THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 9 of this Circular apply, *mutatis mutandis*, to this document, including the cover page, except where the context indicates a contrary intention.

Action required

If you are in any doubt as to what action you should take arising from this Circular, please consult your Broker, CSDP, banker, accountant, attorney or other professional adviser immediately.

If you have disposed of all your Murray & Roberts Shares, please forward this Circular to the purchaser of such shares or to the Broker, CSDP, banker, accountant, attorney or other agent through whom the disposal was effected.

Murray & Roberts Shareholders are referred to page 6 of this Circular, which sets out the action required by them.

Murray & Roberts Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 1948/029826/06)
JSE code: MUR
ADR code: MURZY
ISIN: ZAE000073441

RESPONSE CIRCULAR TO MURRAY & ROBERTS SHAREHOLDERS

regarding:

- the recommendation of the Independent Board that Murray & Roberts Shareholders reject the conditional offer by ATON to acquire all or a portion of the Murray & Roberts Shares held by Murray & Roberts Shareholders, other than ATON or its affiliates, as detailed in the ATON Offer Circular;

and incorporating:

- the opinion of the Independent Expert appointed by the Independent Board that the ATON Offer is unfair but reasonable.

Financial Adviser and Transaction Sponsor

Deutsche Bank

Legal Adviser

WEBBER WENTZEL
in alliance with > Linklaters

Independent Expert

BDO

Sponsor

Deutsche Bank
Deutsche Securities (SA) Proprietary Limited
(A non-bank member of the Deutsche Bank Group)

Date of issue: Friday, 20 April 2018

This Circular is available in English only. Copies may be obtained from the registered office of Murray & Roberts and Deutsche Securities at the addresses set out in the "corporate information and advisers" section of this Circular and on Murray & Roberts' website www.murrob.co.za from the date of issue of this Circular to the Closing Date.

CORPORATE INFORMATION AND ADVISERS

Registered office
Murray & Roberts Holdings Limited
(Registration number 1948/029826/06)
Douglas Roberts Centre
22 Skeen Boulevard, Bedfordview 2007
(PO Box 1000, Bedfordview, 2008)

Place of incorporation: South Africa
Date of incorporation: 2 June 1948

Financial Adviser and Transaction Sponsor
Deutsche Bank
3 Exchange Square
87 Maude Street, Sandton 2196
(Private Bag X9933, Sandton, 2146)

Sponsor
Deutsche Securities (SA) Proprietary Limited
(A non-bank member of the Deutsche Bank Group)
(Registration number 1995/011798/07)
3 Exchange Square
87 Maude Street, Sandton 2196
(Private Bag X9933, Sandton, 2146)

Legal Adviser
Webber Wentzel
90 Rivonia Road, Sandton 2196
(PO Box 61771, Marshalltown, 2107)

Independent Expert
BDO Corporate Finance Proprietary Limited
(Registration number: 1983/002903/07)
22 Wellington Road, Parktown 2193
(Private Bag X605000, Houghton, 2041)

Transfer Secretaries
Link Market Services South Africa Proprietary Limited
(Registration number 2000/007239/07)
13th Floor, 19 Ameshoff Street, Braamfontein 2001
(PO Box 4844, Johannesburg, 2000)

Company Secretary
L Kok
Douglas Roberts Centre
22 Skeen Boulevard, Bedfordview 2007
(PO Box 1000, Bedfordview, 2008)

IMPORTANT NOTICES TO MURRAY & ROBERTS SHAREHOLDERS

- On 26 March 2018, the Board constituted an Independent Board in accordance with the Companies Act and the Companies Regulations.
- Following the Independent Board's review of the ATON Offer Circular, the Independent Board hereby provides its views and further guidance to Murray & Roberts Shareholders:
  - the ATON Offer is opportunistic and made at a time of unprecedented share price weakness as a consequence of low liquidity, declining valuations of its legacy peers in the Construction sector, despite being reclassified as a Diversified Industrial stock, and halting of the Company's share buy-back programme in November 2017;
  - the ATON Offer Consideration of ZAR15,00 per Murray & Roberts Share materially undervalues the Company based on its prospects;
  - having had reference to the Independent Expert's valuation report, the Independent Board is of the view that a fair value price range for control of Murray & Roberts is ZAR20,00 to ZAR22,00 per Murray & Roberts Share;
  - the rationale presented by ATON for the Company and South Africa is weak in a number of material respects;
  - the Independent Board is of the view that the prospects of ATON successfully delisting Murray & Roberts are very low;
  - scenarios where (i) ATON accretes its shareholding but does not delist Murray & Roberts or (ii) ATON gradually increases its shareholding and attempts to delist the Company present risks to Murray & Roberts Shareholders and ATON, including conflicts of interest, strategic misalignment and reduced strategic flexibility, and potentially casts the Company into a protracted period of uncertainty; and
  - it is not clear how ATON proposes to manage the dilution of Murray & Roberts' B-BBEE ownership credentials and the potential resultant impact on material contracts and employment in South Africa. Depending on ATON's eventual shareholding the Company may not be able to maintain the minimum scorecard level required, to retain as well as win contracts of the Company in South Africa.
- ATON's minimum level of acceptances is such that would give it 50% plus one share of Murray & Roberts' total ordinary shares in issue and therefore control of the Company.
- Settlement of the Forward Sale Agreement with Allan Gray takes effect after the Opening Date and is not subject to the Conditions outlined in the ATON Offer Circular.
- There is a potential long lead time from the Opening Date to the date on which the last of the regulatory Conditions is fulfilled resulting in a significant delay before Murray & Roberts Shareholders receive the ATON Offer Consideration. ATON reserves the right to accept any conditions attached to any merger clearances or approvals, as the case may be. ATON's acceptance is not qualified by any objective criteria. If a condition is not acceptable to ATON (for any reason whatsoever), the approval process may be further delayed while ATON seeks an amendment to or a removal of an unsatisfactory condition.
- Accordingly, the Independent Board recommends that Murray & Roberts Shareholders do not accept the ATON Offer.
- **No action should be taken by Murray & Roberts Shareholders in connection with the ATON Offer.**

TRP APPROVALS

Shareholders should take note that the TRP does not consider commercial advantages or disadvantages of affected transactions when it approves such transactions.

IMPORTANT INFORMATION

This Circular has been prepared for the purposes of complying with the Companies Act, the Companies Regulations published in terms thereof and the JSE Listings Requirements and, accordingly, the information disclosed may not be the same as that which would have been disclosed had this Circular been prepared in accordance with the laws and regulations of any jurisdiction outside of South Africa.

The release, publication or distribution of this Circular in jurisdictions other than South Africa may be restricted by law, and any person who is subject to the laws of any jurisdiction other than South Africa should therefore inform themselves about, and observe, any applicable requirements. Any failure to comply with the applicable requirements may constitute a violation of the securities laws of any such jurisdiction.

Forward-looking statements

Statements in this Circular include “forward-looking statements” that express or imply expectations of future events or results. These statements include financial projections and estimates and their underlying assumptions, and statements regarding plans, objectives and expectations with regard to future operations, products and services, and statements regarding future performance. Forward-looking statements are generally identified by the words “anticipates”, “believes”, “estimates”, “expects”, “intends” and similar expressions. All forward-looking statements involve a number of risks, uncertainties and other factors, and Murray & Roberts and/or the Independent Board cannot give assurances that those statements will prove to be correct. Risks, uncertainties and other factors that could cause actual events or results to differ from those expressed or implied by the forward-looking statements include, without limitation, changes in the economic or political situation in South Africa, changes in the metals and minerals, power and water as well as the oil and gas market sectors in South Africa or worldwide and the performance of (and cost savings realised by) the Company. Although Murray & Roberts and/or the Independent Board believes that the expectations reflected in the forward-looking statements are reasonable, Murray & Roberts Shareholders are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of Murray & Roberts and/or the Independent Board, that could cause actual events or results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. Murray & Roberts and/or the Independent Board undertake no obligation to update any forward-looking information or statements.

Foreign shareholders

This Circular has been prepared for the purposes of complying with the laws of South Africa and is subject to applicable laws and regulations in South Africa, including but not limited to the Companies Act and the Companies Regulations and the information disclosed may not be the same as that which would have been disclosed if this Circular had been prepared in accordance with the laws and regulations of any jurisdiction outside of South Africa. The ATON Offer contemplated in this Circular is also governed by the laws of South Africa and is subject to any applicable laws and regulations of South Africa, including but not limited to the Companies Act and the Companies Regulations.

The release, publication or distribution of this Circular in certain jurisdictions other than South Africa may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than South Africa should inform themselves about, and observe any applicable requirements. Any failure to comply with the applicable requirements may constitute a violation of the securities laws of any such jurisdiction. It is the responsibility of the non-resident shareholder to satisfy himself or herself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the ATON Offer, including the obtaining of any governmental, exchange control or other consents or the making of any filings which may be required, the compliance with other necessary formalities, the payment of any transfers or other taxes or other requisite payments due to such jurisdiction.

This Circular is not intended to, and does not constitute, or form part of, an offer to sell or an invitation to purchase or subscribe for any securities or a solicitation of any vote or approval in any jurisdiction in which such an invitation, offer or solicitation would be unlawful. This Circular does not constitute a prospectus or a prospectus equivalent document. Shareholders are advised to read this Circular, which contains the full terms and conditions of the ATON Offer, with care. Any decision to accept the ATON Offer or any other response to the proposals should be made only on the basis of the information in this Circular, the ATON Offer Circular and the information published on SENS by ATON and Murray & Roberts relating to the ATON Offer.

Any Murray & Roberts Shareholder who is in doubt as to their position, including, without limitation, their tax status, should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

LETTER TO MURRAY & ROBERTS SHAREHOLDERS FROM THE CHAIRMAN OF THE INDEPENDENT BOARD

20 April 2018

The Shareholders of Murray & Roberts Holdings Limited

Dear Shareholder,

The Murray & Roberts Holdings Limited ("Murray & Roberts") Independent Board ("Independent Board") strongly recommends that Shareholders reject the ATON GmbH ("ATON") Offer

The Independent Board, in considering the ATON Offer appointed BDO Corporate Finance Proprietary Limited ("BDO") as the professional independent expert ("Independent Expert") to advise the Independent Board on whether the terms and conditions of the ATON Offer are fair and reasonable.

BDO Corporate Finance found the ATON Offer to be unfair, but reasonable. Before reaching any decision on the ATON Offer, the Independent Board recommends that Murray & Roberts Shareholders carefully read and take note of the opinion, provided by the Independent Expert, and detailed in this Circular.

The views of the Independent Board are set out below:

1.1. ATON Offer Consideration

ATON acquired the majority of its existing minority shareholding of approximately 39,6% in the Company at or around ZAR15,00 per Share. In November 2017, ATON voted down the requisite resolution necessary for the Company to continue its on-market share buy-back programme, when the majority of the Murray & Roberts Shareholders were supportive of the initiative. This action compounded by a period of low liquidity and declining valuations amongst the Company's legacy peer group in the listed Construction sector, despite being reclassified as a Diversified Industrial stock, has precipitated a period of unprecedented weakness in the Murray & Roberts Share price. ATON is now seeking to acquire control of the Company at the same price it acquired a minority shareholding whilst promoting a substantial premium to the current weak share price as the central reason why Murray & Roberts Shareholders should find the ATON Offer attractive.

It is the Independent Board's view, supported by the analysis of its financial adviser and the Independent Expert, that the ATON Offer Consideration for full control of the Company materially undervalues Murray & Roberts based on its prospects. Therefore, the Independent Board has accordingly recommended to the Murray & Roberts Shareholders that they do not accept the ATON Offer as construed.

