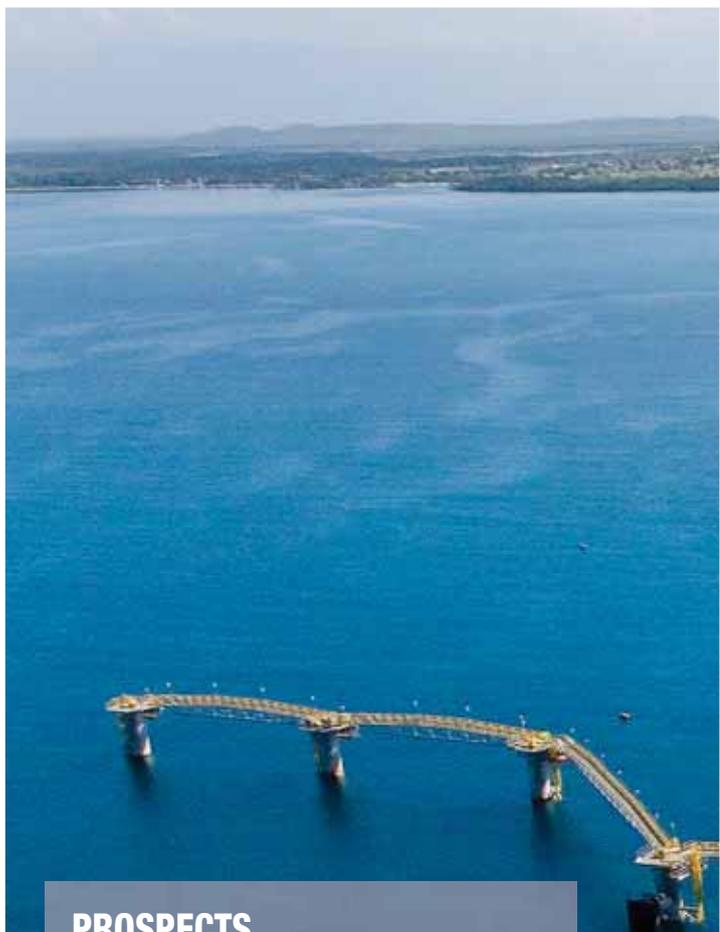
The platform continues to monitor greenhouse gas emissions with the direct carbon footprint related to power consumption remaining at low levels. During FY2016 a reduction in air travel resulted in a 32% decrease in air travel-related CO₂ equivalent emissions per capita.

Risk management

The platform actively reviews enterprise and business risks to ensure controls are being progressed and closed-out in line with commitments made by the various risk control owners. This year, a project governance module was presented to the project management academy cohort. This module included training on the Group contracting principles, commercial principles and Clough risk management processes.

To further business development, relationships with clients and potential joint venture partners are being expanded.

Operating cost reduction remains a key focus area. This includes the optimisation of commercial office space in West Perth and Perth CBD offices, the implementation of a group-wide brokered cloud-based IT service delivery model and optimising divisional support costs and indirect project costs.

**PROSPECTS**

The energy markets remain depressed and are expected to remain depressed for the next 12 to 18 months. The catalyst for improved market conditions will be an increased and more stable oil price. The platform is well positioned in the market and its international expansion plans will bear fruit when new project investment in the energy sector returns.

As a result of the depressed markets, an even stronger emphasis will be placed on order book growth throughout the coming year. Global business development will be enhanced through a newly appointed business development and commercial team, which will focus on the following priorities:

- International expansion opportunities;
- Presenting to clients the full project lifecycle service offering and contracting model; and
- Focusing on existing relationships with clients in Australia to be better positioned for participation in their international LNG projects over the medium term.

The platform will continue with the global expansion of its oil and gas EPC project services in growth markets, particularly in Asia and North America, as well as selected African markets. Business in Australia will primarily come from commissioning and brownfields opportunities on LNG facilities, which is a large and growing market, although highly competitive, as well as selected government infrastructure project opportunities.



