Our business

Group chief executive's and financial director's report PG 26

As a specialist mining services contractor, we optimise capital investment in critical infrastructure, for the long-term benefit of global clients, host countries and local communities.

Our core business is engineering and contracting services in the global mining sector, with a presence in regions attracting capital investment. Our mining services brands are well respected, with strong client relationships, a reputation for excellence, good quality order books and strong project pipelines. While cyclicality is typical of our markets, the transition to a lower-carbon energy future and regional investment in infrastructure-led socioeconomic development, provide long-term underpin to our profit potential.

After the devastating impact of the COVID-19 pandemic, our strategic focus in the medium term is to stabilise the liquidity of the Group, protect profitability and free up financial headroom for investment in growth. As an ethical and responsible multinational global citizen, our commitment to sustainable human development over the long term continues to define both how we do business and the business we do.

The Murray & Roberts Group

Multinational specialist engineering and contracting services to the global mining sector.

Regional interest in power, industrial and water sectors.

STOP. THINK. ACT. 24/7: SAFE OUTCOMES IN EVERYTHING WE DO

PURPOSE

Enabling fixed capital investments that support the advancement of sustainable human development.

VISION

To be a leading multinational engineering and contracting group that applies our project life cycle capabilities to optimise fixed capital investment.

VALUES

Integrity | Respect | Care | Accountability | Commitment

Engineered Excellence

"Our mining services brands are well respected, with strong client relationships, a reputation for excellence, good quality order books and strong project pipelines."

Capital investment in the global mining sector will grow as the world moves to sustainably meet the needs of a growing and urbanising global population, and to solve socioeconomic imbalances, environmental degradation and climate change.

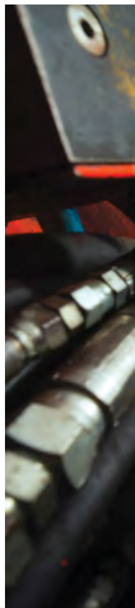
Our commitment to **safe outcomes in everything we do**, grounds our aspiration to make Zero Harm a reality. Our HSE track record compares favourably with global peers and clients.

Our businesses are well-led, -positioned, -governed and -diversified. They have the management structures, systems and capabilities needed to thrive in their markets. Active across the project life cycle, they provide specialised and competitive service offerings that diversify their revenue and margin mix.

Our **businesses are expected to align** to our Values and operate according to our philosophy of *Engineered Excellence*. This underpins our aspiration to compete and grow sustainably, to enhance stakeholder trust in the Group and our industry, and to advance sustainable human development in what we do, and how we do it.

Integrated thinking

Sustainability report



Sustainability thinking is integrated in the way we execute our projects and conduct our business, and we operate under high expectations and stringent ESG guidelines. These protect our reputation as a well-governed, ethical, and responsible multinational organisation. Harmonising ESG imperatives with commercial opportunities is seen by the Board as an ethical obligation for the Group. It is also a requirement on which clients and funders insist and an important source of competitive differentiation for our business platforms.

ESG is integrated into our decision-making processes as we strive to understand, measure and manage the full impact of the decisions we make. The Group sustainability framework (below) governs and focuses our approach to managing the pertinent risks and opportunities, impacts and outcomes related to financial and ESG imperatives across the jurisdictions in which we operate. Continual improvement of the Group's policies, standards, systems, practices and reporting, in response to shifts in our operating context and the needs and expectations of our stakeholders, embeds sustainable practices across our business platforms. Shared learning within and across our businesses underpins consistency.

Group Sustainability Framework

FINANCIAL AND ECONOMIC SUSTAINABILITY

ENVIRONMENT

- Greenhouse gas emissions and climate change
- Resource efficiency, energy and water
- Waste and pollution
- Biodiversity and land
- Regulatory compliance

See our sustainability report for more information on the above

6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 15 LIFE ON LAND; 17 PARTNERSHIPS FOR THE GOALS

SOCIAL

- Safety, health and wellness
- Employee relations, diversity, equity and inclusion
- Working conditions
- Human rights, dignity and equality
- Indigenous partnerships and socioeconomic development
- Community development

See our sustainability report for more information on the above

1 NO POVERTY; 3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 10 REDUCED INEQUALITIES; 11 SUSTAINABLE CITIES AND COMMUNITIES; 17 PARTNERSHIPS FOR THE GOALS

GOVERNANCE

- Governance structures
- Board diversity and composition
- Ethical conduct
- Risk and opportunity oversight
- Data protection and privacy
- Cybersecurity

See our sustainability report for more information on the above

10 REDUCED INEQUALITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

TRANSPARENCY AND INTEGRATED REPORTING

STAKEHOLDER ENGAGEMENT

The Group sustainability framework sets out our commitment to achieve sustainable outcomes across our value chain by:

Designing and delivering projects that are financially viable, with better outcomes for clients and lasting economic and environmental value for society, in return for value recognition for shareholders.

Investing in our employees and maintaining a competitive value proposition to retain and attract critical skills, enabling us to embed sustainability into project delivery and operations.

Applying high ethical standards in our business dealings for the benefit of society.

Maintaining transparent reporting to ensure that our stakeholders are kept informed of our performance, as well as the progress we have made on our commitments.

Valuing the contribution of our stakeholders which we believe is fundamental to the long-term success of our business.

The commercial and ESG outcomes we expect are built into our performance management and development processes, which are linked to our remuneration and incentive schemes. Performance contracts align individual and team performance targets to the Group's strategic objectives, across five performance dimensions (see below). These are cascaded from the performance criteria set by the Board for the Group CEO to platform leadership, middle and line management levels at the beginning of each financial year.

01 Financial

- Supportive shareholders through value recovery.
- Achievement of strategic objectives (per rolling three-year business planning cycle).
- Reduction of corporate costs through acute liquidity management and operational efficiency.

02 Leadership

- Murray & Roberts' brand respected internationally.
- Recognised as a diverse, high-performing organisation.
- Renowned for leadership development and capacity.

03 Relationships

- Stakeholder partnerships leveraged for excellence and growth.
- Open relationships built on internal and external trust.
- Recognised as a contractor and employer of choice.

04 Operational

- Global capabilities harnessed to deliver successful project outcomes.
- Effective systems and controls to ensure successful project delivery.
- Sustainability and governance emulated by industry.

05 Risk

- Recognised for outstanding HSE results.
- Effective opportunity and risk management.
- Manage financial risk to an acceptable level through controls and oversight.

Stakeholder engagement policy

Our reputation as a credible global operator and respected multinational rests on the value we create for our employees, clients and owners, and for local companies, host communities and countries in which we work. We value the insight of our stakeholders as fundamental to the long-term success of our business. We understand that their trust is earned through consistent decisions and actions that engender confidence in the Group's character and competence, and our reliability in meeting our commitments and obligations.

Our Group stakeholder engagement policy ensures that the legitimate expectations and concerns of our stakeholders are placed at the centre of our decision-making. It outlines our engagement responsibilities and applies to all our businesses and employees.

The policy requires that we:

- Comply with King IV recommended practices pertaining to stakeholder relationships.
- Integrate stakeholder engagement into the Group's ongoing management and business activities.
- Ensure the fair and equitable treatment of stakeholders in line with the Group's Values.
- Create a transparent and honest environment in which stakeholders can interact with the Group.
- Provide complete, timely, relevant, accurate, honest and accessible information while at the same time being cognisant of legal and strategic considerations.
- Proactively communicate with stakeholders and seek their views and feedback using appropriate communication channels.
- Promote internal awareness on the importance and value of stakeholder consultation and relationship management, as well as the methodologies in place to facilitate this.

See our sustainability report for more information on the above

Engineered Excellence

Our competitiveness as a contractor and an employer, and our ability to earn value from our projects for manageable risk, rely on the consistent application of *Engineered Excellence*.

This leadership philosophy, which together with our Values define the Group's culture, defines our management approach at every level of the organisation. It is embedded within our businesses through various policies and management systems, including the Group sustainability framework, our HSE framework, the Group Statement of Business Principles, Contracting Principles and Lessons Learned, and the Group ethics framework.

These frameworks set clear expectations for our employees, platforms and business partners, and their application is tightly governed throughout the Group and regularly updated to respond to shifting realities in the challenging global contracting environment.

Vested in careful and conscious planning, *Engineered Excellence* demands leadership commitment, shared learning and continuous improvement. In our responses to challenging operating contexts, in making unavoidable trade-offs and sequencing our priorities, it aims to remove chance from our pursuit of the outcomes our stakeholders expect. It therefore fortifies our aspiration to be a contractor and an employer of choice, to deliver safe, efficient and profitable projects, and to recover and grow shareholder value.