1.2. Rationale

The Independent Board refers to the rationale provided by ATON for considering the ATON Offer. The Independent Board does not agree with ATON's views on the benefits for the Company and South Africa in a number of material respects, specifically:

1.2.1. **Underground Mining:**

- As stated in the Company's interim financial results presentation, the Underground Mining platform reported strong performance with growth in its order book, revenue and operating profit compared to the previous comparable period. The Underground Mining platform also achieved significant improvement in operating margin. All of the global operating regions, including Africa, Australasia and the Americas contributed towards this significant improvement.

- The recent improvement in commodity prices and increased investment activity by the Company's mining clients will further support the near-term prospects of the business. The Company is well-positioned to secure new opportunities that would significantly increase the order book in the near term. These opportunities could potentially be jeopardised by the ATON Offer.

- The combination of the Murray & Roberts Underground Mining platform and ATON's Redpath Mining Inc. (formerly J.S. Redpath Holding) ("Redpath") presents limited strategic rationale at the current time and, if implemented would have to be accomplished post the ATON Offer. Exploratory discussions between Murray & Roberts and ATON during 2015 in relation to a combination of Redpath and the Underground Mining platform ceased because Murray & Roberts could not reach agreement with ATON regarding the proposed transaction structure and relative value. It is the view of the Independent Board that combining these businesses would not yield significant benefits to the Company.

1.2.2. **Oil & Gas**

- Muted activity in the oil and gas sector since the collapse of the oil price in late 2014, has had a negative impact on the revenue growth of the Oil & Gas platform. However, the Company has managed to maintain good profitability in a challenging and competitive environment.
- Brownfield operations and maintenance opportunities are expected to be the main source of earnings from the Oil & Gas sector for the Australian region until about 2021. New greenfield opportunities are expected to be in Papua New Guinea as energy producers are making progress with new liquefied natural gas facilities.
- Complementary markets previously serviced by Clough Limited, a Murray & Roberts's subsidiary incorporated in Australia, such as the mining and infrastructure markets in Australia present significant near-term opportunities.
- Murray & Roberts is currently expanding its international operations with a planned acquisition in the USA.

1.2.3. **Power & Water**

- The power sector in South Africa presents few new opportunities, with the Power & Water platform in this sector underpinned by the Kusile and Medupi projects.
- There are an increasing number of new opportunities in the water treatment sector in South Africa with this segment yet to achieve scale. It will in time materially contribute to Murray & Roberts' earnings.
- The Power & Water platform is continuously looking to replenish its order book with particular focus on prospects in complementary markets such as mining, pulp and paper, chemicals, and energy in sub-Saharan Africa.

1.2.4. **Capital allocation and non-core assets**

- The Company adopts a disciplined approach to capital allocation focused on generating returns for the Company's shareholders both in the short and long term.
- In 2017, the short-term capital allocation strategy for the Company involved increasing its shareholding in Bombela Concession Company (RF) (Proprietary) Limited ("**BCC**") to 50% and in the absence of other return enhancing opportunities at that time, sought to return capital to shareholders via a share repurchase programme.
- Murray & Roberts is currently in the process of pursuing both organic and acquisition opportunities, which the Board believes will add significant value. The Board will continue to adopt a disciplined and deliberate approach when evaluating these initiatives.
- It is unclear which of Murray & Roberts' businesses or markets would be identified by ATON as non-core. With respect to BCC, the Independent Board believes that the annuity income provided by the additional investment creates a value underpin in a cyclical operating environment.
- The Independent Board is firmly of the view that a breakup of the Murray & Roberts Group would destroy value and negatively impact employment.

1.2.5. **Management capacity and knowledge transfer**

- It is unclear how ATON will add capacity and facilitate skills transfer to the Company's existing operational experience and capabilities, specifically in the Power & Water and the Oil & Gas Platforms.

1.2.6. **Impact of empowerment and employment**

- Murray & Roberts is an accredited Level 4 B-BBEE Contributor with economic interest ownership by existing Murray & Roberts B-BBEE shareholders and black women of approximately 54,7% and 18,9% respectively. The Company is committed to a number of B-BBEE initiatives in South Africa.
- The Company's support for B-BBEE programmes and the promotion of social and economic development of previously disadvantaged communities and individuals is important in the context of the Company's underground mining operations in South Africa.
- The ATON Offer Circular, fails to address an approach to implementation of B-BBEE in any form. The Independent Board notes with concern the significant risk of dilution of the Company's B-BBEE ownership profile on a flow through basis, with the possibility of severe implications for the Company's current mining contracts, and its ability to secure future mining contracts in South Africa.
- Murray & Roberts is a significant employer in South Africa, with approximately 10 700 employees. A major concern of the Independent Board is that the ATON Offer could negatively impact material contracts of the Company resulting in job losses.

1.3. Offer mechanism

In the Independent Board's view, the mechanism proposed by ATON to implement the ATON Offer, presents risk to both the Murray & Roberts Shareholders and ATON.

In the ATON Offer, ATON contemplates three possible outcomes, namely:

1.3.1. ATON acquires the entire issued share capital of Murray & Roberts other than those Shares already owned by ATON and its subsidiaries, and delists the Company; or

1.3.2. ATON acquires sufficient ordinary shares to increase ATON's shareholding to a shareholding of between a minimum 50% plus 1 ordinary share and up to a maximum of 90% of the entire issued share capital of the Company; or

1.3.3. ATON simply acquires additional shares to accrete ATON's existing shareholding up to below 50% of the entire issued share capital of the Company, in the event that the ATON Offer fails or is withdrawn.

The Independent Board assumes that any of the outcomes would be acceptable to ATON.

The Independent Board is of the view that the prospects of ATON successfully acquiring all the Shares that it does not already own and delisting Murray & Roberts at the proposed cash offer price is very low.

The focus of the Independent Board has therefore been on the risks to Murray & Roberts Shareholders, including ATON, inherent in each of the scenarios set out in 1.3.2 and 1.3.3 above, where ATON appears content to potentially increase its shareholding without acquiring the entire share capital of the Company. In the three scenarios above, the Independent Board is concerned that ATON's position will:

i. introduce material conflicts of interest between ATON and the Company;

ii. heighten the potential for strategic misalignment between the executive management and the Board and thereby reduce strategic flexibility for Murray & Roberts;

iii. prejudice minority shareholders as a consequence of i. and ii. above, as well as diluting the B-BBEE ownership profile, and by further reducing the liquidity in Murray & Roberts' shares on the JSE; and

iv. cast the Company into a protracted period of uncertainty as ATON gradually increases its shareholding and attempts to delist Murray & Roberts, as it ultimately appears it must do in order to fully carry out the strategic agenda outlined in the ATON Offer.

In light of the Independent Board's assessment of the likely outcomes above, the Independent Board affirms its view that the ATON Offer is not in the best interests of the Company and its Shareholders and that the opportunity for shareholder value creation is higher for Shareholders under the status quo, combined with the Company's future prospects.

1.4. Regulatory

The Independent Board is of the view that there is no basis in the Firm Offer Letter, the Firm Intention Announcement or the ATON Offer Circular to substantiate ATON's conclusion or to provide comfort to Murray & Roberts Shareholders that the contemplated acquisition of Shares pursuant to the ATON Offer, or otherwise, does not give rise to competition concerns.

1.5. Cooperation

Based on the views outlined above, the Independent Board would not be willing to cooperate with ATON to implement the ATON Offer as construed. Accordingly, the Independent Board recommends that the Board does not enter into an implementation agreement as proposed by ATON.

Yours sincerely,

Suresh P Kana
Chairman of the Independent Board

ACTION REQUIRED BY MURRAY & ROBERTS SHAREHOLDERS

The Independent Board recommends that Murray & Roberts Shareholders reject the ATON Offer. To reject the ATON Offer, Murray & Roberts Shareholders should take no action with regard to the ATON Offer.

Please take careful note of the following provisions regarding the action required by Murray & Roberts Shareholders:

1. If you are in any doubt as to what action you should take arising from this Circular, please consult your Broker, CSDP, banker, attorney, accountant or other professional adviser immediately.

2. If you have disposed of all of your Murray & Roberts Shares, this Circular should be handed to the purchaser of such Murray & Roberts Shares or to the Broker, CSDP, banker, attorney or other agent through whom the disposal was effected.

3. The options available to you are:
   - to reject the ATON Offer;
   - to accept the ATON Offer in respect of all or any of your Murray & Roberts Shares; or
   - to dispose of your Murray & Roberts Shares on the JSE.

If you wish to reject the ATON Offer, you do not need to take any further action.

If you wish to accept the ATON Offer, you must do so in the manner described in the ATON Offer Circular.

TABLE OF CONTENTS

IMPORTANT DATES AND TIMES OF THE ATON OFFER

The Independent Board recommends that Murray & Roberts Shareholders reject the ATON Offer. To reject the ATON Offer, Murray & Roberts Shareholders should take no action with regard to the ATON Offer.

The important dates and times of the ATON Offer are set out in the ATON Offer Circular.

DEFINITIONS AND INTERPRETATIONS

In this Circular and the annexures attached hereto, unless otherwise stated or clearly indicated by the context, the words in the first column have the meanings stated opposite them in the second column, words in the singular include the plural and *vice versa*, words importing one gender include the other genders and references to a natural person include references to a juristic person and *vice versa*:

"Allan Gray"	Allan Gray Proprietary Limited, a private company incorporated in accordance with the laws of South Africa (Registration number 2005/002576/07) with its registered address at 1 Silo Square, V&A Waterfront, Cape Town, 8001, South Africa;
"ATON"	ATON GmbH, (Registration number HRB 193331 with the commercial register at the local court of Munich) a limited liability company incorporated in Munich, Germany, acting through its wholly owned subsidiary ATON AT;
"ATON AT"	ATON Austria Holding GmbH, (Registration number FN 444911 g with the commercial register at the regional court of Innsbruck), a limited liability company incorporated in Going am Wilden Kaiser, Austria, and a wholly owned subsidiary and affiliate of ATON;
"ATON Offer Circular"	the bound document dated Monday, 9 April 2018, posted to Murray & Roberts Shareholders, by ATON, including its annexures and attachments;
"ATON Offer Consideration"	the cash consideration to be paid to those Murray & Roberts Shareholders who accept the ATON Offer in respect of each of their Offer Shares, being ZAR15.00 per Murray & Roberts Share;
"ATON Offer"	the offer by ATON to acquire all or a portion of the Murray & Roberts Shares held by Murray & Roberts Shareholders, other than ATON or its affiliates, as detailed in the ATON Offer Circular;
"B-BBEE"	Broad-Based Black Economic Empowerment Codes of Good Practice in terms of the B-BBEE Act, 2013 amended from time to time;
"Board" or "Directors"	the board of directors of Murray & Roberts;
"Broker"	any person registered as a "broking member (equities)" in terms of the rules and related legislation of the JSE made in accordance with the provisions of the Financial Markets Act;
"Business Day"	any day other than a Saturday, Sunday or official public holiday in South Africa;
"Certificated Murray & Roberts Share(s)"	Murray & Roberts share(s), represented by a share certificate(s) or other physical document(s) of title, which have not been surrendered for dematerialisation in terms of the requirements of Strate;
"Certificated Murray & Roberts Shareholder(s)"	Murray & Roberts shareholder(s) holding certificated Murray & Roberts shares;
"Circular"	this response circular to Murray & Roberts Shareholders recorded in the register of Murray & Roberts Shareholders on Friday, 13 April 2018, being the posting record date, dated Friday, 20 April 2018, including all annexures attached hereto;
"Closing Date"	the date on which the ATON Offer will close which will be the last date on which Offerees will be able to accept the ATON Offer, which date shall be the 10th Business Day after the ATON Offer is announced as being unconditional in all respects, or, if such date does not fall on a Friday, the Friday immediately following the expiry of that 10-day period (unless that Friday is a statutory holiday in South Africa, in which case the Closing Date will be the Business Day immediately prior to that Friday);
"Companies Act"	the Companies Act, No. 71 of 2008, as amended;