SHAREHOLDERS'
INFORMATION

SUMMARISED
FINANCIAL REPORT

GOVERNANCE, RISK AND
REMUNERATION REPORTS

BUSINESS
PLATFORM REVIEWS

LEADERSHIP REVIEW

GROUP OVERVIEW

UNDERGROUND MINING

“THE PLATFORM’S SUCCESS IN SECURING PROJECTS ASSOCIATED WITH MINING COMPANIES’ ONGOING INFRASTRUCTURE REPLACEMENT AND DEVELOPMENT SPEND CONTRIBUTED TO THE PLATFORM’S IMPROVED PERFORMANCE DURING FY2016.”



DR ORRIE FENN | Business platform CEO

OVERVIEW

The businesses within this platform are:

- Cementation AG – Salt Lake City, Canada
- Cementation Canada – North Bay, Canada
- Cementation USA – Salt Lake City, Canada
- Cementation Sudamérica – *The office was closed in March 2016 and will now be serviced from North Bay, Canada*
- Merit Consultants International
- Murray & Roberts Cementation – Johannesburg, South Africa
- RUC Cementation Mining – Perth, Australia

Underground Mining’s geographic footprint is extensive and its service offering spans the project value chain including specialist engineering, shaft construction, mine development, specialist mining services including raise boring and grouting, and contract mining.

The platform is currently working on the construction of 15 shafts and eight decline projects in Canada, USA, Australia, South Africa, Zambia and Indonesia, and employs 50 raise and blind-hole boring machines globally; one of the largest fleets of ‘large-diameter’ boring machines in the world. The platform has also sunk the deepest single-lift shafts in South Africa (South Deep: 3 000m), USA (Resolution: 2 100m) and Canada (Kidd: 1 600m).

Notwithstanding the impact of weak commodity prices, the Underground Mining platform recorded a robust financial performance. Mining companies continued to preserve capital, which limited the number of project opportunities associated with new mines. The platform’s success in securing projects associated with mining companies’ ongoing infrastructure replacement and development spend, contributed to the platform’s improved performance during FY2016.

FINANCIAL

Revenues increased 16% to R8,8 billion (FY15: R7,6 billion), and operating profit increased 23% to R506 million (FY15: R411 million). While still strong, the order book declined to R14,2 billion (FY15: R16,8 billion), due to the cancellation or postponement of several large projects where the businesses had either been awarded the project, were frontrunners, or were one of two preferred bidders. The order book includes R4,8 billion for the Kalagadi project, which is yet to commence.

During the year, the impact of loss-making projects in Murray & Roberts Cementation was negligible, with Sasol's Impumelelo coal mine project, after four years of posting losses, delivering a profit. Booyensdal and Venetia underperformed, affected by community unrest. Murray & Roberts Cementation's African (outside of South Africa) projects performed well.

The North American operations delivered a strong set of results with both Cementation Canada and Cementation USA exceeding expectations.

RUC Cementation Mining delivered results well above the previous year due to its service offering and geographic diversification strategies.

The Cementation Sudamérica office in Santiago was closed as part of a cost cutting initiative, and this market will now be serviced from North Bay. The closure cost, although not material, negatively impacted platform performance.

LEADERSHIP

Key to the platform's growth strategy is a focus on early engagement with clients through upstream engineering work, and establishing long-term, annuity income opportunities through downstream contract mining work. This is done with the emphasis on developing 'life-of-mine' relationships with clients. Including the Kalagadi Manganese project, over 50% of the platform's order book is contract mining-based, the majority being for mid-tier mining clients. It is uncertain when the notice to proceed on the Kalagadi project will be received. The platform has contract mining contracts in South Africa, Australia, the USA and Canada and aims to grow its portfolio of contract mining projects further.

Murray & Roberts Cementation is leveraging the capabilities of the other businesses in the platform to enhance its competitive position locally and in Africa. The involvement of RUC Cementation

Mining both operationally and when compiling tenders, has proven effective on trackless mining opportunities, and the objective is for Murray & Roberts Cementation to further develop its trackless mechanised mining service offering considering the pipeline of opportunities that will be utilising this mining method. In some regions on the African continent, the business is investigating partnering with local companies to improve its prospects. The Zambia office has demonstrated the success of the platform's strategy to establish a local presence in targeted geographic regions.