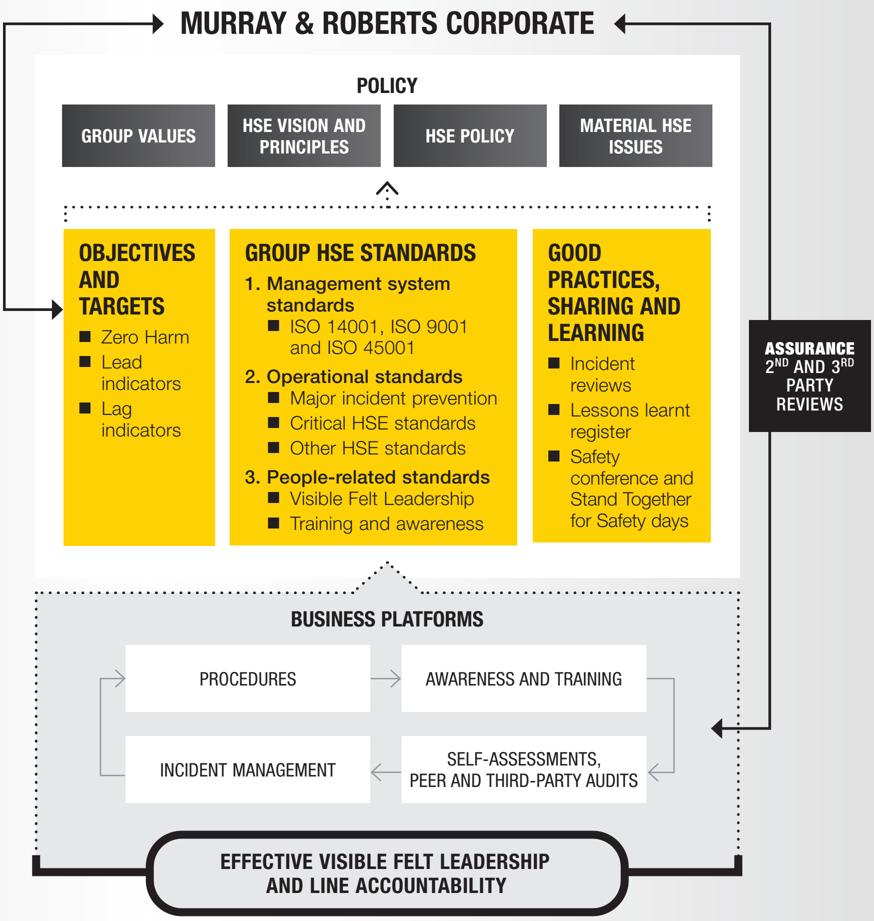
Our material issues PG 16

Sustainability report

Health, safety and environment

Our focus on *Engineered Excellence* is nowhere clearer than in our approach to safety. Continuous improvement in the evolution and application of our HSE framework has measurably enhanced the maturity of the Group's safety culture. Our projects demonstrate that production, quality and safety performance go hand in hand.

The Group's HSE framework (below) outlines the role, responsibility and accountability of the corporate office and business platforms, and incorporates recommendations from independent experts and from ongoing risk assessments and audits. It is focused on high-impact interventions, such as managing critical safety risks, the risk of change (including demobilisation).



The Group continues to pursue opportunities to minimise the impact of its business activities on the environment and to assist clients in meeting their environmental objectives. All companies in the Group are required to adopt high environmental management standards, including implementing and maintaining internationally recognised environmental management systems, using project input materials responsibly and efficiently, and complying with legislative requirements.

Our climate change position statement

This policy, adopted in 2022, commits the Group to:

- Monitor and reduce own carbon footprint.
- Evaluate participation in new projects against the environmental imperative to mitigate climate impacts.
- Act responsibly when participating in fossil fuels projects. Regarding coal, the Group will, other than in South Africa, limit its participation to metallurgical coal projects until such time that sustainable alternatives for large scale steel production are available. It will only consider participation in thermal coal projects which are earmarked to supply coal to power stations in South Africa, for as long as the country's economy and its electricity generating capacity depend on thermal coal.
- Ensure that projects in which the Group participates comply with relevant environmental specifications, governmental authorisations, and local and international environmental and social standards.
- Collaborate with clients and supply chain to find innovative solutions to reduce carbon emissions in own market sectors, and
- Grow service offering to the renewable energy sector to assist in the transitioning to a low carbon future that mitigates environmental and climate change risks

Guided by the ultimate objective of sustainable human development, we strive to become part of the solution to pressing environmental challenges. We continue to develop and implement new service offerings and find ways to reduce environmental impact in areas where we have influence, while reducing our own environmental footprint. We continue to identify innovative ways to manage the physical risks of climate change on project delivery, improving our business resilience to disruptions and assisting our clients. We participate in the Climate Change and Water CDP disclosures and have achieved Management Level and Leadership Level status respectively.

Our value creation process

Our Purpose and Vision place sustainability at the centre of our business. The Group's activities create economic value for shareholders, employees and wider society through the development of complex infrastructure in market sectors that support socioeconomic and human development. The infrastructure we design and build on behalf of our clients contributes to wealth creation and better living standards, and the social fabric and vitality of the communities in which we operate.

Our inputs

Resources and relationships on which we depend to create value

FINANCIAL CAPITAL

- Intensified focus on capital and cost management to preserve liquidity, fund working capital and stabilise the Group.
- Strong focus on cash management.
- Quality (diversified) order book and strong project pipeline.
- Disciplined management of project execution to minimise losses and protect margins.
- Self-funding platforms and projects.
- Working closely with funders to ensure projects are sustainably financed.

MANUFACTURED CAPITAL

- Focus on project excellence to maximise asset outcomes for clients, local communities and host countries.

INTELLECTUAL CAPITAL

- Streamlined, fit-for-purpose governance structure for new Group structure.
- Adoption, adherence, adaptation and management of commercial and operational systems, procedures and culture pertaining to *Engineered Excellence*.
- Disciplined management of risk to achieve Zero Harm and provide safe and fair working conditions.
- Embedded sustainability framework focused on managing ESG and integrating considerations into decision-making at Group, platform and project levels.
- Policies, procedures and systems for data protection and privacy.
- Strong, recognised brands and reputation.

HUMAN CAPITAL

- Effective, experienced leadership.
- Skilled and diverse workforce.
- Competitive employee value proposition to retain and attract scarce skills.
- Focused succession planning to ensure sufficient talent depth.
- Fit-for-purpose training and development programmes.
- Structured and mature performance management process.

SOCIAL AND RELATIONSHIP CAPITAL

- High ethical standards and global best practice in corporate governance.
- Sound relationships with stakeholders.
- Local hiring and procurement that supports local communities.
- Investment in community relations and development.
- Transparent reporting against global reporting frameworks.

NATURAL CAPITAL

- Growing service offering in renewable energy sector.
- New projects evaluated against climate change impacts.
- Collaboration with clients and suppliers to reduce carbon emissions and Group commitment to reduce carbon footprint.
- Focus on resource efficiency and sustainable procurement to minimise environmental impacts.

Group chief executive's and financial director's report PG 26

OUR BUSINESS ACTIVITIES

CONSTRAINTS	OPPORTUNITIES
■ Debt position and cash mainly held in international operations makes bonding and financing facilities a bigger challenge in an already constrained financing environment. ■ Constraints to pricing and cost recovery in global contracting market. ■ Project deferrals and delays affect planning and funding. ■ Global supply chain disruptions impact project timelines, cash flows and margins. ■ Skills shortage requires higher investment in people. ■ Deeper competitive differentiation through safety and productivity benefit requires investment in digital initiatives.	■ Group's global credibility underpins ability to trade through this period. ■ Significantly reduced profile of earnings at risk, and contract types. ■ Expedite claims resolution and further entrench cost discipline. ■ Consistent commercial and operational excellence. ■ Access to funders focused on ESG credentials. ■ Capital management focused on systematically improving debt position. ■ Solid order book and multi-year project pipeline provide reasonable earnings visibility in the medium term.
■ Global supply chain disruptions impacting availability of equipment. ■ Deterioration in equipment operation, productivity and maintenance directly linked to global skills shortage. ■ Loadshedding impacts productivity in South African operations.	■ Innovations in equipment that enable safer and more efficient operations. ■ Partnering with Original Equipment Manufacturers ("OEMs") for development and testing of new equipment in conjunction with procurement supply agreements.
■ Inconsistent project performance. ■ Inconsistency of skills competence in different project teams. ■ Maintaining an optimal proportion of expatriate versus national project skills.	■ Establish the mining platform as a single global organisation to transform and grow the businesses. ■ Competitive differentiation as contractor and employer. ■ Competitive differentiation from embedding ESG principles into project delivery and operation. ■ Group-led, consistent approach to strategic priorities including risk, safety, human capital and digital development.
■ Global skills and labour shortages have both immediate, as well as succession and development pipeline impacts. ■ Attracting the specialised and technical skills needed to grow and deliver project excellence. ■ Skills competition, job uncertainty and mental health impact talent and skills attraction & retention and morale. ■ Low take-up of mental health support interventions.	■ Giving employees access to world-class and complex project experience. ■ Digitising human capital data for better resource management, making more proactive, fast-tracked decisions relating to mobilisation and resource management. ■ Leveraging training academy as a differentiator. ■ Re-establishing leadership development programmes in the short to medium term.
■ Reticence of financiers towards the Group and industry. ■ Managing local workplace cultures for safety and productivity. ■ Community unrest putting project execution and employees at risk. ■ Permit delays hindering project start-ups in some markets. ■ Slow pace of socioeconomic development in some countries.	■ Strong relationships with stakeholders support better quality local contracting partners, procurement and employment. ■ Supporting clients in achieving their ESG objectives. ■ Leveraging relationships between Group businesses.
■ Climate change and energy related requirements increase costs. ■ Increased climate-related risk, such as unpredictable weather conditions including floods and storms, causing project disruptions. ■ Onerous operating licence conditions and environmental authorisations.	■ Specialised engineering and contracting services to sectors that are carbon and water intensive and vulnerable to climate change impact. ■ ESG credentials as a differentiator. ■ Positioned to support the transition needed to meet global carbon reduction targets. ■ Climate and energy requirements provide opportunities in low-carbon economy for ESG focused contractors. ■ Wastewater and sanitation infrastructure opportunities in the private sector. ■ Rising need for sustainability thinking across design, procurement and construction.