"Companies Regulations"	the Companies Regulations, 2011, in terms of the Companies Act, as amended;
"Competition Authorities"	the Competition Commission of South Africa and/or the Competition Tribunal of South Africa and/or the Competition Appeal Court of South Africa, being regulatory and/or judicial authorities established in the Competition Act, No. 89 of 1998, as amended;
"Conditions"	the conditions to which the ATON Offer is subject to as stipulated in paragraph 4.2.1 of the ATON Offer Circular;
"CSD"	a central securities depository, as defined in section 1 of the Financial Markets Act;
"CSDP"	a Central Securities Depository Participant (being a "participant" as defined in section 1 of the Financial Markets Act), appointed by individual Murray & Roberts Shareholder(s) for the purpose of, and with regard to, dematerialisation, in terms of the Financial Markets Act;
"Custody Agreement"	the agreement that regulates the relationship between the CSDP or Broker and each Murray & Roberts Shareholder that has elected to have such Murray & Roberts Shares held by the CSDP or Broker as their nominee;
"Dematerialisation"	the process by which Murray & Roberts Share(s) held by certificated Murray & Roberts Shareholder(s) are converted or held in electronic form as dematerialised Murray & Roberts Share(s) and recorded in the sub-register;
"Dematerialised Murray & Roberts Share(s)"	Murray & Roberts Share(s) which have been dematerialised through a CSDP or Broker and are held on the sub-register and are no longer evidenced by a share certificate or a document(s) of title;
"Dematerialised Murray & Roberts Shareholder(s)"	those Murray & Roberts Shareholder(s) that have dematerialised their Murray & Roberts Share(s) through a CSDP;
"Deutsche Bank"	Deutsche Securities (SA) Proprietary Limited (Registration number 1995/011798/07), a private company incorporated and registered in South Africa, the Financial Adviser to Murray & Roberts;
"Forward Sale Agreement"	the forward sale agreement entered into among ATON, ATON AT and Allan Gray (Allan Gray acting not as principal but on behalf of its clients, which clients are the beneficial and/or registered owners of the Murray & Roberts Shares), dated Thursday 29 March 2018, in terms of which, among other things, Allan Gray agreed to sell to ATON AT, and ATON AT agreed to purchase from Allan Gray, 29,005,926 Murray & Roberts Shares at a purchase price of ZAR15,00 per Share, with settlement of such acquisition to take effect after the Opening Date;
"Firm Intention Announcement"	the announcement by ATON setting out the terms of its firm intention to make the ATON Offer, as released on SENS on Monday, 26 March 2018;
"Firm Offer Letter"	the letter dated 23 March 2018, received after business hours by Murray & Roberts from ATON setting out the terms of ATON's firm intention to make the ATON Offer;
"Financial Markets Act"	the Financial Markets Act No 19 of 2012, as amended;
"Independent Board"	the members of the Independent Board of Murray & Roberts established by the Board in accordance with Regulation 108(8) of the Companies Regulations for purposes of considering the ATON Offer, comprising at the date of this Circular the persons reflected on page 13 of this Circular;
"Independent Expert" or "BDO Corporate Finance"	BDO Corporate Finance Proprietary Limited (Registration number 1983/002903/07), a private company incorporated and registered in South Africa, being the independent expert as described in section 114(2) of the Companies Act, appointed by the Independent Board in terms of Companies Regulation 110(1);

"JSE"	the stock exchange operated by the JSE Limited (Registration number 2005/022939/06), a public company registered and incorporated in South Africa, licensed as an exchange under the Financial Markets Act;
"JSE Listings Requirements"	the Listings Requirements of the JSE, as amended from time to time;
"Last Practicable Date"	the last practicable date prior to the finalisation of this Circular, being Friday, 13 April 2018;
"Legal Adviser" or "Webber Wentzel"	Webber Wentzel, a partnership of attorneys practicing in South Africa and the legal adviser to Murray & Roberts;
"Long Stop Date"	Sunday, 31 March 2019, as extended pursuant to paragraph 4.2.2 of the ATON Offer Circular;
"Murray & Roberts" or "the Company"	Murray & Roberts Holdings Limited (Registration number 1948/029826/06), a public company incorporated and registered in South Africa, and listed on the JSE;
"Murray & Roberts Group" or "Group"	Murray & Roberts and its subsidiaries;
"Murray & Roberts Share(s)" or "Shares"	ordinary shares with no par value in the authorised and issued share capital of Murray & Roberts;
"Murray & Roberts Shareholder(s)"	collectively, Certificated Murray & Roberts Shareholder(s), Dematerialised Murray & Roberts Shareholder(s) and own-name Dematerialised Murray & Roberts Shareholder(s);
"Offeree"	a Murray & Roberts Shareholder to whom the ATON Offer is made and who may accept the Offer, being a person (other than ATON or ATON AT), who is a Certificated Shareholder or a Dematerialised Shareholder on the Record Date;
"Offer Payment Period"	in relation to a Murray & Roberts Shareholder, a period of six Business Days after: (i) the ATON Offer being declared unconditional in all respects as contemplated by Companies Regulation 102(12)(a) of the Companies Regulations; and (ii) acceptance of the ATON Offer by such Murray & Roberts Shareholder;
"Offer Period"	the period from 09:00 on the Opening Date to 12:00 on the Closing Date, both days inclusive (which period may be extended by ATON);
"Offer Shares"	all of Murray & Roberts Shares held by the Offerees;
"Opening Date"	the opening date in respect of the ATON Offer, being 09:00 on Tuesday, 10 April 2018;
"Own-name Dematerialised Murray & Roberts Shareholder(s)"	those Murray & Roberts shareholder(s) that have dematerialised their Murray & Roberts Share(s) through a CSDP and have instructed the CSDP to hold their Share(s) in their own name on the sub-register;
"Rand" or "ZAR" or "cents"	South African Rand or cents, the official currency of South Africa;
"Record Date"	the latest date and time at which a Murray & Roberts Shareholder may be recorded in the Register in order to accept the ATON Offer, being 12:00 on the Closing Date;
"Register"	the securities register of Murray & Roberts Shareholders maintained by the Company in accordance with sections 50(1) and 50(3) of the Companies Act, including the uncertificated securities register;
"SENS"	the Stock Exchange News Service of the JSE;
"South Africa"	the Republic of South Africa;
"Sponsor"	Deutsche Securities (SA) Proprietary Limited (Registration number 1995/011798/07), a private company incorporated and registered in South Africa and the Sponsor to Murray & Roberts;

"Strate"	the share settlement and clearing system utilised by the JSE for all share transactions concluded on the JSE, managed by Strate Proprietary Limited (Registration number 1998/022242/07), a private company incorporated and registered in South Africa;
"Transfer Secretaries" or "Link Market Services"	Link Market Services South Africa Proprietary Limited (Registration number 2000/007239/07), a private company incorporated and registered in South Africa and the transfer secretaries to Murray & Roberts;
"TRP"	the Takeover Regulation Panel established by section 196 of the Companies Act; and
"Uncertificated Securities Register"	the uncertificated securities register of Murray & Roberts Shareholders maintained by a CSDP or CSD in accordance with the requirements of section 50(3) of the Companies Act.

Murray & Roberts Holdings Limited

(Incorporated in the Republic of South Africa)
(Registration number 1948/029826/06)
JSE code: MUR
ADR code: MURZY
ISIN: ZAE000073441

Independent Board
Suresh P Kana (Chairman)
Ralph Havenstein
Alex Maditsi
Diane Radley

RESPONSE CIRCULAR TO MURRAY & ROBERTS SHAREHOLDERS

1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

Shareholders of Murray & Roberts are referred to the cautionary announcement released by Murray & Roberts and the Firm Intention Announcement released by ATON on SENS on Monday, 26 March 2018 and the ATON Offer Circular posted to Murray & Roberts Shareholders by ATON on Monday, 9 April 2018 in relation to ATON's firm intention to make a general offer to Murray & Roberts Shareholders at a cash offer price of ZAR15,00 per Murray & Roberts Share.

The ATON Offer Circular, sets out, inter alia, the terms of, and ATON's rationale for the ATON Offer.

The ATON Offer is classified as an affected transaction as defined in section 117 of the Companies Act and as such is regulated by that Act, the Companies Regulations and the JSE Listings Requirements.

In accordance with the requirements of the Companies Act, the Board of Murray & Roberts has constituted an Independent Board comprising the following independent non-executive directors:

- Suresh P Kana (Chairman);
- Ralph Havenstein;
- Alex Maditsi; and
- Diane Radley.

Accordingly, the purpose of this Circular is to provide Murray & Roberts Shareholders with:

- the opinion of the Independent Expert, BDO Corporate Finance, who is of the opinion that the ATON Offer is unfair but reasonable;
- the opinion and recommendation of the Independent Board that Murray & Roberts Shareholders should reject the ATON Offer; and
- comment on certain statements contained in the ATON Offer Circular which the Independent Board believes require clarification following consultation with Murray & Roberts management.

The terms of the ATON Offer are set out in the ATON Offer Circular.

Murray & Roberts Shareholders are advised that Murray & Roberts has raised certain concerns relating to the ATON Offer with the TRP. The primary concerns are as follows:

(i) **Mandatory offer**
The ATON Offer Circular expressly states that the Murray & Roberts Shares acquired by ATON AT from Allan Gray pursuant to the Forward Sale Agreement do not form part of the ATON Offer, and do not constitute Offer Shares. As at the Opening Date, ATON and its affiliates together owned 147 085 819 Murray & Roberts Shares, representing an ownership interest of approximately 33,1% of all Murray & Roberts Shares (or approximately 33,3% of the voting rights of Murray & Roberts). Following the settlement of the Forward Sale Agreement, ATON AT acquired a further 29 005 926 Murray & Roberts Shares

from Allan Gray. As a result, ATON and its affiliates now hold an ownership interest of approximately 39,6% of all Murray & Roberts Shares (or approximately 39,8% of the voting rights of Murray & Roberts).

The acquisition of Murray & Roberts Shares under the Forward Sale Agreement results in ATON and its affiliates exercising more than 35% of the issued voting securities of Murray & Roberts. The breach of the 35% threshold obliges ATON to make a mandatory offer to Murray & Roberts Shareholders, as contemplated in section 123 of the Companies Act (as read with Companies Regulation 86). The ATON Offer (as construed) is a conditional offer and does not comply with the mandatory offer provisions; and

(ii) **Forward Sale Agreement**
The price agreed between Allan Gray and ATON AT in respect of the Murray & Roberts Shares acquired under the Forward Sale Agreement is subject to an upwards adjustment. If ATON AT increases the Offer Price within the first 90 calendar days after the Opening Date, ATON AT shall pay the aggregate increased consideration to clients of Allan Gray within 6 Business Days after an announcement is made that the ATON Offer is unconditional. In essence, the price adjustment mechanism results in Allan Gray receiving the benefit of an increased ATON Offer Consideration in respect of Allan Gray's entire shareholding in Murray & Roberts (ie. the Murray & Roberts Shares it currently holds and the Murray & Roberts Shares sold to ATON AT under the Forward Sale Agreement). As such, the terms and conditions of the Forward Sale Agreement provide Allan Gray (and the clients of Allan Gray) with more favourable conditions than the conditions extended to the remaining shareholders of Murray & Roberts. Section 127 of the Companies Act prohibits making arrangements with any holders of securities, dealing in securities of an offeree company or entering into arrangements to accept an offer, with more favourable conditions attaching to such arrangements or deals than those extended to all holders of securities under the offer. Murray & Roberts is of the view that the conclusion and implementation of the Forward Sale Agreement is contrary to this section.