Murray & Roberts Cementation is focused on improving its risk, project and commercial management to maintain and enhance project margins. To improve its project management capability, project managers and key project support employees are required to complete a certified project management programme, aligned to the Murray & Roberts Project Management and Project Assurance Frameworks, under the auspices of the International Project Management Institute. The business has also continued to develop its project management office, which drives project management excellence through increased project oversight and assurance at all levels of operation.

North America has been identified as an attractive region for future growth. Cementation Canada carries out work from coast-to-coast, operating from its base in Ontario with offices in Quebec and British Columbia. To bolster organic growth, Merit Consultants International was acquired in November 2015. Based in Vancouver, Merit Consultants International provides a full range of project and construction management services to the global mining industry, and establishes a Canadian west coast presence for Cementation Canada to provide further access and support to the mining industry in British Columbia and surrounding provinces.

Cementation USA is now established as one of the USA's leading mining contractors. A new services business, Cementation AG, was formed in March 2015 to serve as an entry point into the mining and minerals bulk material handling sector. Operating out of Salt Lake City, the business is actively involved in several projects.

In South America, progress in growing the platform's regional footprint has been slow. After minimal opportunities over the past four years the office in Santiago was closed. Raise boring, engineering and other speciality work in the region is still being tendered with support from both Cementation Canada and Cementation USA.

| R MILLIONS | AFRICA | | AUSTRALASIA | | THE AMERICAS | | TOTAL | |
|-------------------------|----------------|---------|----------------|--------|----------------|---------|----------------|---------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenue | 3 640 | 3 770 | 1 392 | 830 | 3 756 | 2 965 | 8 788 | 7 565 |
| Operating profit/(loss) | 86 | 117 | 125 | 61 | 295 | 233 | 506 | 411 |
| Margin (%) | 2% | 3% | 9% | 7% | 8% | 8% | 6% | 5% |
| Order book | 9 731 | 11 877 | 1 924 | 1 812 | 2 603 | 3 058 | 14 258 | 16 747 |
| Segment assets | 955 | 1 170 | 809 | 620 | 1 867 | 1 613 | 3 631 | 3 403 |
| Segment liabilities | 944 | 1 064 | 205 | 119 | 724 | 596 | 1 873 | 1 779 |
| People | 5 407 | 5 745 | 919 | 659 | 1 048 | 1 168 | 7 374 | 7 572 |
| LTIFR (fatalities) | 2.39(1) | 2.25(2) | 0.51(0) | 0.0(0) | 2.08(0) | 1.67(1) | 2.11(1) | 2.00(3) |

UNDERGROUND MINING CONTINUED

“THE PLATFORM IS CURRENTLY WORKING ON THE CONSTRUCTION OF 15 SHAFTS AND EIGHT DECLINE PROJECTS IN CANADA, USA, AUSTRALIA, SOUTH AFRICA, ZAMBIA AND INDONESIA, AND EMPLOYS 50 RAISE AND BLIND-HOLE BORING MACHINES GLOBALLY; ONE OF THE LARGEST FLEETS OF ‘LARGE-DIAMETER’ BORING MACHINES IN THE WORLD.”

RUC Cementation Mining continues to expand and promote its mine development service offering, driven by a new brand and market positioning strategy, and is actively exploring opportunities to further expand into the Asia Pacific region where the majority of its revenue is now generated.

David Meyer, previously Murray & Roberts Group corporate finance executive, was appointed as platform chief financial officer, succeeding Daniël Grobler who was appointed managing director of Murray & Roberts Cementation in June 2015.

Leadership development remains a priority in line with the Group’s Talent Management Framework. Talent reviews were conducted to assess the strength for leadership and senior management succession. Developmental plans are in place to ensure the platform’s leadership is empowered to deliver on its strategic objectives.

Transformation and diversity remain key focus areas in the South African operation, which retained a Level 4 rating under the current Construction Sector Charter. It is expected that this rating will move to Level 5 when assessed against the new codes.