Our value creation process *continued*

Our business activities

MINING

MARKET FOCUS

AFRICA, AMERICAS, ASIA-PACIFIC

Global capabilities: underground mining services and material logistics in global metals and minerals markets.

- Detailed engineering
- Procurement
- Construction
- Commissioning & maintenance
- Operations

POWER, INDUSTRIAL & WATER

MARKET FOCUS

SUB-SAHARAN AFRICA

Regional capabilities: power, industrial and water markets.

- Detailed engineering
- Procurement
- Construction
- Commissioning & maintenance

Business platform reviews PG 34

Our outcomes

Optimising our earnings potential and taking advantage of market opportunities, particularly in mining, will enable us to manage financial constraints, setting us up for **sustainable growth.**

REVENUE (continuing)
R12,5 billion
(2022: R8,8 billion)*

EBIT (continuing)
R91 million
(2022: R82 million) *

NET DEBT
R0,3 billion
(2022: R1,1 billion)

ATTRIBUTABLE LOSS
R3 181 million
(2022: R135 million profit)

DILUTED CONTINUING HEADLINE LOSS PER SHARE
71 cents
(2022: 47 cents)*

ORDER BOOK
R15,4 billion
(2022: R17,6 billion)*

CSI SPEND
R6,9 million

* *Restated for discontinued operations.*

Differentiating ourselves as a contractor, employer and strategic partner, with an emphasis on commercial and project excellence, maintains **sustainable competitiveness.**

1 fatality

32 projects achieved zero recordable cases, in a portfolio of more than 70 projects

LTIFR
0.64

BBBEE
Level 1 in South Africa

EMPLOYEE ENGAGEMENT SCORE*
3.4 out of 5
** Updated employee engagement scoring to be reviewed in FY2024.*

AVOIDABLE TURNOVER
13%
(2022: 11%)

Maintaining stakeholder trust as an ethical, purpose-led multinational corporation aligned to the global advancement of **sustainable human development.**

GROUP ESG PERFORMANCE*
Score of 39.4 out of 100

AVERAGE INDUSTRIALS
Score of 38.2 out of 100
** Updated ESG scoring to be reviewed in FY2024.*

5 443
permanent employees across the Group
(2022: 8 394)

7 720
employees trained

WOMEN REPRESENTATION IN THE WORKFORCE
10%

The quality and depth of Group and platform leadership, the inculcation of the Group's culture (guided by our Values and operationalised by our philosophy of *Engineered Excellence*), and our well-developed governance system and reporting processes, enable us to maintain and enhance **stakeholder trust both in the Group and in our industry.**

Our material issues PG 16

A new base for earnings growth

Our significant, quality order book and project pipeline reflect the competitive positions of our businesses and the pressing global development needs in our markets, providing us with good opportunities for sustainable earnings growth in the medium term.

Despite the consequences of the pandemic in the last year, Murray & Roberts has demonstrated an ability to manage short-term constraints, while focusing on a long-term approach to the allocation of capital. Given our tight liquidity position, we are focused on effective working capital and cost management, and careful capital allocation, to withstand the short-term financial constraints of our debt exposure to project execution and order book growth.

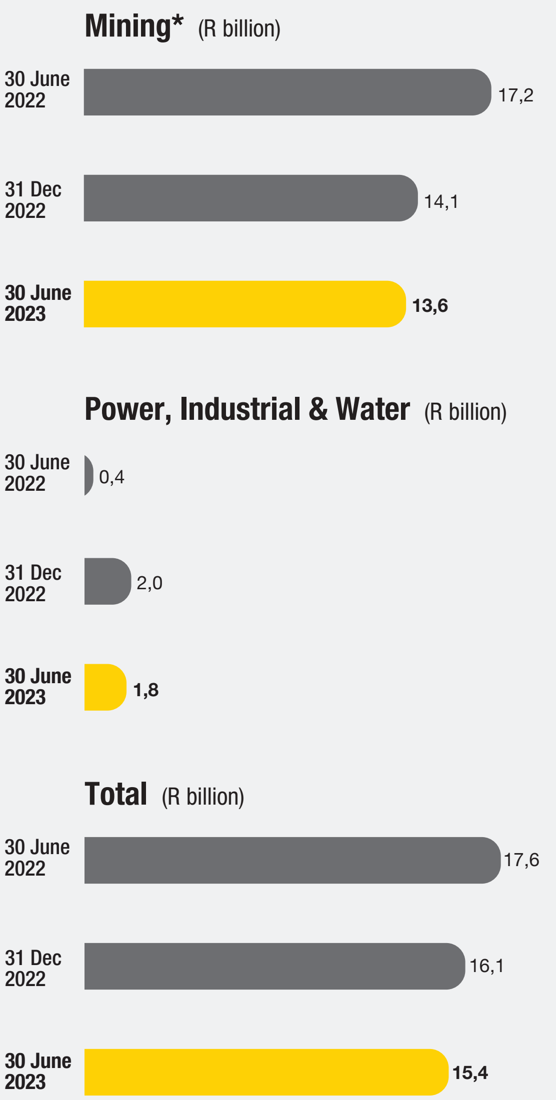
The competitive positions of our platforms in their markets are reflected in a multi-year quality order book and a strong project pipeline. Albeit off the new base set in FY2023, we expect growth in profit from continuing operations in FY2024 and meaningful earnings growth thereafter, enabling us to focus on restoring shareholder value eroded due to the repercussions of the pandemic.

Annual financial results PG 74

Our outcomes PG 13

Order book analysis

Our quality order book is well diversified over time, region and contractual risk and shows an increasing proportion of orders extending beyond two years, offering stability to our earnings expectations. Our ability to maintain or grow the order book from current levels is, however, subject to risk. A weaker global economy, due to geopolitical factors, could lead to disruption, which could dampen investor confidence and impede the flow of large capital projects coming to market; and our ability to raise project finance could be impeded while we address our debt position.



** Prior periods order book now excluding RUC.*

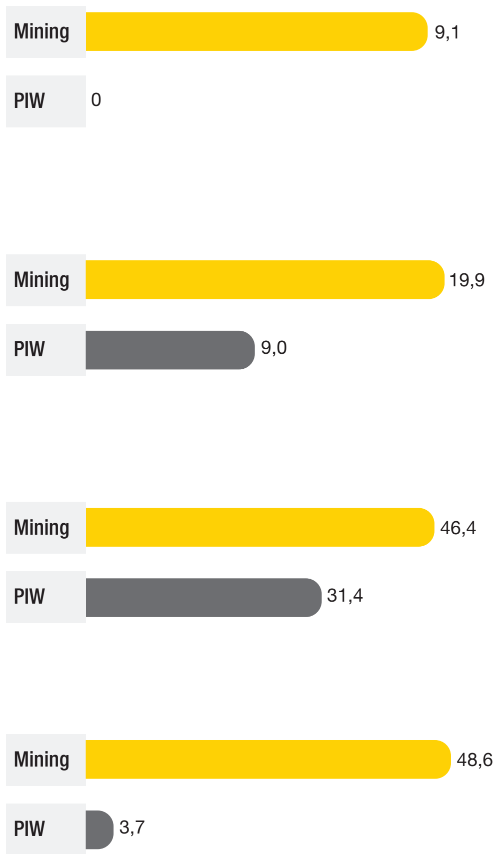
R10,6 billion of revenue for the FY2024 has already been secured, FY2024 revenue is expected to exceed R13 billion.

Order book time distribution

Platform	Order book % split: SADC	Order book % split: Int.	Order book Rbn: June 2023	Order book Rbn: June 2022	Order book Rbn FY Time Distribution: 2024	2025	>2025
Mining*	49%	51%	13,6	17,2	8,8	3,0	1,8
Power, Industrial & Water	100%		1,8	0,4	1,8	–	–
	55%	45%	15,4	17,6	10,6	3,0	1,8

** Prior period restated for discontinued operations.*

Order book and near orders (R billion)



Near orders
Preferred bidder status and final award is subject to financial/commercial close – more than a 95% likelihood that these orders will be secured

Category 1
Tenders submitted or under preparation (excluding near orders) – projects developed by clients to the stage where firm bids are being invited – reasonable chance to secure, function of (1) final client approval and (2) bid win probability

Category 2
Budgets, feasibility studies and prequalifications – project planning underway, not at a stage yet where projects are ready for tender

Category 3
Leads and opportunities which are being tracked and are expected to come to market in the next 36 months – identified opportunities that are likely to be implemented, but still in prefeasibility stage

Near orders of R9,1 billion

Category 1 project pipeline of R28,9 billion

Our material issues

The Group is specifically committed to restoring shareholder value, and creating value for our clients, employees and partners. More generally, through the projects we build, we support the economies of the countries where we operate, thereby delivering lasting socioeconomic benefit to local communities.