The TRP is currently considering the issues raised and has requested input from ATON. Murray & Roberts Shareholders will be informed of any developments in this regard.

2. OPINION OF THE INDEPENDENT EXPERT

The Independent Expert has, in accordance with Regulation 90 of the Companies Regulations, performed a valuation of the Offer Shares and provided its opinion to the Independent Board.

Taking into consideration the terms and conditions of the ATON Offer and based on the results of the procedures performed, detailed valuation work and other considerations, as set forth in the opinion of the Independent Expert, the Independent Expert is of the opinion that the Offer Consideration is unfair but reasonable to Murray & Roberts Shareholders. The opinion of the Independent Expert is included in Annexure 1 to this Circular.

3. INDEPENDENT BOARD'S OPINION AND RECOMMENDATION REGARDING THE ATON OFFER

Following the Independent Board's review of the ATON Offer Circular, the Independent Board hereby provides its views and further guidance to Murray & Roberts Shareholders:

- the ATON Offer is opportunistic and made at a time of unprecedented share price weakness as a consequence of low liquidity, declining valuations of its legacy peers in the Construction sector, despite being reclassified as a Diversified Industrial stock, and halting of the Company's share buy-back programme in November 2017;
- the ATON Offer Consideration of ZAR15,00 per Murray & Roberts Share materially undervalues the Company based on its prospects;
- having had reference to the Independent Expert's valuation report, the Independent Board is of the view that a fair value price range for control of Murray & Roberts is ZAR20,00 to ZAR22,00 per Murray & Roberts Share;
- the rationale presented by ATON for the Company and South Africa is weak in a number of material respects;
- the Independent Board is of the view that the prospects of ATON successfully delisting Murray & Roberts are very low;
- scenarios where (i) ATON accretes its shareholding but does not delist Murray & Roberts or (ii) ATON gradually increases its shareholding and attempts to delist the Company present risks to Murray & Roberts Shareholders and ATON, including conflicts of interest, strategic misalignment and reduced strategic flexibility, and potentially casts the Company into a protracted period of uncertainty; and
- it is not clear how ATON proposes to manage the dilution of Murray & Roberts' B-BBEE ownership credentials and the potential resultant impact on material contracts and employment in South Africa.

A number of Group companies have banking facilities which require them to (i) notify the relevant funders of the ATON Offer or a change of control pursuant to the ATON Offer (including indirect changes of control), and/or (ii) obtain consent from the relevant funders and/or (iii) obtain waivers from the relevant funders, where a change of control entitles the funders to amend the terms of banking facilities or trigger the acceleration of repayment obligations or result in other adverse consequences including the termination of the relevant banking facilities. The relevant Group companies will need to engage with the funders in order to avoid any adverse consequences as a result of the ATON Offer.

Certain Group companies have obtained bond and guarantee facilities and the indirect change in shareholding of these companies contemplated under the ATON Offer will trigger certain consequences thereunder, including notification requirements and in some instances, the facility provider being entitled to retract the facility or to require cash cover on demand or to refuse to provide further bonds or guarantees thereunder. The relevant Group companies will need to engage with the facility providers.

Various service agreements contain obligations on Murray & Roberts Group companies to maintain minimum B-BBEE ownership credentials. ATON's final shareholding and the resultant reduction in black ownership levels, will affect Murray & Roberts' B-BBEE scorecard level. If a Group company is unable to meet the agreed B-BBEE ownership levels, the counterparties to such agreements may be entitled to levy penalties against Group companies and/or terminate the relevant agreement.

The Independent Board has not received any other offers during the Offer Period or within the six months prior to the Offer Period.

Other than as set out in this Circular, the Independent Board is not aware of any factors that are difficult to quantify, or are unquantifiable.

Accordingly, the Independent Board recommends that Murray & Roberts Shareholders do not accept the ATON Offer.

No action should be taken by Murray & Roberts Shareholders in connection with the ATON Offer.

4. COMMENT ON CERTAIN STATEMENTS CONTAINED IN THE ATON OFFER CIRCULAR

In accordance with Regulation 106(7)(b) of the Companies Regulations, the Independent Board believes that certain statements contained in the ATON Offer Circular, detailed below, require comment by the Independent Board to ensure that Murray & Roberts Shareholders are correctly informed regarding these matters.

4.1. Paragraph 2.4 of the ATON Offer Circular: "Rationale for the Offer and benefits of the Offer for M&R"

Shareholders are advised to carefully consider the statements made in this paragraph. The ATON Offer is opportunistic and made at a time of unprecedented share price weakness as a consequence of low liquidity, declining valuations of its legacy peers in the Construction sector, despite being reclassified as a Diversified Industrial stock, and halting of the Company's share buy-back programme in November 2017.

The ATON Offer Consideration of ZAR15,00 per Murray & Roberts Share materially undervalues the Company based on its prospects and having had reference to the Independent Expert's valuation report, the Independent Board is of the view that a fair value price range for control of Murray & Roberts is ZAR20,00 to ZAR22,00 per Murray & Roberts Share.

4.2. Paragraph 4.1.2 and 4.9 of the ATON Offer Circular

Specific attention of the Murray & Roberts Shareholders is drawn to paragraphs 4.1.2 and 4.9 of the ATON Offer Circular. The ATON Offer Consideration is based on a number of assumptions, as set out in paragraph 4.1.2 of the ATON Offer Circular (the Assumptions). Paragraph 4.9 of the ATON Offer Circular contemplates, among other things, that the ATON Offer Consideration will be adjusted downward to take into account any assumption set out in paragraph 4.1.2 of the ATON Offer Circular which turns out to be incorrect. The Assumptions, when read in the context of paragraph 4.9 of the ATON Offer Circular are too broad. The Assumptions are not capable of an objective determination. As a result, the Assumptions give ATON the discretion to adjust the ATON Offer Consideration downwards based on subjective criteria which include, for example, whether the business of Murray & Roberts has been conducted 'in the ordinary course' during the Offer Period (as contemplated in paragraph 4.1.2.4 of the ATON Offer Circular).

4.3. Paragraph 4.2 of the ATON Offer Circular: "Merger approvals"

The ATON Offer is subject to a number of Conditions, including among others, a merger clearance or approval in South Africa and other jurisdictions. It is not possible to accurately predict the timeline for completion of the regulatory approval process. In terms of section 14A of the Competition Act, 89 of 1998 ("Competition Act"), the period for the consideration of a large merger by the Competition Authorities is 40 Business Days. However, the Competition Authorities may grant further extensions of no more than 15 Business days at a time. Upon receiving a referral of a large merger and recommendation from the Commission, the Competition Tribunal, in accordance with section 16 of the Competition Act, will consider the merger and approve, approve with conditions or prohibit the merger within the prescribed time (being 10 days). If there are appeal proceedings, the merger will be "stayed" pending this appeal process.

In addition, where an approval is granted with conditions, ATON reserves the right to accept any conditions attached to any such merger clearances or approvals (as the case may be). ATON's acceptance is not qualified by any objective criteria. If a condition is not acceptable to ATON (for any reason whatsoever), the approval process may be further delayed while ATON seeks an amendment to or a removal of an unsatisfactory condition. Murray & Roberts Shareholders should understand the potential long lead times from the Opening Date until the date on which the last of the regulatory Conditions is fulfilled. The implication of such lead times is that there may be a significant delay before the Murray & Roberts Shareholders receive the ATON Offer Consideration. The Offer Circular makes no provision for an escalation of the ATON Offer Consideration (irrespective of such delays) which will result in a further loss of value for Murray & Roberts Shareholders.

4.4. Paragraph 4.2.1 of the ATON Offer Circular: "Conditions"

ATON's minimum level of acceptances is such that would give it 50% plus one share of Murray & Roberts' total ordinary shares in issue and therefore control of the Company.

Settlement of the Forward Sale Agreement with Allan Gray takes effect after the Opening Date and is not subject to the Conditions outlined in the ATON Offer Circular.

4.5. Paragraph 11 of the ATON Offer Circular: "ATON's intentions regarding M&R, the M&R management and the board of directors of M&R"

The Independent Board is of the view that the prospects of ATON successfully delisting Murray & Roberts is very low. Scenarios where (i) ATON accretes its shareholding but does not delist Murray & Roberts or (ii) ATON gradually increases its shareholding and attempts to delist the Company present risks to Murray & Roberts' shareholders and ATON, including conflicts of interest, strategic misalignment and reduced strategic flexibility, and potentially casts the Company into a protracted period of uncertainty.

4.6. Paragraph 12 of the ATON Offer Circular: "Competition aspects of the Offer and public interest gains and pro-competitive gains"

The Independent Board is of the view that the submission of filings with competition authorities in Australia, South Africa, the United States, Canada and Zambia is premature and not required at this time due to the uncertainty as to whether sufficient shareholders will accept the Offer. Murray & Roberts will only consider merger control filings in relevant jurisdictions at the point at which a sufficient number of shareholders have accepted the ATON Offer so that ATON and its affiliates will hold at least 50% of all Murray & Roberts Shares plus one Murray & Roberts Share.

Furthermore, the Independent Board is of the view that until such time a revised offer is received which is fair and beneficial to the Shareholders, it is inappropriate for Murray & Roberts to cooperate with ATON to making joint merger filings to competition authorities in any of the identified jurisdictions.

Murray & Roberts will accordingly respond to any merger filings by ATON with any relevant competition authorities at the appropriate time, and will provide competition authorities with its views on the competition aspects of the proposed transaction and any public interest issues that may arise as a result of the transaction. ATON's final shareholding, will affect Murray & Roberts' B-BBEE scorecard level. A dilution of Murray & Roberts' B-BBEE ownership credentials may have adverse consequences for existing mining contracts (as described in paragraph 3 above) to which Murray & Roberts is a party and may prejudice Murray & Roberts' ability to conclude new mining contracts.

As the possibility of consolidation of businesses is high, especially in respect of the overlapping underground mining activities of the parties, a public interest concern is that the proposed transaction may negatively affect local as well as international employment levels at Murray & Roberts.

4.7. Paragraph 13 of the ATON Offer Circular: "ATON's intention with regard to BBBEE"

The rationale presented by ATON for the Company and South Africa is weak in a number of material respects. It is not clear how ATON proposes to manage the dilution of Murray & Roberts' B-BBEE ownership credentials and the potential resultant impact on material contracts and employment in South Africa. Murray & Roberts currently has a level 4 B-BBEE scorecard which is the minimum requirement for the majority of contracts in South Africa. Depending on ATON's eventual shareholding the Company may not be able to maintain this minimum scorecard level required to retain as well as win contracts in South Africa. Mining contracts in South Africa require a minimum of 26% effective black economic interest. There has been a trend where clients in South Africa have been requesting effective black economic interests of up to more than 50%.

4.8. Paragraph 16 of the ATON Offer Circular: "Material Changes"

This paragraph references that ATON is not aware of any material changes in the financial or trading position of Murray & Roberts since 28 February 2018, being the date of preparation of Murray & Roberts reviewed interim results for the six months ended 31 December 2017.

This calendar year, the Group was awarded a total of R7,5 billion of new underground mining projects in the sub-Saharan, North American and Australasian markets which was announced on SENS on 16 March 2018 and 3 April 2018.