RELATIONSHIP

Ongoing collaboration among the Underground Mining platform businesses provides a competitive advantage. The mechanised mining skills and expertise of the Australian operations, and specialised shaft sinking skills of the North American operations, continue to complement the South African operation’s capabilities, particularly during the tendering process.

The platform’s ‘life-of-mine’ strategy, which is to work with clients to provide a service over an extended period of time, is a key component underpinning platform performance, as is evident in FY2016 results with respect to the increasing contribution from contract mining.

Maintaining positive employee relationships contributes significantly to project performance. Good progress was made in the implementation of specific components of the Employee Relations Framework in the South African operations. The framework aims to understand and address issues that inhibit performance as well as issues that influence morale and organisational culture within the business. A three-year wage agreement between Murray & Roberts Cementation and its industry unions was concluded.

The shortage of production, engineering and technical skills in South Africa continues to be a major concern, as is the movement of skilled staff between employers. To address this, Murray & Roberts Cementation is focusing on retention, skills development and establishing a strong succession pipeline. It also participates in the annual Deloitte Best Company to Work For survey to understand and implement what is required to qualify as an employer of choice. RUC Cementation Mining participated in the survey for the first time and received positive feedback from its employees. Cementation Canada has been recognised six times as one of Canada’s Top 100 Employers by Mediacorp, and twice as one of The Financial Post’s Ten Best Companies to Work For.

The company has also been recognised as one of the safest employers in Canada over the last two years.

Skills development is undertaken through the platform's world-class training facility at Bentley Park, Carletonville. The facility is ISO 9001, ISO 14001 and OHSAS 18001 certified, and is accredited by the Mining Qualifications Authority to provide training in engineering, mineral extraction and occupational health and safety, and to offer Adult Basic Education and Training. It is also a member and approved training provider of the British Safety Council in the areas of health, safety and risk.

OPERATIONAL

Murray & Roberts Cementation progressed its Africa strategy through the Kitwe office in Zambia, completing the shaft sinking and equipping at Mopani Copper's Synclinorium mine and making good progress on the shaft sinking and mine development at their Mufulira mine. In South Africa, two projects performed below expectation: De Beers' Venetia mine project (where the Canadian mechanised method of shaft sinking is being used for the first time in South Africa), and Northam Platinum's Booyendal mine, which were both affected by community unrest, impacting productivity. Initiatives are underway to restore tendered margins on both projects.

Market conditions in Australia improved, particularly in the gold mining sector and for large-diameter raise boring work. There were further increases in the scope of work at the Freeport project in Indonesia where RUC Cementation Mining has been successful in transferring skills to the local workforce. The Saracen Minerals Karari gold mining project received a one-year contract extension. Here, contract mining has commenced, Load Haul Dumpers are being used. Automated production drilling is under consideration.

Raise boring activity was significantly up on the prior year with fleet utilisation approaching 70%. Key raise boring work secured included projects at Newmont Mining's Callie mine, Sandfire's Degussa mine, Western Areas' Spotted Quoll mine and at Freeport and Karari. The order book for FY2017 currently exceeds FY2016 revenue. RUC Cementation Mining was unsuccessful in securing work at Rio Tinto's Oyu Tolgoi in Mongolia.

Cementation Canada posted strong returns driven by good performances from Compass Minerals' Goderich shaft rehabilitation and Rio Tinto's Diavik contract mining projects, among others. It was also awarded a contract to develop Pretium Resources' Brucejack gold mine in Northern British Columbia. Cementation Canada continued to make inroads into the European market with engineering-led projects including Sirius Minerals' York Potash mine, but despite being one of two shortlisted contractors for the shaft sinking work, failed to secure the downstream construction work.

Cementation USA continued to perform well at Lundin's Eagle mine and Rio Tinto's Kennecott mine. Cementation USA's work at Lundin's Eagle Mine includes a best-in-class safety record, bringing the mine into production three months ahead of schedule, and exceeding targeted production rates. Based on this performance, Cementation USA has recently been awarded a 'life-of-mine' production contract at Eagle and will continue to carry out all underground development and production operations associated with the orebody.