Framing our material issues are our Purpose and Vision, which remain relevant to the long-term sustainability of the Group, and our revised strategic objectives for the medium term:

Trade through our current constrained liquidity position, with the support of our financial partners – with working capital and cost management vital to improving our debt position and strengthening our balance sheet.

Differentiate ourselves as a specialist contractor who adheres to global ESG standards and to our own sector-leading operational standards, defined through our commitment to *Engineered Excellence.*

Through our purpose-led dedication to sustainable development, regain the trust of financiers and maintain the trust of our other stakeholders.

Material issues are those that substantively affect our ability to create value over the short to long term. Thus, they are those issues that support or inhibit our strategic, financial, and operational performance. How we identify these factors and develop our responses to them, influences stakeholders' assessments of the Group.

This section sets out our management priorities over the next three years. They show what we deem to be most material, and how we intend to meet the risks and opportunities involved.

The Group has undergone material change in the year under review with the loss of Clough Limited ("Clough"). In terms of assets and gross revenue, we are a smaller Group today. Strategically, the opportunity is to refocus the business, to become more cost efficient, and to reinforce our position as a specialist multinational engineering and contracting company focused predominantly on the global mining sector. Given our financial position (and the losses sustained during the year) financial stability is now our principal material issue.

In-depth discussions with leadership (including the chairman to incorporate Board insight) were the primary input in determining our material issues. An executive workshop to finalise them (for Board approval) included the Group chief executive, financial director, risk and HSE director, and the investor relations executive.

We referred to the material issues (set out alongside) in preparing the Group's integrated report and sustainability report, which provide a thorough discussion of, and pertinent performance data for, these issues.

SHORT- TO MEDIUM-TERM

VALUE DRIVERS

01 Financial stability

CONTEXT

- Long-term demand fundamentals in global mining remain strong, driven by rising global population, GDP growth, urbanisation and the energy transition.
- Price outlook for most major commodities (especially 'green metals') remains strong in the medium term.
- Increasing investment in southern African renewable energy and power transmission & distribution.
- Weak macroeconomic outlook in South Africa and government's hesitant posture toward property rights, endemic corruption, privatisation, and other structural reforms, could prolong this outlook.
- Financiers remain risk averse towards the engineering and contracting sector.

02 Contractor of choice

03 Employer of choice

CONTEXT

- Increased HSE scrutiny from clients and regulators; increased socioeconomic development expectations from local communities.
- Leadership quality and depth are critical for financial stability and strategic continuity.
- Companies compete to attract management and technical expertise in highly contested markets, with skills shortages in both the Mining, and the Power, Industrial & Water platforms.
- Lack of critical supervisory and specialised skills in growth markets is a constraint to continued excellence in project delivery.

04 Stakeholder trust

CONTEXT

- Growing relevance of ESG, along with stakeholder (clients, funders, governments) expectations that emphasise safety, business ethics and environmental issues.
- ESG reporting becoming more demanding and technical to meet expectations of transparency, measurability and standardisation from international frameworks and ESG ratings agencies.
- Requirement to employ people from local communities and use their services can create challenges if their skills/resources are not sufficiently matched to project needs.

LONGER-TERM

VALUE OUTCOMES

- Clients remain cash constrained and risk averse, seeking to shift more risk to contractors.
- Renewable energy and transmission contracts in South Africa, typically issued on an EPC lump-sum basis, will need to be carefully managed.
- Geopolitical tensions and inflation constrain trade and investment and disrupt supply chains, extreme weather events could do likewise.
- Shortage of experienced personnel drives up wages.
- Delays and deferrals of projects (caused by some of the above) create uncertainty.

Material issues

- Manage liquidity and improve debt position.
- Ensure operational excellence and order book quality.

Key indicator:

- Balance sheet strength

Optimising our earnings potential and taking advantage of market opportunities, particularly in mining, sets us up for sustainable growth.

- Globally, skilled operators and tradesmen for maintenance are in short supply, with OEMs falling short on appropriate skills to support their clients technically.
- Post-pandemic mental health and morale issues, and job uncertainty.
- Growing expectations from employees on health, safety and wellness support, long-term career paths, and flexible workplace models.
- Expectations from the younger generation that organisations share their values.

Material issues

- Deepen *Engineered Excellence* to support brand differentiation, mitigate project risk and optimise value (for clients and for the Group).
- Maintain leading HSE track record.
- Maintain competitive employee value proposition.
- Intensify talent development to ensure succession depth.

Key indicators:

- Predictable profit margins at project level
- Employee satisfaction survey

Differentiating ourselves as a contractor, employer, and strategic partner, with an emphasis on commercial and project excellence, maintains sustainable competitiveness.

- Growing emphasis on resource efficiency, and responsible waste and pollution management can be costly, but also presents an opportunity for savings.
- Stakeholder trust and reputation management are key to the long-term survival of contractors, given expectations for responsible corporate citizenship.
- Ongoing demand for 'green metals' to support the transition to a lower-carbon economy.

Material issues

- Consistent application of the Group sustainability framework and associated reporting standards.
- Remain responsive to local requirements.

Key indicators:

- Independent ESG benchmarking

Murray & Roberts remains an ethical, purpose-led multinational corporation aligned to the global advancement of sustainable human development.

Material issues and associated management priorities

01 Financial stability

Manage liquidity and improve debt position.

- Develop and implement South African debt deleveraging plan:
  - Recover long-outstanding project claims.
  - Convert onerous contracts to new commercial arrangements to release working capital.
  - Identify and sell non-core assets to improve cash position without compromising business.
  - Consider establishing centralised procurement entity for mining equipment to benefit from economies of scale and improve liquidity through associated funding arrangements.
  - Implement mechanism to accelerate cash transfer (dividends) from Cementation Americas to South Africa.
  - Consider new Group funding structure with international banks.
- Improved capital management:
  - Secure new short-term facilities to support project funding and bonding.
  - Consider alternative working capital financing mechanisms.
- Collaborate with clients to improve working capital:
  - Where possible opt for self-funding projects through adequate advance payment arrangements.
  - More equitable risk sharing commercial arrangements with clients.
- Secure a greater proportion of total income from contract mining to counter market cycles.
- Sustainable cash flow:
  - Resolve commercial issues with clients timeously during the project, and not at project close-out.
  - Improve liquidity through advance payments arrangements and timeous milestone and progress payments.
  - Improve collection of commercial entitlement (project compensation events).
  - Close out Middle East business.
  - Optimise and innovate to grow market share and margins.
  - Optimise cost base.
  - Management performance contracts to include targets for liquidity and cash management.
- Suspend new social initiatives until liquidity position improves.

Ensure operational efficiency and order book quality.

- Strategically reposition the Group with the Mining platform as its core service offering, supplemented by the Power, Industrial & Water platform.
- Respond to longer-term market shifts, positioning the Group for sustainable growth.
- Ensure a diversified order book (by timeframe, region, segment, and contract type).
- Apply the Group’s established risk management framework, including lessons learnt and minimum contracting principles.
- Ensure platforms remain aligned to Group purpose, values and culture:
  - Leverage the Group’s reputation and ability to optimise capital investment, while meeting global ESG standards.
  - Leverage presence across the engineering and contracting value chain to optimise capital investments in design and execution of projects.
  - Balance Group oversight and control with platform accountability and autonomy (aligned to business model).
- Support platforms in securing the capacity (project finance, specialist and technical skills, and strategic partnerships) to maintain a quality order book and deliver project excellence.
- Optimise value potential from all phases of project life cycle by growing our operations and maintenance services.
- Leverage strategic partnerships, according to specific project scope and requirements.
- Pursue regional expansion with trusted clients and partners (specifically into South American and West African mining markets).
- Growth strategy for Power, Industrial & Water platform to achieve sustainability:
  - Positioning with project developers as a preferred contractor to unlock EPC project opportunities in Sub-Saharan Africa.
  - Pursue renewable energy opportunities (given removal of the self-generation cap in South Africa) and transmission opportunities.
  - Secure annuity-type income through operation and maintenance of wastewater treatment plants.

02 Contractor of choice

Deepen *Engineered Excellence* to support brand differentiation, mitigate project risk and optimise value (for clients and the Group).