4.9. Paragraph 19 of the ATON Offer Circular: "Concert Parties, Special Arrangements, Undertakings & Costs of the Offer"

In terms of Companies Regulation 106(4)(e)(i) material terms of any agreement between the offeror, or any person acting in concert with the offeror, and the offeree regulated company is required to be disclosed.

An agreement exists between Murray & Roberts and ATON and is a confidentiality and non-disclosure agreement ("**NDA**") which the parties entered into on or about 17 March 2016 in connection with a proposed transaction between Murray & Roberts and ATON. The obligations set out in the NDA shall continue for a period of three years after the date of disclosure of Confidential Information (as this term is defined under the NDA) notwithstanding the return or destruction of any such information and any copies thereof.

5. FINANCIAL INFORMATION

5.1. Historical financial information

The audited annual financial statements of Murray & Roberts for the three years ended 30 June 2015, 2016 and 2017 as well as the unaudited interim results for the six months ended 31 December 2017 are set out in Annexure 3 of this Circular.

5.2. Pro forma financial information

The Offer Consideration is to be settled wholly in cash. Accordingly, the ATON Offer will not have any effect on the financial information of Murray & Roberts and therefore the pro forma financial information of Murray & Roberts and pro forma effects per Share are not required to be disclosed in this Circular.

6. STATEMENT OF DIRECT AND INDIRECT BENEFICIAL INTERESTS IN SECURITIES

6.1. As at the Last Practicable Date, Murray & Roberts held no direct or indirect beneficial interests in ATON.

6.2. As at the Last Practicable Date, the Directors held no direct or indirect beneficial interests in ATON.

6.3. As at the Last Practicable Date, the Directors (current and those who resigned during the last 12 months) held the following direct and indirect beneficial interests in the Company:

Name of director	Direct beneficial interest	Indirect beneficial interest	Total Interest
DD Barber*	2 723	–	2 723
DF Grobler	41 569	836 567	878 136
HJ Laas	682 627	1 862 390	2 545 017

DD Barber resigned from the Board on 2 November 2017

6.4. The Letsema Khanyisa Black Employee Benefits Trust (through Murray & Roberts Letsema Khanyisa Proprietary Limited), Letsema Sizwe Broad-Based Community Trust (through Murray & Roberts Letsema Sizwe Proprietary Limited) and Letsema Vulindela Black Executives Trust are direct or indirect shareholders in Murray & Roberts. These entities hold in aggregate 31 696 039 Murray & Roberts Shares which equates to 7,1% of the issued share capital of Murray & Roberts.

6.5. These entities give certain B-BBEE related undertakings to Murray & Roberts in terms of the relevant trust deeds, constitutional documents and shareholders agreements. In addition, the disposal of Murray & Roberts Shares by such entities is restricted by 'lock-in periods' and/or undertakings not to dispose of Murray & Roberts Shares until the loan or preference share funding provided to such entities to acquire the Murray & Roberts Shares has been repaid or redeemed.

6.6. The Murray & Roberts Forfeitable Share Plan ("**FSP**") currently holds 14 252 416 Murray & Roberts Shares which equates to 3,2% of the issued share capital of Murray & Roberts. These Murray & Roberts Shares are held by an escrow agent (for the benefit of participants of the FSP) and may not be disposed of or encumbered prior to an applicable vesting date. Once vesting occurs (based on a participant's achievement of prescribed performance conditions), the relevant portion of Murray & Roberts Shares is transferred by the escrow agent to a participant.

7. DEALINGS IN SECURITIES

7.1. The following dealings in securities of the Company by Directors took place during the period beginning six months before the Offer period and ending on the Latest Practicable Date:

Director	Date	Number of shares	Average price	Type of Transaction
DF Grobler	1 September 2017	405 000	R14,51	Allocation of forfeitable share plan awards
DF Grobler	1 September 2017	54 942	R15,16	Forfeitable share plan awards
DF Grobler	1 September 2017	25 000	R15,25	Vesting of 2014 forfeitable share plan allocations
DF Grobler	1 September 2017	35 194	R15,25	Vesting of 2014, 2015 and 2016 Deferred STI
DF Grobler	1 September 2017	27 988	R15,09	Sale of a portion of the vested shares
DF Grobler	1 March 2018	17 500	R11,16	Vesting of March 2015 forfeitable share plan allocations
DF Grobler	1 March 2018	8 137	R10,84	Sale of a portion of the vested shares
HJ Laas	1 September 2017	864 000	R14,51	Allocation of cash settled conditional rights award with a mandatory share purchase
HJ Laas	1 September 2017	117 860	R15,16	Forfeitable share plan awards
HJ Laas	1 September 2017	123 000	R15,25	Vesting of 2014 forfeitable share plan allocations
HJ Laas	1 September 2017	99 770	R15,25	Vesting of 2014, 2015 and 2016 Deferred STI
HJ Laas	1 March 2018	61 500	R11,16	Vesting of March 2015 forfeitable share plan allocations

7.2. Except as indicated in paragraph 7.1 above, neither Murray & Roberts, nor any Director, have dealt for value in the Shares or other securities of the Company and/or ATON during the period beginning six months before the Offer Period and ending on the Latest Practicable Date.

7.3. The Directors who hold Shares in the Company intend to reject the ATON Offer.

8. **SERVICE CONTRACTS**

8.1. There are no material provisions of an abnormal nature in respect of the Directors' service contracts which require specific disclosure except that:

8.1.1. the notice periods set out in the service contracts for termination of employment are three months; and

8.1.2. Peter Bennett is employed by an Australian subsidiary of the Company and his employment is in terms of and governed by the laws of Western Australia.

8.2. There are no other particulars of service contracts entered into or amended within six months before the date of the Offer Period.

9. **ARRANGEMENTS IN RELATION TO THE ATON OFFER**

9.1. As announced by ATON on SENS on Monday 26 March 2018, ATON has obtained an irrevocable undertaking from Allan Gray, in terms of which (among other things) Allan Gray had irrevocably undertaken, with respect to the following Offer Shares owned beneficially by Allan Gray's clients, on the terms of such irrevocable undertaking, to accept the ATON Offer on its terms and subject to its Conditions:

Shareholder	Holding	Percentage of M&R Shares	Percentage of Shares not held by ATON prior to Opening Date
Allan Gray	48 434 209	approx. 10,9%	approx. 16,3%

[1] *Allan Gray is acting not as principal but on behalf of its clients, which clients are the beneficial and/or registered owners of the M&R Shares.*

9.2. On Thursday 29 March 2018, ATON and ATON AT concluded the Forward Sale Agreement, in terms of which Allan Gray has agreed to sell to ATON AT, and ATON AT has agreed to purchase from Allan Gray, 29 005 926 Murray & Roberts Shares at a purchase price of ZAR15,00 (fifteen Rand) per Share. The Shares to be acquired by ATON AT from Allan Gray pursuant to the Forward Sale Agreement represent a portion of the Shares that are subject to the irrevocable undertaking described at paragraph 10.1. Settlement of the acquisition of the 29 005 926 Shares under the Forward Sale Agreement will take effect after the Opening Date. Accordingly, the 29 005 926 Shares to be acquired by ATON AT from Allan Gray pursuant to the Forward Sale Agreement shall not form part of the Offer, and do not constitute Offer Shares.

9.3. The Forward Sale Agreement includes an upward adjustment in the price paid by ATON AT to Allan Gray where ATON AT increases the Offer Consideration within 90 days of the Opening Date. In such circumstances, ATON AT will pay Allan Gray (and the clients of Allan Gray) the aggregate increased consideration within 6 Business Days of the Offer becoming unconditional.

9.4. Subject to Allan Gray having complied with its obligations to transfer the 29 005 926 Shares to ATON AT in terms of the Forward Sale Agreement, the existing irrevocable undertaking between ATON and Allan Gray shall terminate automatically.

9.5. As at the Last Practicable Date, the only agreement which exists between Murray & Roberts and ATON is a confidentiality and non-disclosure agreement (NDA) which the parties entered into on or about 17 March 2016 in connection with a proposed transaction between Murray & Roberts and ATON. The obligations set out in the NDA shall continue for a period of three years after the date of disclosure of Confidential Information (as this term is defined under the NDA) notwithstanding the return or destruction of any such information and any copies thereof.

9.6. Other than disclosed in 9.5 above, no agreement exists between:

9.6.1. Murray & Roberts and ATON;

9.6.2. Murray & Roberts and any shareholder of ATON, or any person who was a shareholder of ATON within the 12 months prior to the Last Practicable Date; and

9.6.3. Murray & Roberts and any directors or equivalents of ATON, or any person who was a director or equivalent of ATON within the 12 months prior to the Last Practicable Date,

that could be considered to be material to a decision regarding the ATON Offer to be taken by Murray & Roberts Shareholders.

10. **RESPONSIBILITY STATEMENT**

The Independent Board:

- accepts responsibility for the information contained in this Circular to the extent that it relates to Murray & Roberts;
- states that, to the best of their knowledge and belief, the information contained in this Circular is true; and
- confirms that, to the best of their knowledge and belief, this Circular does not omit anything likely to affect the importance of any information contained in this Circular.

11. **MATERIAL CHANGES**

As at the Last Practicable Date, there have been no material changes to the terms of the ATON Offer as set out in the ATON Offer Circular published on Monday, 9 April 2018.

12. GOVERNING LAW

This Circular will be governed by and construed in accordance with the laws of South Africa and shall be subject to the exclusive jurisdiction of the South African courts.

13. CONSENTS

Deutsche Bank, Deutsche Securities, Webber Wentzel, BDO Corporate Finance and Link Market Services have provided their written consents to act in the capacity stated, and to their names being used in this Circular and none of them have withdrawn their consents prior to the distribution of this Circular.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection by Murray & Roberts Shareholders at the registered address of Murray & Roberts from the date of this Circular to the Closing Date, during normal business hours:

14.1. the written consents of Deutsche Bank, Deutsche Securities, Webber Wentzel, BDO Corporate Finance and Link Market Services to the inclusion of their names in this Circular in the context and form in which they appear;

14.2. audited financial information of Murray & Roberts for the years ended 30 June 2015, 30 June 2016, and 30 June 2017, and the reviewed interim results for the six months ended 31 December 2017;

14.3. the signed opinion letter from the Independent Expert;

14.4. the TRP Approval Letter;

14.5. a signed copy of this Circular; and

14.6. the ATON Offer Circular.

For and on behalf of the Independent Board

Suresh P Kana
Chairman of the Independent Board

Friday, 20 April 2018

OPINION LETTER OF THE INDEPENDENT EXPERT TO THE INDEPENDENT BOARD

The Independent Board
Murray & Roberts Holdings Limited
Douglas Roberts Centre
22 Skeen Boulevard
Bedfordview
2007

20 April 2018

Dear Sirs

REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO MURRAY & ROBERTS HOLDINGS LIMITED REGARDING THE PROPOSED CONDITIONAL OFFER BY ATON GmbH, THROUGH ITS WHOLLY OWNED SUBSIDIARY, TO ACQUIRE ALL OR A PORTION OF THE SHARES IN MURRAY & ROBERTS HOLDINGS LIMITED, NOT ALREADY HELD, BY WAY OF AN OFFER TO SHAREHOLDERS

INTRODUCTION

Holders of ordinary shares with no par value ("Shares") in the authorised and issued share capital of Murray & Roberts Holdings Limited ("Murray & Roberts", or the "Company") ("Murray & Roberts Shareholders") are referred to the cautionary announcement released by Murray & Roberts on the Stock Exchange News Service of the JSE Limited ("JSE") ("SENS") on Monday, 26 March 2018 and the bound document dated Monday, 9 April 2018, posted to Murray & Roberts Shareholders by ATON GmbH ("ATON"), including its annexures and attachments in relation to ATON's conditional offer to Murray & Roberts Shareholders ("ATON Offer Circular") at a cash offer price of R15,00 per Murray & Roberts share ("ATON Offer Consideration"), excluding Murray & Roberts Shares already held by ATON ("Offer Share") ("ATON Offer").