RISK

Regrettably, one fatal incident was recorded during the year when Mike Mwenda sustained fatal injuries at the Mufulira shaft sinking and development project in Zambia. Murray & Roberts Cementation has extended its condolences to the family of the deceased.

The platform fully subscribes to the Group's HSE Framework, measuring its safety performance by focusing on both lag and lead indicators. LTIFR at year end was an industry-leading 2.1, despite the negative impact on Murray & Roberts Cementation of disruptions caused by community unrest at certain projects. RUC Cementation Mining's 30-month run without a LTI ended in January 2016. On a positive note, there was a three-fold reduction in high potential incidents recorded during the year, while the platform commenced rollout of the MAP programme designed to prevent serious incidents and fatalities on projects. The platform continually seeks to address differences in safety performance between the South African and international operations by identifying and sharing best practices.

Murray & Roberts Cementation, Cementation Canada and RUC Cementation Mining are OHSAS 18001, ISO 9001 and ISO 14001 accredited. No environmental issues were encountered during the year.

Each business has its own risk register which is reviewed and updated monthly. The platform chief executive officer also reviews the platform's overall risk profile on a quarterly basis for discussion at Murray & Roberts Limited's risk committee. All project opportunities are logged on the Opportunity Management System, which tracks and processes opportunities and subjects them to a series of risk tolerance filters to develop a project-by-project risk profile. Projects that do not meet the requisite risk profile are presented to the risk committee for approval. With the focus on managing concentration of risk in the client base, the overall project portfolio is based on a wide spread of commercial and contractual arrangements. In South Africa, the lack of specialised contracting and shaft sinking skills, which directly impacts the platform's ability to deliver on projects, and the ongoing threat of industrial action, are considered key risk areas.

PROSPECTS

The platform anticipates demand for commodities to increase in the medium term as the commodity cycle bottoms out and demand and prices increase. There is a large investment pipeline of underground projects in regions where the platform has a presence, while mining companies' ongoing infrastructure replacement spend to sustain their operations will continue. With its global footprint, and the ability to pool and leverage its resources, the platform is well-placed to win and execute work for its clients when market conditions improve. Most key commodities are represented in the current portfolio of projects and significant opportunities for organic growth will arise when mining activity picks up.

POWER & WATER

“THE PLATFORM’S SERVICE OFFERING SPANS THE FULL PROJECT LIFECYCLE, FROM PROJECT DEVELOPMENT TO EPC, WITH A FOCUS ON TRADITIONAL MECHANICAL, ELECTRICAL AND INSTRUMENTATION CONSTRUCTION SERVICES, AS WELL AS OPERATIONS AND MAINTENANCE SERVICES.”



STEVE HARRISON | Business platform CEO

OVERVIEW

The businesses within this platform are:

- Murray & Roberts Power & Energy, with a primary focus on the Medupi and Kusile power programme, as well as opportunities in the power and other complimentary markets (oil, gas, resources and minerals); and
- Murray & Roberts Water (including Aquamarine Water Treatment) with a specific focus on water and wastewater treatment (domestic and industrial).

The Power & Water platform underwent extensive restructuring in the final quarter of FY2015, following substantial losses recorded on several projects. In early FY2016, a further alignment of focus and organisational adjustment was undertaken to enhance the platform’s project delivery and business development capability.

The platform’s service offering spans the full project lifecycle, from project development to EPC, with a focus on traditional mechanical, electrical and instrumentation construction services, as well as operations and maintenance services. The platform’s capacity and capability is complemented by strategic partnerships.

The platform was appointed as preferred bidder for the George Biomass project, under the Small Projects Renewable Energy programme by the South African Department of Energy. While a relatively small project, Murray & Roberts Power & Energy will participate as a developer, EPC contractor and operator, which is of strategic significance. Murray & Roberts Power & Energy also secured a power station refurbishment contract in Botswana. Furthermore, South Africa and the rest of Africa lack water treatment capacity and current infrastructure is ageing, which provides opportunities in the medium to long term.