- Leverage track record and reputation to build valuable client relationships.
- Reinforce culture of *Engineered Excellence* to grow value for Group and for stakeholders, through leadership commitment, continuous improvement, and consistently delivering safe, well-executed, and profitable projects.
- Ensure strict adherence to systems, processes, principles and practices in commercial, project and ethics management:
  - Mature project governance and management systems in place to manage the risks of commercial and operational challenges on complex projects.
  - Manage complexity of different systems and cultures with joint-venture partners to ensure alignment in values and management systems to manage execution risk.
- Ensure discipline in competitive tender pricing, closing contract negotiations on non-onerous commercial terms, and effective project delivery to achieve outcomes in line with tender expectations.
- Provide service offering for the entire project life cycle:
  - Share and optimise Group resources (leverage centres of excellence) collaborate on common systems and global metrics.
  - Where possible, apply alliance contracting models to deliver shared value with clients.
- Ensure responsiveness to client ESG expectations, through measurable ESG credentials at project and corporate level, and the ability to manage local conditions, constraints, and expectations:
  - Ensure projects meet or exceed expectations for safety and health; local contracting partnerships, employment, and procurement; training and skills development; socioeconomic development of local communities; environmental imperatives of project delivery; and long-term impact of projects.
- Drive *Engineered Excellence* in safety and risk management, supporting continuous improvement through increased management involvement and leadership visibility in the field.
- Management KPIs to align with financial stability and ESG commitments.
- Manage the impact of digital change on productivity and skills redundancy:
  - Reskilling and upskilling initiatives form part of the digitalisation strategy.
  - Cybersecurity framework improved by strengthening security governance processes and technical defences.

Maintain leading HSE track record.

- Strive for Zero Harm to people and the environment across our portfolio of projects:
  - Increase the number of Zero Harm projects.
  - Continue to focus on leading indicators to identify emerging risks and to prevent potential safety incidents from occurring.
  - Continued focus on the Group's Critical Risk Management ("CRM") programme, which identifies high-risk tasks and associated preventative controls, in-field verification of the application of preventative controls, and programme and verification effectiveness assessments by project leadership.
  - Effective change management.
  - Continue to enhance the sharing of lessons learnt to maintain world-class safety performance.
  - Recognition programmes.
- Expand and improve existing employee mental health and wellness support.
- Follow best practice:
  - International standards in social justice, decent work, and human rights; meet local standards.
  - Career advancement opportunities and upskilling; structured performance management- and development-linked incentives.
  - Constructive relationships with employee representatives to support fair wage agreements and minimise labour conflict.
- Ensure the culture and operational systems of the Group are well understood:
  - Onboarding for new hires.
  - Training and development interventions to maintain high-performing core of skilled employees.
- Ensure responsible resourcing despite market and project cycles:
  - Retain core skills through continuous engagement.
  - Digitise employee data for better resource management.
  - Attract required skills timeously through effective people planning to mobilise projects on time and within budget.
  - Maintain a responsible approach to retrenchments during cyclical downturns and demobilising.
  - Continue to focus on diversity and inclusion hires, use onboarding to strengthen Group culture and recruit and train people from local communities.

Material issues and associated management priorities *continued*

03 Employer of choice

Maintain competitive employee value proposition ("EVP"). Intensify talent development to ensure succession depth.

- Aspiration to be an employer of choice.
- EVP centred on integrity, respect, care, accountability, and commitment.
- Market related and competitive remuneration and reward systems.
- Structured career development to ensure retention of top talent.
- Align performance contracts with Group strategic objectives for middle management and above.
- Improve performance management through consultative performance contracting and development plans.
- Recruitment initiatives focused on attracting people with the appropriate technical skills, who support a high-performance culture, and exhibit alignment with our values.
- Leverage our strong training and development success rate, supported by our world-class South African training facility, to bring new people into the industry and refresh our skills base.
- Digitise human capital data to support decision-making on HR management.
- Accelerate leadership and development programmes for succession planning and improved depth/calibre of future leadership.
- Talent Management programme:
  - Implement findings of talent review across senior and middle management, confirming high-potential employees for mentorship and leadership programmes.
- Training and coaching for managers, with specific reference to client needs and enabling delivery of team targets.
- Align business processes to revised management structure to suit a smaller, more streamlined organisation.

04 Stakeholder trust

Consistent application of the Group sustainability framework and associated reporting standards.

- Harmonise ESG imperatives with commercial opportunities, as defined in the Group sustainability framework:
  - Align to relevant international accountability frameworks and ensure ESG meets client expectations.
  - Improve ESG reporting, including for supply chain, climate change, diversity, equity and inclusion, communities, and labour.
  - Publish clear ESG policy positions as they develop.
  - Apply the Group's diversity policy in management and Board appointments.
- Understand the impact of stakeholder ESG requirements on the Group's funding and insurance requirements.
- Support clients in their ESG objectives and assist them in implementing their climate change response plans, including solutions in renewable energy and water.
- Actively engage suppliers to help reduce the carbon footprint of our supply chain.
- Keep pace with changes to the operating landscape due to raised ESG expectations.
- Support stakeholder relationships through the Group's stakeholder engagement model.
- Periodic independent Board assessments to assure independence, diversity and performance, with an appropriate balance across various measures.
- Uphold our reputation by adhering to policy and procedures:
  - Transparent and ethical decision-making.
  - Compliance with policies, laws, codes, and standards across all operations.
  - Compliance and ethics training, including a toll-free anonymous whistle-blower hotline.
  - Group-wide culture frameworks: Values, Code of Conduct, Group sustainability framework.

Remain responsive to local requirements.

- Diversity and localisation policies and practices tailored appropriately for the jurisdiction.
- Engage with and support host communities; manage:
  - Economic and employment expectations, and local requirements and norms.
  - Local partnerships for socioeconomic development, and localised supply chains for services and goods procurement.
- In Mining, maintain Level 1 BBBEE score, including local employment and supplier development targets required by clients in South Africa.
- In Power, Industrial & Water, restore BBBEE credentials and meet diversity aspirations and establish BBBEE partnerships in South Africa.
- Further develop opportunities for the Boipelo joint venture with Amandla TM, a 51% Black-owned mining contracting company in South Africa.
- Joint ventures with First Nations groupings in Canada, as well as with similar groupings in Kazakhstan and Peru.
- Promote inclusivity through the diversity work group at the North American operation.

Chairman's statement

Overview

The financial year to 30 June 2023 has been the most challenging period for Murray & Roberts since the 2008 global financial crisis. The unexpected loss of our ERI platform, in view of its promise of a strong and sustainable earnings contribution, was a shock for the Group and our stakeholders.

SURESH KANA
Chairman

For the Board, it was distressing to witness the 'perfect storm' unfolding, leading to the Group's Australian holding company, Murray & Roberts Pty Ltd ("MRPL"), and one of its subsidiary companies, Clough Ltd ("Clough"), being placed under voluntary administration. As a result, the Group also lost control of RUC Cementation Mining Contractors Pty Ltd ("RUC"), a subsidiary of MRPL and the Australasian operation in the Group's Mining platform.

The Group now delivers projects through its remaining two business platforms: the Mining platform, with two regional businesses in Africa and the Americas (USA and Canada); and PIW, focused on Sub-Saharan Africa. As a provider of multinational, specialist mining services, we are determined to maintain a presence in the Asia-Pacific ("APAC") region, specifically by regaining control of RUC. If we succeed in retaining RUC, it means we preserve a significant mining business operating in all the main mining jurisdictions.

Group chief executive's and financial director's report PG 26

> **"In the years ahead, our philosophy of Engineered Excellence remains essential. We will continue to ensure that our policy and management interventions improve efficiencies and reduce risks."**

Stakeholder trust

Stakeholder trust underpins value. One way we strengthen trust is by being transparent with our stakeholders, in good times and in bad – an ethos of Murray & Roberts. Perhaps it is only superficial comfort, but I can assure our readers that the series of events which caused this loss of value was in no way due to a lapse in governance, ethics, or poor executive decision-making.

The Board's view is that in the unprecedented circumstances of global lockdowns and other knock-on effects such as supply chain disruptions on all projects, which materially and unexpectedly increased working capital requirements beyond the Group's capacity, the loss of the ERI platform could not have been foreseen. Additionally, no one knew how long the pandemic and related restrictions would last, complicating the Board's already intractable trade-offs – for instance, temporarily closing project sites is to deny our employees an income.

On balance, even with the shock of the last year, I hope that through the decisions we have made to endure the crisis, the trust our employees, clients, and partners have in us, remains intact. Moreso, given the leadership team's transparent, forthright, and proactive responses during the pandemic and its aftermath, I have faith in the resilience and prospects of Murray & Roberts, albeit as a much smaller group.

The nature of an engineering and contracting business is such that it requires working capital to build projects, while managing complex risks and uncertainties which could materially impact working capital requirements. Restoring stakeholder trust and financial stability through careful capital management, cost reduction and operational efficiency will be our watchwords going forward.

Lessons in risk sharing

The loss of Clough highlights some inherent weaknesses in our industry, particularly the imbalanced allocation of risk to contractors in large EPC projects, especially during periods of relatively low investment in new infrastructure.