ATON has implemented the ATON Offer by way of a general offer directly to Murray & Roberts Shareholders in terms of Parts B and C of Chapter 5 of the Companies Act (No. 71 of 2008), as amended (the "Companies Act").

The ATON Offer is classified as an affected transaction as defined in section 117 of the Companies Act and as such is regulated by that Act, the Companies Regulations, 2011, in terms of the Companies Act, as amended (the "Companies Regulations") and the Listings Requirements of the JSE, as amended from time to time (the "JSE Listings Requirements").

As at the date of this report, the authorised and issued share capital of the Company comprises the following:

- authorised share capital comprising 750 000 000 Shares; and
- issued share capital comprising 444 736 118 Shares (including treasury shares). Treasury Shares comprise 48 406 723 Shares.

The ATON Offer will directly or indirectly affect all Murray & Roberts Shareholders. More information on the material effects that the ATON Offer may have on the rights and interests of Murray & Roberts Shareholders is detailed in the circular to Murray & Roberts Shareholders dated 20 April 2018 ("Circular").

Full details of the ATON Offer are set out in the Circular.

As at the last practicable date prior to the finalisation of the Circular, being Friday, 13 April 2018 (the "Last Practicable Date"), Murray & Roberts directors ("Directors") held the following direct and indirect beneficial interests in Shares:

	Number of Murray & Roberts Shares		
	Direct beneficial interest	**Indirect beneficial interest**	**Total**
Executive			
DF Grobler	41 569	836 567	878 136
HJ Laas	682 627	1 862 390	2 545 017

FAIR AND REASONABLE OPINION REQUIRED IN TERMS OF THE COMPANIES ACT

The ATON Offer is an affected transaction as defined in section 117(1)(c)(v) of the Companies Act. In terms of section 114(2) of the Companies Act, as read with Regulations 90 and 110 of the Companies Regulations, the independent board of directors of Murray & Roberts constituted in terms of the Companies Regulations ("Independent Board") is required to retain an independent expert to provide an independent expert report (in the form of a fair and reasonable opinion) in terms of section 114(3) of the Companies Act and Regulations 90 and 110 of the Companies Regulations (the "Independent Expert Report").

BDO Corporate Finance Proprietary Limited ("BDO Corporate Finance" or "Independent Expert") has been appointed as the independent expert by the Independent Board to assess the ATON Offer as required in terms of section 114 of the Companies Act and Regulations 90 and 110 of the Companies Regulations. The Independent Expert Report set out herein is provided to the

Independent Board for the sole purpose of assisting the Independent Board in forming and expressing an opinion on the ATON Offer and ATON Offer Consideration for the benefit of Murray & Roberts Shareholders.

RESPONSIBILITY

Compliance with the Companies Act and the Companies Regulations is the responsibility of the Independent Board. Our responsibility is to report to the Independent Board on whether the terms and conditions of the ATON Offer and the ATON Offer Consideration are fair and reasonable to Murray & Roberts Shareholders.

DEFINITION OF THE TERMS "FAIR" AND "REASONABLE" APPLICABLE IN THE CONTEXT OF THE ATON OFFER

The "fairness" of a transaction is primarily based on quantitative issues. A transaction will generally be said to be fair to a company's shareholders if the benefits received, as a result of the transaction, are equal to or greater than the value given up.

The ATON Offer may be said to be fair to Murray & Roberts Shareholders if the ATON Offer Consideration is equal to or greater than the fair value of an Offer Share, or unfair if the ATON Offer Consideration is less than the fair value of an Offer Share. Furthermore, in terms of Companies Regulation 110(8) of the Companies Regulations, an offer with a consideration per offeree regulated company security within the fair-value range is generally considered to be fair.

The assessment of reasonableness of the ATON Offer is generally based on qualitative considerations surrounding the transaction. Hence, even though the consideration may be lower than the market value, the ATON Offer may be considered reasonable after considering other significant qualitative factors. The ATON Offer may be said to be reasonable if the ATON Offer Consideration is greater than the trading price of a Share as at the time of the Circular, or at some other more appropriate identifiable time.

DETAILS AND SOURCES OF INFORMATION

In arriving at our opinion we have relied upon the following principal sources of information:

- the terms and conditions of the ATON Offer, as set out in the Circular;
- the Firm Intention Announcement by ATON as set out in the SENS announcement dated 26 March 2018;
- the ATON Offer Circular;
- the Independent Board Response to Firm Intention Announcement as set out in the SENS announcement dated 27 March 2018;
- the update on the Firm Intention Announcement as set out in the SENS announcement dated 29 March 2018;
- the annual integrated reports of Murray & Roberts, incorporating the audited annual financial statements, for the years ended June 2016 and 2017;
- the reviewed interim results for the six months ended 31 December 2017;
- historical and forecast financial information provided by Murray & Roberts management, on a consolidated basis and by division, for the years ending June 2018 to 2022;
- discussions with Murray & Roberts Directors and management regarding the ATON Offer;
- discussions with Murray & Roberts Directors and management regarding the historical and forecast financial information of the Company;
- discussions with Murray & Roberts Directors and management on prevailing market, economic, legal and other conditions which may affect underlying value;
- publicly available information relating to the Mining Services and Oil & Gas Services industries in general; and
- publicly available information relating to Murray & Roberts that we deemed to be relevant, including Company announcements and media articles.

The information above was secured from:

- Murray & Roberts Directors and management; and
- third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing Murray & Roberts.

PROCEDURES AND CONSIDERATION

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors in evaluating the fairness of the ATON Offer:

- reviewed the terms and conditions of the ATON Offer and the rationale therefore as detailed in the ATON Offer Circular;
- reviewed the audited and unaudited financial information related to Murray & Roberts, as detailed above;
- reviewed and obtained an understanding from management as to the consolidation and divisional forecast financial information of Murray & Roberts and assessed the achievability thereof by considering historic information as well as macro-economic and sector-specific data;
- performed a "sum of the parts" ("SOTP") valuation of Murray & Roberts based on a discounted cash flow ("DCF") valuation of each division;
- performed a sensitivity analysis on key assumptions included in the valuation;
- performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and knowledge of the Mining Services and Oil & Gas Services industries generally;
- assessed the long-term potential of Murray & Roberts and its underlying businesses;
- evaluated the relative risks associated with Murray & Roberts and the Mining Services and Oil & Gas Services industries;

- reviewed certain publicly available information relating to Murray & Roberts and comparable publicly traded companies in the Mining Services and Oil & Gas Services industries that we deemed to be relevant, including company announcements and media articles;
- where relevant, representations made by management and/or directors were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the Mining Services and Oil & Gas Services industries, and to analyse external factors that could influence Murray & Roberts and its underlying businesses; and
- held discussions with the directors and management of Murray & Roberts and their advisers as to their strategy and considered such other matters as we considered necessary, including assessing the prevailing economic and market conditions and trends.

ASSUMPTIONS

We arrived at our opinion based on the following assumptions:

- that all agreements that have been entered into in terms of the ATON Offer will be legally enforceable against the relevant parties thereto;
- that the ATON Offer will have the legal, accounting and taxation consequences described in the Circular and discussions with, and materials furnished to us by representatives and advisers of Murray & Roberts; and
- that reliance can be placed on the financial information of Murray & Roberts.

APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- placing reliance on audit reports in the financial statements of Murray & Roberts;
- conducting analytical reviews on the historical financial results and forecast financial information, such as key ratio and trend analyses; and
- determining the extent to which representations from management were confirmed by documentary and other financial evidence as well as our understanding of Murray & Roberts and the economic environment in which the Company operates.

LIMITING CONDITIONS

The Independent Expert Report is provided in connection with and for the purposes of the ATON Offer. This Independent Expert Report does not purport to cater for each individual Murray & Roberts Shareholder's perspective, but rather that of the general body of Murray & Roberts Shareholders. Should a Murray & Roberts Shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

Individual Murray & Roberts Shareholder's decisions regarding the ATON Offer may be influenced by such Murray & Roberts Shareholders particular circumstances and accordingly individual Murray & Roberts Shareholders should consult an independent adviser if in any doubt as to the merits or otherwise of the ATON Offer.

We have relied upon and assumed the accuracy of the information provided to us in deriving our opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management, by reference to publicly available or independently obtained information. While our work has involved an analysis of, inter alia, the annual financial statements, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information of Murray & Roberts and its underlying businesses relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of Murray & Roberts will correspond to those projected. We have however compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with management.

We have also assumed that the ATON Offer will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisers of Murray & Roberts and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

INDEPENDENCE, COMPETENCE AND FEES

We confirm that neither we nor any person related to us (as contemplated in the Companies Act) have a direct or indirect interest in the Offer Shares or the ATON Offer, nor have had within the immediately preceding two years, any relationship as contemplated in section 114(2)(b) of the Companies Act, and specifically declare, as required by Regulation 90(6)(i) and 90(3)(a) of the Companies Regulations, that we are independent in relation to the ATON Offer and will reasonably be perceived to be independent. We also confirm that we have the necessary competence to provide the Independent Expert Report and meet the criteria set out in section 114(2)(a) of the Companies Act.

Furthermore, we confirm that our professional fees of R600 000 (excluding VAT) are not contingent upon the success of the ATON Offer. Our fees are not payable in shares.

VALUATION APPROACH
BDO Corporate Finance performed a valuation of Murray & Roberts on a SOTP basis to determine whether the ATON Offer Consideration is fair.

The valuation was based on the following principal approach:
- Operating divisions, i.e. Underground Mining, Oil & Gas and Power & Water: BDO Corporate Finance compiled forecast free cash flows for the operating divisions by using the historic and forecast financial information as detailed above and allocating head office and administration costs to each operating division. We applied our assumptions of cost of capital to the forecast cash flows to produce a DCF valuation for each operating division; and
- Principal investments, i.e. Bombela Concession Company Proprietary Limited ("BCC"): the 50% interest in BCC was valued based on the net present value of expected dividends over the remaining term of the concession.

BDO Corporate Finance aggregated the valuations of the operating divisions of Murray & Roberts and the fair value of other investments and net cash to determine a SOTP valuation of Murray & Roberts.

Key external value drivers which were considered in assessing the forecast cash flows and risk profile of the operating divisions comprise the Order Book and pipeline as at 31 December 2017 and movements since that date. The value of the Order Book was considered for each operating division in light of the forecasts as well as in terms of prior years.

Key internal value drivers comprise the discount rate per operating division. A nominal discount rate of 13,32% was determined for Murray & Roberts which was adjusted for the relative risk of the underlying cash flows in respect of each operating division.

In addition, we performed a sensitivity analysis on key assumptions included in the DCF valuations, specifically related to cost of capital and growth in revenue and earnings.

VALUATION RESULTS
In undertaking the valuation exercise above, we determined a valuation range of R20,91 to R24,41 per Offer Share, with a most likely value of R22,04 per Offer Share. The ATON Offer Consideration falls below the valuation range.

The valuation range above is provided solely in respect of this Independent Expert Report and should not be used for any other purposes.

REASONABLENESS OF THE ATON OFFER CONSIDERATION AND QUALITATIVE CONSIDERATIONS
The ATON Offer Consideration represents a premium of 55,60% to the closing price per Share of R9,64 on the JSE on the last trading day prior to the cautionary announcement.

OPINION
BDO Corporate Finance has considered the terms and conditions of the ATON Offer in respect of the ATON Offer Consideration.