The platform leads the Group’s focus in West and East Africa with offices in Accra, Ghana and Maputo, Mozambique. Murray & Roberts Power & Energy currently has an EPC fuel storage project in Takoradi Port, Ghana and there are emerging gas-to-power projects that the platform is tracking with its partners in Mozambique.

FINANCIAL

Revenue increased to R4,3 billion (FY15: R3,6 billion) and the order book was stable at R6,7 billion (FY15: R6 billion). The platform recorded an operating profit of R27 million (FY15: loss R152 million) despite significant write-offs on legacy projects amounting to R230 million. The Medupi and Kusile power projects remain the largest contributors to platform revenue and profit.

Genrec experienced challenging market conditions and recorded a loss of R108 million (FY15: R18 million). Genrec is the Group's only manufacturing business, following the sale of several construction product manufacturing businesses in prior years. The Group has decided to divest from Genrec and has engaged in a sales process with prospective buyers. Due to the decision to divest from Genrec, these results are reported as part of discontinued operations and not as part of the platform's results.

Platform overhead costs were reduced and all projects undertaken in the power, water and complementary market sectors returned profits in the year.

The corrective action taken during FY2016, particularly with respect to project and commercial management and the reduction in overhead costs, will position the platform well to increase profitability in FY2017.

LEADERSHIP

The first task of the newly appointed platform chief executive, Steve Harrison, was to stabilise the platform after the restructuring, by ensuring that the strategy was understood by all internal stakeholders and that clear performance targets were set and assuring alignment in management effort. Significant time has been invested in defining and refining the platform's strategy and putting detailed execution plans in place.

The platform's objective is to grow its power and water business in sub-Saharan Africa and selected international markets. The strategic intent to provide a more complete specialist project service to clients across the project lifecycle is receiving executive attention. This includes growing the platform's repair, operations, maintenance and shutdown capabilities across all market sectors. The completion of the Eskom power programme at Medupi and Kusile will create significant opportunity for maintenance services that could be

provided by Murray & Roberts Power & Energy's skilled and experienced workforce, having previously worked on these projects.

During FY2015, brand awareness campaigns and marketing initiatives were undertaken, aimed at increasing the platform's profile as an EPC and operations and maintenance contractor in the power and water sectors in Africa. This effort has resulted in a number of approaches to the platform with a view to partnership and collaboration.

The platform remains committed to the enhancement of its leadership capabilities and strength. A renewed focus on performance management has been launched together with supporting development programmes. South Africa is experiencing a shortage of skilled artisans and supervisors, and the platform is committed to developing these skills.

A medium-term plan has been implemented to employ national professionals in the African hubs to ensure legislative compliance, adherence to local customs and to grow business. Well-respected national business leaders in the platform's sectors of operation have been appointed to the respective company boards in non-executive director roles to help facilitate these objectives.

The platform achieved a BBBEE Level 3 rating based on the current code of good practice. It is expected that this rating will move to Level 4 on the new codes and initiatives are underway to improve on this score. Transformation continues to be a challenge in top management, however this year 60% of promotions to middle management levels were from black employees (African, Coloured and Indian). This result is underpinned by the fact that 74% of junior management is black, with many being developed and coached for advancement. Employment equity is the single biggest area for improvement with respect to the BBBEE rating.

RELATIONSHIP

The platform invests significant time and resources in developing relationships to better understand our stakeholder issues, developing business opportunities, obtaining access to selected technologies, entering new project value chain segments and mitigating risk.

Skilled and experienced employees are key to successful project delivery and in this respect, the platform's current headcount is

| R MILLIONS | POWER PROGRAMME ¹ | | OTHER ² | | TOTAL | |
|-------------------------|------------------------------|-------------------|--------------------|-------------------|---------|-------------------|
| | 2016 | 2015 ³ | 2016 | 2015 ³ | 2016 | 2015 ³ |
| Revenue | 3 600 | 2 827 | 676 | 790 | 4 276 | 3 617 |
| Operating profit/(loss) | 216 | 170 | (189) | (322) | 27 | (152) |
| Margin (%) | 6% | 6% | (28%) | (41%) | 1% | (4%) |
| Order book | 5 892 | 5 194 | 791 | 804 | 6 683 | 5 998 |
| Segment assets | 1 146 | 845 | 556 | 1 019 | 1 702 | 1 864 |
| Segment liabilities | 886 | 719 | 460 | 469 | 1 346 | 1 188 |
| People | 5 282 | 4 995 | 565 | 1 279 | 5 847 | 6 274 |
| LTIFR (fatalities) | 0.70(0) | 0.41(0) | 0.70(0) | 0.23(0) | 0.70(0) | 0.35(0) |

¹ Power programme contracts.