During the years preceding the pandemic, the most common contracting model, and in many instances the only contracting model, used for the procurement of new infrastructure projects, was fixed price EPC lump-sum contracts. Clough was successful in securing key infrastructure projects in both Australia and the USA on this basis. The project tender review process was intense, competent and competitive, with oversight and input from independent third parties – projects were tendered in a rigorous and responsible manner. The Board also regularly convened and discussed the Group's exposure to fixed price lump-sum contracts and how they were being managed, and Clough's reporting to management always met expectations.

However, large-scale fixed price lump-sum projects are inescapably risky. Should one or two projects in a large portfolio experience significant risk, it can be managed within a portfolio, but should the entire portfolio be exposed to significant risk, it becomes almost impossible to withstand. COVID-19 interrupted project progress, global supply chains and travel, and significantly impacted project cash flows. Our clients, also exposed, moved to protect their own liquidity positions and their defensiveness toward COVID-19 related project compensation events and claims intensified. The delays in settling compensation events and claims, and the resulting increase in working capital, ultimately proved to be too heavy a burden for the Group's balance sheet to shoulder, given Clough's record order book (mainly comprising large, multi-year EPC lump sum projects).

However, one reason for optimism about the Group's future is the less onerous contracting models applied in the mining industry, now the sector from which most of the Group's income is derived. Our Mining platform's projects carry significantly lower commercial risk, and our competitive position in the global mining sector and strong client relationships give room for more equitable risk sharing between contractor and client.

In the years ahead, our philosophy of *Engineered Excellence* remains essential. We will continue to ensure that our policy and management interventions improve efficiencies and reduce risks. Our singular focus on operational efficiency and excellence has the broader aim of confirming our brand as a contractor of choice in our markets.

Specialist global mining contractor of choice

The executive team has presented to the Board a plan to substantially reduce financial risks to the business. It will not be an easy road, but the Board is satisfied that the Group will be on firm financial footing within three to four years.

With the loss of the ERI platform, our business is less complex than it was before, with the strategic emphasis on global recognition for our Mining platform. The fundamentals of our business are sound. Our offering as a specialist contractor of choice in global mining is sought after, and the transition to 'green energy' and toward clean technologies will drive increased demand for 'green metals' like copper, nickel and lithium.

In a globalised business environment, and with multinational clients, it is imperative that we trade in key mining markets worldwide to stay relevant. The Board wholeheartedly supports the efforts of the executive team to keep a foothold in the APAC region, especially given Australia's central role in the minerals and metals sector, which will support the world's transition to a lower-carbon future.

PIW platform will play its part in Sub-Saharan Africa through the provision of engineering and contracting services for projects in the renewable energy sector, and transmission line projects in the power sector, among other industrial infrastructure.

Our hope for South Africa is that we build trust between the private and public sectors, such that both parties unite for the sake of the national interest. At this juncture in our socioeconomic development – as the implications of the power and water crises become clearer and more urgent – South Africa's economic turnaround depends on large-scale infrastructure development, which the PIW platform is well placed to contribute toward.

Sustainable development, governance and remuneration

Our commitment to sustainable development, which we take seriously as a multinational corporate citizen, also remains intact. We have the necessary frameworks and governance processes to support close Board oversight of ESG and sustainability risk and opportunity, and to align our business to the expectations of our stakeholders. As our integrated annual reports show, our ESG performance as a Group compares favourably with global peers and major clients.

On the all-important issue of safety, stakeholders will note that our safety performance is well within the limits we set for the year and aligns to the highest global standards. However, early in the financial year, the Group experienced a tragic incident at a mine in Australia, where one of RUC's employees sustained fatal injuries in a fall of ground incident. Together with our client, we initiated a comprehensive investigation into the causes of the incident, but before it could be concluded, the voluntary administration in Australia had begun and the matter was taken out of our hands. On behalf of the Murray & Roberts Group, I once again extend our deepest condolences to the deceased's family, colleagues, and friends.

Limpopo bus accident

On Sunday afternoon, 17 September 2023, a bus transporting Murray & Roberts employees travelling to the Venetia mine in Limpopo was involved in a head-on collision. Tragically, 20 people lost their lives, seventeen of whom were Murray & Roberts Cementation employees. We offer our deepest condolences to the families of those who have lost their lives and those who were injured and impacted by this terrible accident.

"Globally, many engineering and construction companies had to close due to the impact of COVID-19. We are grateful that we have been able to withstand the significant impact on the Group and believe we have the ability, together with the support of our lenders, to see this period through."

With the Group's primary strategic focus having narrowed and considering its reduced size, we rationalised our governance structure and reduced related corporate costs. We combined the social and ethics committee with the health, safety, and environment committee, and the risk committee with the audit committee. We now have four board committees: remuneration; audit and risk; social & ethics (which includes HSE) and nomination & governance.

Executive remuneration is a controversial subject, none more so when investors endure a significant loss in shareholder value. As detailed in the Group's remuneration report, our remuneration policy aligns shareholder interest and management interest, with our executives having suffered commensurate losses. Our Group chief executive Henry Laas was and remains the largest individual shareholder in Murray & Roberts.

Closing remarks

Globally, many engineering and construction companies had to close due to the impact of COVID-19. We are grateful that we have been able to withstand the significant impact on the Group and believe we have the ability, together with the support of our lenders, to see this period through.

I thank my fellow Board members for their counsel and commitment in a challenging year for shareholders and the Group. We enjoy an open and effective working relationship with the executive team, who have endured extreme work pressures throughout this period and continue to fulfil their commitments under demanding conditions. I am gratified by the commitment shown from the members of the Board and executive team, who were often called to meet two or three times a week to deliberate and make tough decisions.

I am proud to be associated with this organisation and I look forward to us restoring confidence and repaying the faith shown by our investors, guided by the Group's Values and commitment to excellence.

Group chief executive's and financial director's report

The financial year to 30 June 2023 has been the most challenging for Murray & Roberts since the period following the 2008 global financial crisis. Murray & Roberts has been badly scathed and left financially constrained. However, our strong position in the global mining sector means this is still a Group with a future.

HENRY LAAS
Group chief executive

DANIËL GROBLER
Group financial director

Over the last 18 months, we weathered the COVID-19 storm, including lockdowns and other restrictions, which severely compromised our ability to make contracted deliverables. But a confluence of consequences in the aftermath of the pandemic proved too much for Murray & Roberts' balance sheet to withstand. The directors of the Group's holding company in Australia, MRPL, and one of our subsidiary companies, Clough, were eventually left with no other choice but to place these companies under voluntary administration. A further ramification of this voluntary administration was that the Group also lost control of RUC, part of the Group's Mining platform, and a subsidiary of MRPL.

We regret the loss of value that our shareholders endured, especially as our growth strategy, carefully implemented since 2014, was coming to fruition. The ERI platform, which traded under the Clough brand, presented the best growth potential for the Group. The loss of this business meant that the Group lost the opportunity to translate a record order book into earnings growth for the benefit of our shareholders. This order book was hard won over a five-year period of repositioning ERI for a burst of infrastructure-led growth in its key markets of Australia and North America.

The Group is today considerably smaller, but we are confident we can grow earnings from a pre-pandemic baseline. It is important to point out that our multinational Mining platform – now our core business – was the main contributor to Group earnings for the last decade. It retains its global position as a mining services provider, and is expected to continue to deliver meaningful earnings as the decarbonisation of the global economy and specifically the energy transition gains pace.

"COVID-19 was the singular event that turned great promise into value destruction for many countries, economies, companies, and people around the world. The pandemic disrupted global supply chains and restricted the movement of people which, in turn, slowed down project progress and extended project timelines. Longer timelines compounded costs and delayed project milestone payments, stretching working capital to a breaking point."

Financial performance

In this financial report, MRPL, Clough and RUC have been reported as discontinued operations and deconsolidated from the Group with effect from 5 December 2022. The comparative statement of financial performance for the year ended 30 June 2022 have been restated with MRPL and its subsidiaries, previously reported as continuing operations, now reported as discontinued operations.

Revenue and profit before interest and tax for continuing operations increased to R12,5 billion (FY2022: R8,8 billion) and R91 million (FY2022: R82 million) respectively. Earnings include a contribution from the Group's investment in Bombela of R30 million (FY2022: R193 million), and this investment was disposed of during the second half of the year to Intertoll International Holdings B.V. Diluted continuing headline loss per share was 71 cents (FY2022: 47 cents).

The Group recorded an attributable loss of R3 181 million (FY2022: R135 million profit) after accounting for the losses in Clough and the deconsolidation of MRPL, Clough and RUC. Following the deconsolidation, equity reduced to R1,8 billion (FY2022: R5,7 billion). Net asset value per share was R4 (FY2022: R13).

The Group reported a net debt position of R0,3 billion (FY2022: R1,1 billion), which marks a significant improvement over the prior year. The Group's debt reduced by approximately R1,2 billion, following the application of the proceeds from the disposal of its investment in Bombela in April 2023.

Interest for the reporting period increased to R267 million (FY2022: R186 million) and the tax charge was R106 million (FY2022: R74 million). Interest is expected to reduce by circa R100 million per annum, as debt levels reduced post the disposal of Bombela. The tax charge is high, as a deferred tax asset could not be raised against interest and corporate costs incurred in South Africa.