The ATON Offer Consideration represents a premium of 55,60% to the closing price of a Share on the JSE on 23 March 2018 and a discount of 31,94% to the core fair value of R22,04 per Share.

Based upon and subject to the conditions set out herein, BDO Corporate Finance is of the opinion that the terms and conditions of the ATON Offer and the ATON Offer Consideration are not fair but reasonable.

Our opinion is necessarily based upon the information available to us up to 16 April 2018, including in respect of the financial, market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory and other approvals and consents required in connection with the ATON Offer have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this Independent Expert Report, which we are under no obligation to update, revise or re-affirm.

CONSENT
We hereby consent to the inclusion of this Independent Expert Report, in whole or in part, and references thereto in the Circular and any other announcement or document pertaining to the ATON Offer, in the form and context in which they appear.

Yours faithfully

N Lazanakis
Director

BDO Corporate Finance Proprietary Limited
22 Wellington Road
Parktown, 2193

FINANCIAL INFORMATION OF MURRAY & ROBERTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at

ZARm	2015	2016	2017	1H18
ASSETS				
Non-current assets				
Property, plant and equipment	3 020,8	2 188,8	2 057,7	1 877,0
Investment property	17,5	–	18,9	19,0
Goodwill	635,8	642,4	606,9	601,0
Other intangible assets	208,1	238,3	194,2	174,0
Investment in joint venture	46,0	–	73,2	73,0
Investment in associate companies	27,7	17,5	7,6	23,0
Other investments	710,4	812,8	895,4	1 287,0
Deferred tax assets	596,3	603,9	585,2	538,0
Amounts due from contract customers	2 259,5	1 513,5	542,0	513,0
Non-current receivables	121,4	77,3	68,3	63,0
Total non-current assets	7 643,5	6 094,5	5 049,4	5 168,0
Current assets				
Inventory	261,2	241,3	280,1	318,0
Amounts due from contract customers	6 204,1	4 964,9	4 913,5	5 223,0
Trade and other receivables	1 656,6	1 490,8	1 167,0	939,0
Current taxation assets	63,2	25,5	23,4	26,0
Derivative financial instruments	0,1	–	2,2	–
Bank balances and cash	2 890,6	2 812,8	2 370,6	2 264,0
Total current assets	11 075,8	9 535,3	8 756,8	8 770,0
Assets classified as held for sale	83,6	2 335,1	396,8	351,0
Total assets	18 802,9	17 964,9	14 203,0	14 289,0
EQUITY AND LIABILITIES				
Equity				
Stated capital	2 585,9	2 552,1	2 566,1	2 576,0
Reserves	1 343,7	1 537,8	996,4	799,0
Retained earnings	2 568,5	3 111,0	2 978,2	2 894,0
Equity attributable to owners of Murray & Roberts	6 498,1	7 200,9	6 540,7	6 269,0
Non-controlling interests	24,9	62,6	64,5	41,0
Total equity	6 523,0	7 263,5	6 605,2	6 310,0
Liabilities				
Non-current liabilities				
Long-term loans	1 140,6	650,4	219,7	191,0
Retirement benefit obligations	16,2	16,8	17,3	16,0
Long-term provisions	264,3	186,6	144,7	132,0
Deferred taxation liabilities	133,1	178,9	121,2	68,0
Subcontractor liabilities	871,8	–	–	–
Non-current payables	99,8	84,7	162,0	141,0
Total non-current liabilities	2 525,8	1 117,4	664,9	548,0
Current liabilities				
Amounts due to contract customers	2 121,2	1 522,0	1 571,2	1 625,0
Trade and other payables	4 355,4	4 191,1	3 523,0	3 211,0
Short term loans	356,9	342,9	289,2	262,0
Current tax liabilities	103,0	59,7	39,2	58,0
Provision for obligations	293,3	312,4	279,7	167,0
Subcontractor liabilities	2 473,3	1 189,9	971,5	1 467,0
Derivative financial instruments	2,7	–	–	–
Bank overdraft	43,9	76,0	117,5	523,0
Total current liabilities	9 749,7	7 694,0	6 791,3	7 313,0
Liabilities classified as held for sale	4,4	1 890,0	141,6	118,0
Total equity and liabilities	18 802,9	17 964,9	14 203,0	14 289,0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended

ZARm	2015	2016	2017	1H18
Continuing operations				
Revenue	24 013,3	26 148,0	21 397,3	11 809,0
Continuing operations excluding Middle East	23 072,9	24 444,9	20 789,6	11 462,0
Middle East	940,4	1 703,1	607,7	347,0
Profit before interest, depreciation and amortisation	1 539,8	1 773,9	962,4	589,0
Depreciation	(435,9)	(447,8)	(430,9)	(218,0)
Amortisation of intangible assets	(40,0)	(50,7)	(44,7)	(22,0)
Profit before interest and taxation	1 063,9	1 275,4	486,8	349,0
Continuing operations excluding Middle East	1 032,9	1 343,2	1 055,1	416,0
Middle East	31,0	(67,8)	(568,3)	(67,0)
Net interest expense	(67,5)	(71,2)	(41,7)	(17,0)
Profit before taxation	996,4	1 204,2	445,1	332,0
Taxation expense	(186,5)	(295,8)	(161,2)	(126,0)
Profit after taxation	809,9	908,4	283,9	206,0
Income from equity accounted investments	3,1	17,6	7,2	15,0
Profit for the year from continuing operations	813,0	926,0	291,1	221,0
Profit/(loss) from discontinued operations	81,1	(136,1)	(252,9)	(114,0)
Profit for the year	894,1	789,9	38,2	107,0
Attributable to:				
Owners of Murray& Roberts Holdings Limited	881,0	752,8	48,0	110,0
Non-controlling interests	13,1	37,1	(9,8)	(3,0)
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Effects of remeasurements on retirement benefit obligations	(10,3)	(2,9)	(5,0)	–
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations and realisation of reserve	3,6	226,4	(488,6)	(160,0)
Effects of cash flow hedges	(1,2)	(0,1)	–	–
Reclassification of amounts relating to cash flow hedges	3,1	–	–	–
Taxation related to effects of cash flow hedges	1,3	–	–	–
Reclassification adjustment relating to available-for-sale	1,6	–	–	–
Other comprehensive (loss)/income for the year net of taxation	(1,9)	223,4	(493,6)	(160,0)
Total comprehensive income/(loss)	892,2	1,013,3	(455,4)	(53,0)
Total comprehensive income/(loss) attributable to:				
Owners of Murray& Roberts Holdings Limited	879,1	975,6	(421,0)	(50,0)
Non-controlling interest	13,1	37,7	(34,4)	(3,0)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended

ZARm	2015[1]	2016	2017	1H18
Cash flows from operating activities				
Receipts from customers	30 668,4	30 705,9	25 103,5	
Payments to suppliers and employees	(29 602,2)	(29 616,9)	(24 048,3)	
Cash generated by operations	1 066,2	1 089,0	1 055,2	400,0
Interest received	85,0	76,9	87,1	31,0
Interest paid	(157,5)	(147,8)	(137,5)	(50,0)
Taxation paid	(408,0)	(256,2)	(209,6)	(106,0)
Dividend paid to owners of Murray & Roberts Holdings Limited	(225,4)	(210,9)	(194,2)	(194,0)
Dividend paid to non-controlling interests	(15,5)	–	–	–
Net cash inflow from operating activities	344,8	551,0	601,0	81,0
Cash flows from investing activities				
Acquisition of businesses	(162,2)	(21,6)	–	–
Dividends received from associate companies		17,8	19,1	–
Dividends received from joint venture classified as held-for-sale	35,0	2,0	–	–
Purchase of intangible assets other than goodwill	(124,5)	(61,7)	(23,6)	(6,0)
Purchase of property, plant and equipment	(228,7)	(338,3)	(264,1)	(82,0)
– Replacement	(134,8)	(98,7)	(115,7)	(27,0)
– Additions	(289,9)	(332,2)	(395,0)	(151,0)
– Capitalised finance leases raised (non-cash)	196,0	92,6	246,6	96,0
Purchase of PPE by entities classified as held-for-sale	–	–	(53,0)	(1,0)
Investment in joint venture	(46,0)	(23,5)	–	–
Investment in joint venture held-for-sale	–	–	(2,0)	–
Proceeds on disposal of property, plant and equipment	76,0	159,6	45,0	76,0
Proceeds on disposal of intangible assets other than goodwill		–	7,0	
Net inflow/(outflow) on disposal of business	–	15,1	(322,8)	–
Proceeds on disposal of assets held-for-sale	64,2	–	37,0	–
Proceeds on disposal of business	121,7	–	–	–
Cash related to assets held-for-sale	(3,0)	(257,1)	259,0	(26,0)
Proceeds from realisation of investment	132,0	53,8	170,0	106,0
Cash related to acquisition/disposal of business	17,6	–	–	–
Purchase of additional investment in Bombela Concession Company	–	–	–	(357,0)
Other	(2,1)	(3,1)	1,3	(2,0)
Net cash flows from investing activities	(120,0)	(457,0)	(127,1)	(292,0)
Cash flows from financing activities				
Net acquisition of treasury shares	(107,4)	(78,0)	(41,0)	(163,0)
Net movement in borrowings	(1 392,8)	(466,9)	(660,6)	(37,0)
Net cash flows from financing activities	(1 500,2)	(544,9)	(701,6)	(200,0)
Net (decrease) in cash and cash equivalents	(1 275,4)	(450,9)	(227,7)	(411,0)
Cash and cash equivalents at the beginning of the period	4 276,6	2 846,7	2 736,8	2 253,0
Effect of exchange rates	(154,5)	341,0	(256,0)	(101,0)
Cash and cash equivalents at the end of the period	2 846,7	2 736,8	2 253,1	1 741,0

[1] *In the 2015 financial year results, the non-cash element of capitalised finance leases was in error included under investing cash flows as purchase of property, plant and equipment (R196 million). Therefore the 2015 financial year cash flow has been restated with the resulting impact being that the cash outflow from financing activities increased by R196 million and the cash outflow from investing activities decreased by R196 million*

SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION

These consolidated and separate financial statements have been prepared under the historical cost convention as modified by the revaluation of non-trading financial asset investments, financial assets and financial liabilities held for trading, financial assets designated as fair value through profit or loss and investment property. Non-current assets and disposal groups held-for-sale, where applicable, are stated at the lower of its carrying amount and fair value less cost to sell.

The preparation of financial statements required the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and conditions, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements, and significant estimates made in the preparation of these consolidated and separate financial statements are discussed in note 45.

Standards, Interpretations and Amendments to published standards that are not yet effective are discussed in note 46.

2. STATEMENT OF COMPLIANCE

These consolidated and separate financial statements are prepared in accordance with IFRS and Interpretations adopted by the International Accounting Standards Board ("IASB"), the SAICA financial reporting guides as issued by the Accounting Practices Committee, financial reporting pronouncements issued by the Financial Reporting Standards Council and the Companies Act 71 of 2008.

3. BASIS OF CONSOLIDATION

The Group consists of the consolidated financial position and the operating results and cash flow information of Murray & Roberts Holdings Limited ("Company"), its subsidiaries, its interest in joint arrangements and associates. Subsidiaries are entities, including structured entities such as The Murray & Roberts Trust controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through the power over the entity. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements. Intercompany transactions and balances on transactions between group companies are eliminated.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. Any increase or decrease in ownership interest in subsidiaries without a change in control is recognised as equity transactions in the consolidated financial statements. Accordingly, any premium or discount on subsequent purchases of equity instruments to non-controlling interests are recognised directly in equity of the parent shareholder.