² Includes Power & Water non-power programme projects.

³ Restated for discontinued operations.

POWER & WATER CONTINUED

around 6 400 employees, of which 213 are head office based, providing operational enablement and shared functional and commercial support.

In the organised labour environment, skills transfer and development remain high priority issues. The platform is responding through training and development, as well as the strategic initiative to build a high performing core group of artisans and supervisors.

Numerous engagements with union leaders were undertaken to prevent strike action, however the Medupi project experienced major unprotected strike action towards the end of FY2015, with the effects continuing well into FY2016.

In FY2016, the platform spent R62 million on skills development. The majority of this investment was aimed at technical upskilling through targeted learnerships and apprenticeships. Merseta continues to provide support and guidance to our training initiatives.

As at end of FY2016, 1 305 (FY15: 1 209) employees on the Medupi and Kusile projects had successfully completed training, exceeding contractual obligations. The platform continues to invest in the development of artisans, with an additional 12 and 178 apprentices currently in training at Medupi and Kusile. To date, a total of 1 305 apprentices have been trained on these projects.

Relationship building with existing and potential partners has been a key focus and has created better awareness of the Murray & Roberts brand and platform service offering. Joint ventures and consortiums are key elements of the platform strategy, both from a growth perspective and to mitigate risk. A joint venture has been developed with an international EPC company operating in the South African market to provide shut-down, operations and maintenance services in the power sector. Several small projects have been undertaken by this joint venture and the platform intends to grow this relationship to expand this area of business.

The platform has engaged with large Asian companies that are increasingly active in South Africa and the rest of Africa, and two power station opportunities in South Africa are being pursued in the Independent Power Producer coal-fired sector, which are close to preferred bidder status.

In the water sector, the partnership with Hyflux has been revisited and positions the platform to participate in large desalination projects. Murray & Roberts Water has recently secured access to a unique wastewater treatment technology, through a licensing arrangement with Organica from Hungary, a global provider of innovative solutions for the treatment and recycling of wastewater. This technology provides a differentiated offering with advantages over traditional technologies, and a targeted approach will be adopted for significant opportunities that are suitable for this type of technology.

OPERATIONAL

At the end of FY2015 the platform integrated Murray & Roberts Resources & Industrial and Murray & Roberts Electrical & Control Systems under the Murray & Roberts Power & Energy business as part of its rationalisation. Major write-offs were taken in FY2015 on projects undertaken in these two businesses. Unfortunately, additional significant and final write-offs were taken in FY2016 on these legacy projects.

As a result of this organisational restructuring, more robust governance processes have been implemented with executive oversight on project performance reviews. Considerable improvement in project delivery was experienced in FY2016.

During FY2016, mechanical boiler construction at the Medupi and Kusile power stations continued in terms of the contract with Mitsubishi Hitachi Power Systems Africa. At Medupi, Unit 6 has been synchronised and is in commercial use; Unit 5 first fired on oil during June 2016, a significant milestone; and Unit 4 has been hydro tested. At Kusile, after successful hydro testing the chemical cleaning process on Unit 1 is in preparation, to be followed by hydro tests on Unit 2.

Business development is committed to securing an order book to replace work on Medupi and Kusile, which will be substantially completed in FY2019. In the power market, the platform is targeting opportunities in the Renewable Energy Independent Power Producer Procurement Programme sector and is well positioned to secure work in the coal, solar and future gas-to-power sectors. Obtaining preferred bidder status on the George Biomass project was an important achievement, as it comprises

full project lifecycle participation, including equity participation as a developer for Murray & Roberts Limited.