Platform Financial Performance

In the Mining platform, the past year was characterised by the significant disruption experienced by the Group and the platform as a result of MRPL and Clough being placed under voluntary administration, resulting in RUC being lost to the Mining platform. The multinational Mining platform now comprises two regional businesses in Africa and the Americas (USA and Canada). RUC, which focused on Australasia, was deconsolidated from the Group with effect from 5 December 2022.

Revenue increased to R11,1 billion (FY2022: R7,9 billion) and operating profit increased to R313 million (FY2022: R234 million). The order book reduced to R13,6 billion (FY2022: R17,2 billion), reflecting the exclusion of the Arnot project, after the client entered into business rescue. Near orders decreased to R9,1 billion (FY2022: R14,3 billion).

The Power, Industrial & Water platform provides project services mainly to the power and energy market sectors in Sub-Saharan Africa. The focus for FY2023 was to position this business in the renewable energy sector, to grow a quality order book, and to return to profitability moving into FY2024 and FY2025.

Revenue increased to R1,3 billion (FY2022: R0,8 billion) and the platform recorded a significantly reduced operating loss of R47 million (FY2022: R155 million). As targeted projects from the Renewable Independent Power Producer Programme bid window 5 only reached financial close late in FY2023, secured projects had limited opportunity to accrue sufficient revenue to positively impact profitability for the year under review.

The order book increased to R1,8 billion (FY2022: R0,4 billion) following the award of renewable energy sector contracts to OptiPower Projects ("OptiPower"). Category 1 opportunities amounted to R9 billion (FY2022: R9,1 billion), reflective of opportunities in the renewable energy (solar and wind) and power transmission sectors.

Discontinued operations

MRPL, Clough and RUC

The R2,5 billion loss from these entities comprises an operating loss in Clough of R1,3 billion and a loss of R2,4 billion through the deconsolidation of assets and liabilities. A foreign currency translation reserve profit of R1,2 billion was realised as a result of the deconsolidation.

Middle East operations

Shareholders are referred to the market announcement published on 31 August 2022, containing information on the Group's proposed exit from the Middle East and the agreement entered into for the sale of two of its key companies in the Middle East. This transaction remains subject to regulatory approval and as previously communicated, a foreign currency translation reserve loss of circa R520 million (based on the exchange rate as at 30 June 2023) will be accounted for as part of discontinued operations, as and when this transaction is concluded. This foreign currency translation reserve adjustment is a non-cash item and will not impact the Group's equity nor its net asset value.

The loss incurred for the period under review was R198 million (FY2022: R62 million), which includes an impairment of the only remaining receivable of R170 million, and operating cost of R28 million relating to managing potential contingent liabilities until the sale of the companies is concluded.

Managing black-swan implications

An explanation of what led to our share-price collapse is appropriate; more so, of what we are doing to return the Group to a steady financial footing.

In the wake of the post-2010 Soccer World Cup construction slump in South Africa, we exited the civil construction sector in South Africa and acquired the remaining 37% held by minority shareholders in Clough, in 2013. This acquisition established the Group's oil and gas platform which targeted project opportunities in the global oil and gas sector. Clough contributed R1 billion to Group earnings before interest and tax ("EBIT") in 2014 and investment in the oil and gas sector was supported by a strong oil price which peaked at circa US$115 per barrel in June 2014.

Less than a year later, the oil price crashed to below US$40 per barrel and investment in the oil and gas sector ground to a halt. In response, we repositioned the oil and gas platform for energy, resources and infrastructure opportunities. We sought to take advantage of the significant opportunities for specialist contractors in the infrastructure-led growth promoted by governments by way of economic stimulus. This turned out to be the right strategy at the right time. By FY2019, the ERI platform had garnered a record order book and was strongly positioned for large-scale projects in Australia and North America.

COVID-19 was the singular event that turned great promise into value destruction for many countries, economies, companies, and people around the world. The pandemic disrupted global supply chains and restricted the movement of people which, in turn, slowed down project progress and extended project timelines. Longer timelines compounded costs and delayed project milestone payments, stretching working capital to a breaking point. We managed throughout this period, but the true impact of COVID-19 on the ERI platform was somewhat delayed; its catastrophic effect on the Group only becoming clear in the 2023 financial year.

As most of the ERI platform's contracts were secured on a fixed price lump-sum commercial basis, project risk was heavily weighted towards us as the contractor. In the platform's markets, clients at that time brought new projects to market primarily on a fixed price lump-sum basis. Under such market conditions, contractors mitigate the risk of unequal risk-sharing by having a diverse portfolio of work, which was the case for the ERI platform. In the ordinary course of managing a diverse project portfolio, the risk associated with one or two challenging projects can invariably be balanced by other projects. This is a risk, or the 'win some, lose some' reality, that engineering and contracting companies will always face and are prepared to accept, whilst earning sufficient profit from the total project portfolio over time.

The level of risk assumed in the ERI platform, associated with fixed price lump-sum projects and order book size, was reasonable for the Group in a business-as-usual scenario. But in the midst of an unforeseen global pandemic, with worldwide lockdowns and knock-on impacts affecting the Group's entire project portfolio simultaneously. The risk was ultimately intolerable relative to the Group's balance sheet at the time.

Project diversity made no difference and all projects were negatively impacted. The economic disruption that came with national responses to the pandemic had, in many cases, devastating consequences for businesses in the real-world economy. Especially those, such as our business, that rely on the timeous movement of people, goods and materials at key moments to meet the demands of interdependent and intersecting project work streams.

Contracts for project delivery do provide for events that give entitlement for claims and compensation, but none of our contracts at that time provided for pandemics as a compensation event. We had to rely on contractual terms such as changes in legislation which gave rise to substantial claims which were challenging to substantiate through cause and effect analysis, but the delay in having these claims resolved eventually meant that the working capital requirements became too much for the Group.

In short, the impact of COVID-19 was all-encompassing. Our balance sheet and available funding facilities could not sustain the working capital required for the ERI platform. Furthermore, the Group's funding capacity was undermined as no dividends were received from our investment in the Bombela Concession Company ("BCC"), nor from our international businesses for two years spanning the peak period of the pandemic.

Although the Group's liquidity was under pressure, cash flow forecasts indicated that we could meet our commitments and that we could trade through, albeit with limited financial breathing space. What our forecast did not fully account for was the marked shift in commercial flexibility among clients, facing their own cash constraints because of the COVID-19 impact. Claims were more forcefully contested, in some instances rejected, and in other instances leading to protracted and only partial settlements.

By July 2022, our initial estimation was that Clough's working capital shortfall was approximately AU$50 million: troubling but manageable, and we had a certain solution for providing this support during November 2022. However, by October 2022, after the next round of detailed quarterly project reviews, with updated forecasts for cost and revenue to completion and considering most recent client responses to claims, the projected working capital shortfall had nearly tripled. The escalation was largely attributable to our claim of circa US$90 million on Project Traveler in the United States, which the client was willing to settle at around half of the claimed value, and we had no time to challenge this as we would typically through costly and lengthy arbitration.

As such, the Group had no capacity to provide the cash injection required by Clough in time. As the prospects for a successful capital raise were limited, we commenced a process to sell Clough on an accelerated basis, in parallel with considering the possibility of voluntary administration. We found a potential buyer in the Italian firm, Webuild (formerly Salini Impregilo), who had a history of collaborating with Clough on major projects in Australasia and had shown interest in Clough some months before. However, the sale did not proceed after the parties agreed there was no reasonable prospect of the transaction being finalised.

In parallel to the Webuild negotiations, we began the groundwork to place Clough under voluntary administration ('business rescue' in South African terminology). When the negotiations between the parties were terminated, the directors of Clough and MRPL immediately placed the companies in voluntary administration, on 5 December 2022. From this date, Murray & Roberts lost control of MRPL and Clough, as well as RUC, which was caught up in the voluntary administration of MRPL.

Maintaining a presence in the Asia-Pacific region

As a provider of specialist mining services, it is our intent to maintain a presence in the APAC region, which is the region formerly serviced by RUC. The Group's global expertise in mine design, engineering and construction, and our technical capability in areas like vertical and decline shaft construction means that our services should always be in demand in the APAC region, including Australia. This region is a key part of the global mining sector and it is important for Murray & Roberts to maintain a footprint in the region.

The preferred scenario is for Murray & Roberts to regain control of RUC and to retain this business as part of our multinational Mining platform and efforts in this regard are continuing. Retaining RUC would allow for the full scale and capability of the Group's multinational Mining platform to be reestablished.

However, should the Group not be able to regain control of RUC, Cementation APAC, a company recently established in Australia, will be developed and capacitated to provide engineering and contracting services to mining clients in APAC. The Cementation brand is well known in the global mining sector and the Group will target project opportunities in Australia, leveraging the capabilities of our existing businesses in North America (Cementation Americas) and in Sub-Saharan Africa (Murray & Roberts Cementation).