In line with its objective to provide repair, operations and maintenance services to the power sector, the platform secured work as a subcontractor to Korean EPC Doosan Heavy Industries on the Morupule A project in Botswana. This project provides an important entry point into the Botswana power sector, potentially presenting brownfield and greenfield opportunities.

With a mandate to operate in complementary markets, the platform has consolidated its capacity and capability in the oil and gas market with its Secunda facility in its third year of operation, with a primary focus on supporting Sasol's operations. Electrical and instrumentation services are being provided on projects in Namibia and South Africa.

Aquamarine Water Treatment increased its revenue in FY2016 and continues to grow its sales network into Africa. Aquamarine is offering water chemicals to complement its existing services and received its first orders from Eskom and Sasol.

Geographically, the platform has made inroads into sub-Saharan Africa by leveraging the Murray & Roberts brand and through successful project delivery. In Ghana, the platform completed a small project for Subsea 7 in the port of Takoradi and at the same location, a fuel storage tank project for GOIL is underway, to be completed early in calendar year 2017. The platform has a presence in the Takoradi port and a number of new prospects have been identified that will provide opportunities. A successful electrical and instrumentation project is nearing completion at the Husab uranium mine in Namibia. During the year, the water business successfully delivered projects in Ghana and Kenya.

RISK

Safety remains a top priority for the platform and its clients and safety issues are dealt with swiftly and with executive-level support and intervention. Safety plans are openly shared with clients who are also included in platform safety improvement initiatives.

The platform's health and safety performance proved challenging in FY2016, with the LTIFR increasing to 0.76 (FY15: 0.37) which translates to 12 lost-time injuries with more than 15 million man-hours worked. Kusile achieved a particularly notable safety performance of 10.6 million man hours without a LTI and achieved 98% in the Fatal Risk Control Protocol third party audit. All businesses are OHSAS 18001 and ISO 9001 and ISO 14001 certified.

The platform leadership team is committed to achieving industry-leading HSE results. A pilot programme, based on behavioural concepts, is underway and aimed at modifying behaviours to support HSE improvement initiatives. The Group's MAP programme has been implemented at Medupi and Kusile, and will be fully implemented on all projects during FY2017.

Improvements have been made with respect to risk and opportunity management through the formalisation of a management methodology, covering project, functional department and platform risk.

PROSPECTS

The platform has identified a substantial project pipeline of opportunities in sub-Saharan Africa, both in the near and medium term. However, competition in this market is strong.

The Department of Energy's Baseload Coal Independent Power Producer Programme and the South Africa gas-to-power programmes remain a key focus and developing relationship with a view to strategic collaboration opportunities will continue into FY2017. In Mozambique, the platform is actively engaged with clients that are developing gas-to-power projects.

Significant investment in the oil and gas operation in Secunda, to support services to Sasol, and recent project delivery success, together with HSE initiatives, have positioned the business for growth.

As was experienced in the last year, it is likely that emergency water situations will continue to arise. To position itself to respond better to these emergencies, Aquamarine has invested in water treatment plants that can be provided at short notice as 'off the shelf' products. The first of these plants will be available during the first quarter of the new financial year, for sale or rental, with water quality and quantity guaranteed. With these water treatment plants in inventory, the rapid deployment of containerised water treatment solutions is a reality.

In the water sector, growth is expected to come from the wastewater treatment sub-sector as there is increasing environmental pressure to upgrade dysfunctional wastewater treatment plants and to reuse treated effluent. Growth is also expected in the industrial sector as industry looks to water security through reuse and recycling to save water and reduce costs. Aquamarine's containerised water and wastewater treatment solutions are highly transportable and rapidly deployed, providing an opportunity for broader market participation. Acquisition of technology in the industrial water treatment sector, specifically AMD, is being sought for conclusion in FY2017. AMD is an international issue and as such, any viable technology will be in high demand.

Growth will be mainly organic, supported by targeted acquisitions to better position the platform for opportunities in the market, as well as to expand and complement its existing service offering. The platform has identified the need for diversification into international markets and initial assessment of potential mid-tier international power engineering companies as acquisition targets is underway.