Stabilising the Group

The loss of the ERI platform (and RUC) has resulted in a smaller Group and has created uncertainty with all our stakeholders regarding the sustainability of the Group, specifically considering our current levels of debt. We are dedicated to addressing this uncertainty by continuing to be transparent in our communication and disclosures, as we deleverage the balance sheet – a requirement of the Group's South African lending banks. We have already significantly reduced our corporate costs and will continue to improve on this, with acute liquidity management and operational efficiency.

Operating in multiple geographic jurisdictions presents unique challenges from a working capital and bonding point of view, requiring the support of our financial stakeholders for the business to perform optimally. It is a primary focus of the executive team to work closely with our financial stakeholders and to rebuild trust following the voluntary administration of MRPL and Clough.

From a strategic perspective, the Mining platform is our core business, while our PIW platform, a much smaller revenue contributor, is poised for profitability. This is also hard earned after weathering several years of losses in a South African market deprived of investment, and repositioning the business to pursue opportunities presented by increased investment in the domestic renewable energy sector.

Notwithstanding the relative business size and potential of the PIW platform, it plays an important role in our commitment to green energy, through the projects the business is delivering in the renewable energy (wind and solar) sector. South Africa's constrained transmission and distribution infrastructure requires urgent investment and through the PIW platform, we are also playing a role in the establishment of new transmission infrastructure, by connecting newly installed power infrastructure to the electricity grid and by expanding the electricity grid to transmit power across the country.

In last years' report we mentioned that stakeholder trust – one of our material issues – is "the currency that underpins all efforts to create sustainable value." This could not be truer as we will be working with our stakeholders to bring stability to our business, by reducing our debt and delivering value from our two platforms.

Closing remarks

In closing, we acknowledge that the next couple of years will be difficult to navigate, but emphasise that Murray & Roberts is a Group with a future, that will continue to deliver work for our existing clients and that will bid, win and build new projects for new clients.

We thank our institutional investors and our employees for showing faith in these challenging times. We also thank the Board and our advisors, for their supportive and productive approach.

We assure our stakeholders that the Board and the executive team are doing everything in their power to create shareholder value from the current low base; and to ensure that Murray & Roberts excels as a top engineering and contracting services provider in global mining and in chosen market sectors in Southern Africa.

Group leadership

Group board

Independent non-executive directors

1

Suresh Kana
CHAIRMAN

Appointed: 01 July 2015
Tenure (Years)*: 8.2

Responsibilities: Oversees Board governance and performance, and stakeholder engagement

Skills & Expertise: Strategic Leadership, Governance, Ethics, Accounting & Finance

Qualifications: BCom (Hons), BCompt, CA(SA), MCom

Experience: PwC Africa: Former Territory Senior Partner

Other Directorships: JSE, Transaction Capital, Anglo American Platinum

Last AGM re-elected: 2020

Committees:
SE REM NG

2

Ralph Havenstein
LEAD INDEPENDENT

Appointed: 01 August 2014
Tenure (Years)*: 9.1

Responsibilities: Addresses shareholders' concerns where regular channels fail to resolve concerns, or where the Chairman may be conflicted

Skills & Expertise: Strategic Leadership, Petrochemical & Mining, Chemical Engineering

Qualifications: MSC (Chemical Engineering), Bcom

Experience: Former CE of Anglo American Platinum & Norisk Nickel International

Other Directorships: Impala Platinum Holdings, Reatile

Last AGM re-elected: 2021

Committees:
REM SE AR NG

3

Jesmane Boggenpoel

Appointed: 01 April 2020
Tenure (Years)*: 3.5

Responsibilities: Provide independent and objective judgement as well as to counsel, challenge and monitor the executive directors' delivery of strategy within the approval framework and risk appetite approved by the Board

Skills & Expertise: Strategic Leadership, Governance, Finance & Investment

Qualifications: CA(SA), MPA

Experience: Former Deal Executive: Brait Private Equity, Former Head of Business Engagement Africa: World Economic Forum

Other Directorships: EOH Holdings, Spur Corporation, ETG Input Holdings, AIH Capital

Last AGM re-elected: 2022

Committees:
AR

4

Alex Maditsi

Appointed: 23 August 2017
Tenure (Years)*: 6

Skills & Expertise: Strategic Leadership, Law, Commercial & Remuneration

Qualifications: Bproc, LLB, LLM

Experience: MD of Copper Moon Trading, Former operations planning & legal director: Coca-Cola Southern & East Africa

Other Directorships: African Rainbow Minerals, Bidvest, Famous Brands, Netcare

Last AGM re-elected: 2020

Committees:
REM SE NG

5

Alexandra Muller

Appointed: 01 July 2022
Tenure (Years)*: 1.2

Skills & Expertise: Strategic Leadership, Accounting, Finance & Governance

Qualifications: CA(SA)

Experience: Former Head of Governance, Risk, and Internal Audit practice at PwC for Financial Services clients

Other Directorships: AVI, Infiniti Insurance

Last AGM elected: 2022

Committees:
AR

6

Clifford Raphiri

Appointed: 05 March 2020
Tenure (Years)*: 3.6

Skills & Expertise: Strategic Leadership, Operations & Human Capital, Engineering, Risk

Qualifications: BScEng (Mechanical), MBA

Experience: Former Executive Director: SAB

Other Directorships: Nampak, Energy Partners Holdings, Growthpoint Properties

Last AGM re-elected: 2021

Committees:
AR

** As at 30 June 2023*

Executive directors

7

Henry Laas
GROUP CHIEF EXECUTIVE

Appointed: 01 July 2011
Tenure (Years)*: 12.2

Responsibilities: Leads the design and delivery of Group Strategy and performance, and reporting

Skills & Expertise: Strategic Leadership, Mining, Engineering, Commercial negotiations

Qualifications: BEng (Mining), MBA

Experience: Former Chairman Murray & Roberts Engineering SADC, Former MD: Murray & Roberts Cementation and various other executive positions within the Group since 2001

Other Directorships: Group related

Last AGM re-elected: 2021

Committees:

SE

8

Daniël Grobler
GROUP FINANCIAL DIRECTOR

Appointed: 01 April 2017
Tenure (Years)*: 6.5

Responsibilities: Leads the delivery of Group financial performance against aspirations, and reporting

Skills & Expertise: Strategic Leadership, Accounting & Finance, Commercial negotiations

Qualifications: CA (SA)

Experience: Former MD: Murray & Roberts Cementation, various Financial Leadership functions within the Group since 2010

Other Directorships: Group related

Last AGM re-elected: 2022

Committees:

SE

Group secretary

9

Bert Kok
GROUP SECRETARY

Appointed: 26 February 2014
Tenure (Years)*: 9.6

Responsibilities: Sound corporate governance and Board Administration

Skills & Expertise: Corporate Governance, Company Secretarial, Administration

Qualifications: FCG (CS), FCIBM

Experience: 20 years listed Company Secretary, former (2010) president of Chartered Governance Institute of Southern Africa

Other Directorships: Group related

Last AGM re-elected: N/A

COMMITTEES

AR Audit & Risk | SE Social & ethics | REM Remuneration | NG Nomination & governance | Committee chair

Group executive

Henry Laas

GROUP CHIEF EXECUTIVE

Tenure*: 16 years

Henry joined the Group in 2001 and was appointed the executive committee in July 2007, and the Board and as Group chief executive in July 2011.

- Sustainable delivery of Group strategy & performance

Committee participation:

AR NG REM SE

Daniël Grobler

GROUP FINANCIAL DIRECTOR

Tenure*: 6 years

Daniël joined the Group in 2010 and was appointed to the executive committee in April 2017. Daniël was the Managing Director of Murray & Roberts Cementation. Prior to that, he fulfilled financial positions such as chief financial officer: Underground Mining business platform and Group Corporate Finance Executive.

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

Committee participation:

AR REM SE

Mike De Costa

BUSINESS PLATFORM CHIEF EXECUTIVE OFFICER

Tenure*: 5 years

Mike joined the Group and was appointed to the executive committee in 2018. He is the executive director responsible for the Mining business platform, with effect from 1 August 2018.

- Cementation AG
- Cementation Canada & USA
- Merit Consultants International
- Murray & Roberts Cementation
- Terra Nova Technologies (TNT)
- Murray & Roberts United Kingdom

Committee participation:

SE

** As at 30 June 2023*

Steve Harrison

BUSINESS PLATFORM CHIEF EXECUTIVE OFFICER

Tenure*: 8 years

Steve joined the Group in 2011 and was appointed to the executive committee in September 2015. He is responsible for the Power, Industrial & Water business platform.

- Murray & Roberts Projects
- Murray & Roberts Water
- Optipower

Committee participation:

SE

Thokozani Mdluli

HEALTH, SAFETY & ENVIRONMENT AND RISK EXECUTIVE

Tenure*: 10 years

Thokozani joined the Group in 2010 and was appointed to the executive committee in July 2013. He is responsible for risk and health, wellness, safety and environment.

- Health, safety & environment
- Risk
- Wellness
- BBBEE

Committee participation:

SE AR

COMMITTEES

AR Audit & Risk | SE Social & ethics | REM Remuneration | NG Nomination & governance