Non-controlling interest loans

Certain companies elect to contribute to shareholder loans as opposed to stated capital. Loans from non-controlling shareholders are classified as equity instruments rather than financial liabilities if both conditions (a) and (b) below, as required by IAS 32: Financial Instruments: Presentation, paragraph 16, are met.

(a) Loans from non-controlling shareholders includes no contractual obligations:
- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the issuer or the Group.

(b) Loans from non-controlling shareholders will not or may not be settled in the issuer's or the Group's own equity instruments. If the loans from non-controlling shareholders do not meet both conditions (a) and (b) they are classified as financial liabilities.

The raise or repayment of non-controlling interest loans that are classified as equity instruments has no impact on the effective shareholding of the non-controlling shareholder.

4. BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred taxation assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12: Income Taxes and IAS 19: Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2: Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5: Non-current Assets Held-for-Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depend on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39: Financial Instruments: Recognition and Measurement, or IAS 37: Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if the interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3: Business Combinations.

Goodwill

The Group uses the acquisition method to account for the acquisition of businesses.

Goodwill is recognised as an asset at the acquisition date of a business. Goodwill on the acquisition of a subsidiary is included in intangible assets.

Goodwill is not amortised. Instead, an impairment test is performed annually or more frequently if circumstances indicated that it might be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of business combinations. Any impairment loss of the cash generating unit is first allocated against the goodwill and thereafter against the other assets of the cash-generating unit on a pro-rata basis.

Whenever negative goodwill arises, the identification and measurement of acquired identifiable assets, liabilities and contingent liabilities are reassessed. If negative goodwill still remains, it is recognised in profit or loss immediately. On disposal of a subsidiary the attributable goodwill is included in the determination of the profit or loss on disposal. The same principle is applicable for partial disposals where there is a change in ownership, in other words a portion of the goodwill is expensed as part of the cost of disposal. For partial disposals and acquisitions with no change in ownership, goodwill is recognised as a transaction with equity holders.

5. JOINT ARRANGEMENTS

Joint arrangements are those entities in which the Group has joint control. Under IFRS 11: Joint Arrangements, joint arrangements are classified as either joint operations or joint ventures depending upon the contractual rights and obligations each investor has in the joint arrangement. The Group's interest in joint arrangements, classified as joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. While those classified as joint operations are accounted for by recognising the joint operator's share of the assets, liabilities, revenue and expenses on the joint operation. The results of joint arrangements are included from the effective dates of acquisition and up to the effective dates of the disposal.

Intercompany transactions, balances and unrealised gains on transactions between the Group and its joint arrangements are eliminated on consolidation. Unrealised losses are eliminated and are also considered an impairment indicator of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with policies adopted by the Group

6. INVESTMENT IN ASSOCIATE COMPANIES

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of financial performance, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate. The total carrying value of associates is evaluated annually for impairment. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36: Impairment of Assets to the extent that the recoverable amount of the investment subsequently increases.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

7. STANDALONE COMPANY'S FINANCIAL STATEMENTS

In the standalone accounts of the Company, the investment in a subsidiary company is carried at cost less accumulated impairment losses, where applicable.

8. FOREIGN CURRENCIES

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous audited financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised in other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised in other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Foreign currency monetary items

Monetary assets denominated in foreign currencies are translated into the functional currency at the closing rate of exchange ruling at the reporting date. Exchange differences arising on translation are credited to or charged against income.

Monetary liabilities denominated in foreign currencies are translated into the functional currency at the closing rate of exchange ruling at the reporting date. Exchange differences arising on translation are credited to or charged against income.

Monetary Group assets and liabilities (being Group loans, call accounts, equity loans, receivables and payables) denominated in foreign currencies are translated into the functional currency at the closing rate of exchange ruling at the reporting period date. Exchange differences arising on translation are credited to or charged against income except for those arising on equity loans that are denominated in the functional currency of either party involved. In those instances, the exchange differences are taken directly to equity as part of the foreign currency translation reserve.

Exchange differences arising on the settlement of monetary items are credited to or charged against income.

Foreign currency non-monetary items

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Exchange differences arising on translation are credited to or charged against income except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such items, any exchange component of that gain or loss is also recognised directly in equity.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated as historical exchange rates.

Foreign operations

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- income and expenses for each item of profit or loss are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised in the statement of other comprehensive income and accumulated as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially in the statement of other comprehensive income and accumulated in the translation reserve. On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the Group are recycled to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is recycled to profit or loss.

Murray & Roberts has elected the absolute approach in respect of partial disposals of entity's interest in foreign operations.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

9. FINANCIAL INSTRUMENTS

Classification

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is reassessed on an annual basis, except for derivatives and financial assets designated as fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

The Group classifies financial assets and liabilities into the following categories:

Loans and receivables

Loans and receivables are stated at amortised cost. Amortised cost represents the original amount less principle repayments received, the impact of discounting to net present value and a provision for impairment, where applicable.

When a loan has a fixed maturity date but carries no interest, the carrying value reflects the time value of money, and the loan is discounted to its net present value. The unwinding of the discount is subsequently reflected in the statement of financial performance as part of interest income.

Trade and other receivables

Trade and other receivables are initially recognised at fair value, and are subsequently classified as loans and receivables and measured at amortised cost using the effective interest rate method.

The provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the credit given and includes an assessment of recoverability based on historical trend analysis and events that exist at reporting date. The amount of the provision is the difference between the carrying value and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition.

Contract receivables and retentions

Contract receivables and retentions are initially recognised at fair value, and are subsequently classified as loans and receivables and measured at amortised cost using the effective interest rate method.

Contract receivables and retentions comprise amounts due in respect of certified or approved certificates by the client or consultant at the reporting date for which payment has not been received, and amounts held as retentions on certified certificates at the reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank overdrafts are not offset against positive bank balances unless a legally enforceable right of offset exists, and there is an intention to settle the overdraft and realise the net cash simultaneously, or to settle on a net basis.

All short term cash investments are invested with major financial institutions in order to manage credit risk.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for impairment at each reporting date and impaired where there is objective evidence that as a result of one or more events that occurred after initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted.

For available-for-sale assets, a significant or prolonged decline in the fair value of the asset below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of a financial asset is reduced through the use of an allowance account and changes to this allowance account are recognised in profit or loss. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments

Equity instruments issued by the Company are recognised as the proceeds received, net of direct issue cost.

Treasury shares

The cost of an entity's own equity instruments that it has reacquired ('treasury shares') is deducted from equity. Gain or loss is not recognised on the purchase, sale, issue, or cancellation of treasury shares. Treasury shares may be acquired and held by the entity or by other members of the consolidated group. Consideration paid or received is recognised directly in equity.

Non-trading financial liabilities

Non-trading financial liabilities are recognised at amortised cost. Amortised cost represents the original debt less principle payments made, the impact of discounting to net present value and amortisation of related costs.

Trade and other payables

Trade and other payables are liabilities to pay for goods and services that have been received or supplied and have been invoiced or formally agreed with the supplier. Trade and other payables are initially recognised at fair value, and are subsequently classified as non-trading financial liabilities and carried at amortised cost using the effective interest rate method.

Subcontractor liabilities

Subcontractor liabilities represent the actual unpaid liability owing to subcontractors for work performed including retention monies owed. Subcontractor liabilities are initially recognised at fair value, and are subsequently classified as non-trading financial liabilities and carried at amortised cost using the effective interest rate method.

Investments

Service concession investments are designated as fair value through profit or loss. All other investments are classified as non-trading financial assets or loans and receivables and accounted for accordingly.

Financial instruments designated as fair value through profit or loss

Financial assets, other than those held for trade, are classified in this category if the financial assets or liabilities are managed, and their performance evaluated, on a fair value basis in accordance with a documented investment strategy, and where information about these financial instruments are reported to management on a fair value basis. Under this basis the Group's concession equity investment is the main class of financial instruments so designated. The fair value designation, once made is irrevocable.

Measurement is initially at fair value, with transaction cost and subsequent fair value adjustment recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on financial assets. Fair value is determined in a manner as described in note 7. Where management has identified objective evidence of impairment, provisions are raised against the investment. Assets are considered to be impaired when the fair value of the assets is considered to be lower than the original cost of the investment.

Available-for-sale assets

Available-for-sale assets include financial instruments normally held for an indefinite period, but may be sold depending on changes in exchange, interest or other market conditions. Available-for-sale financial instruments are initially measured at fair value, which represents consideration given plus transaction cost, and subsequently carried at fair value. Fair value is based on market prices for these assets. Resulting gains or losses are recognised in the statement of other comprehensive income and accumulated as a fair value reserve in the statement of changes in equity until the asset is disposed of or impaired, when the cumulative gain or loss is recognised in profit or loss.

Where management has identified objective evidence of impairment, a provision is raised against the investment. When assessing impairment, consideration is given to whether or not there has been a prolonged decline in the market value below original cost.

Derivative financial instruments

Derivative financial instruments are initially measured at fair value at the contract date, which includes transaction costs. Subsequent to initial recognition derivative instruments are stated at fair value with the resulting gains or losses recognised in profit or loss.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses recognised in the statement of financial performance.

Where a legally enforceable right of offset exits for recognised derivative financial assets and liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

The Group generally makes use of three types of derivatives, being foreign exchange contracts, interest rate swap agreements and embedded derivatives. The majority of these are used to hedge the financial risk of recognised assets and liabilities, unrecognised forecast transactions or unrecognised firm commitments (hereafter referred to as "economic hedges"). Hedge accounting is not necessarily applied to all economic hedges but only where management made a decision to designate the hedge as either a fair value or cash flow hedge and the hedge qualifies for hedge accounting.

Hedging activities

Economic hedges where hedge accounting is not applied:

When a derivative instrument is entered into as a hedge, all fair value gains or losses are recognised in profit or loss.

Economic hedges where hedge accounting applied:

Hedge accounting recognises the offsetting effects of the hedging instrument (i.e. the derivative) and the hedged item (i.e. the item being hedged such as a foreign denominated liability).

Hedges can be designated as fair value hedges, cash flow hedges, or hedges of net investments in foreign entities.

Fair value hedges

When a derivative instrument is entered into and designated as a fair value hedge, all fair value gains or losses are recognised in profit or loss.

Changes in the fair value of a hedging instrument that is highly effective and is designated and qualifies as a fair value hedge are recognised in profit or loss together with the changes in the fair value of the related hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instruments expire or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

Cash flow hedges

Where a derivative instrument is entered into and designated as a cash flow hedge of a recognised asset, liability or a highly probable forecast transaction, the effective part of any gain or loss arising on the derivative instrument is recognised as part of the hedging reserve until the underlying transaction occurs. The ineffective part of any gain or loss is immediately recognised in profit or loss.

If the underlying transaction occurs and results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity must be reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as in the periods that interest income or interest expense is recognised). However, if the Group expects that all or a portion of a loss recognised directly in equity will not be recovered in one or more future periods, it shall reclassify into profit or loss the amount that is not expected to be recovered.

If the underlying transaction occurs and results in recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains or losses that were recognised directly in equity are included in the initial cost or other carrying value of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Loans to/from group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint arrangements and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

10. CONTRACTS-IN-PROGRESS AND CONTRACT RECEIVABLES

Contracts-in-progress represents those costs recognised by the stage of completion of the contract activity at the reporting date. Anticipated losses to completion are expensed immediately in profit or loss.

Advanced payments received

Advance payments received are assessed on initial recognition to determine whether it is probable that it will be repaid in cash or another financial asset. In this instance, the advance payment is classified as a non-trading financial liability that is carried at amortised cost. If it is probable that the advance payment will be repaid with goods or services, the liability is carried at historic cost.

11. INTANGIBLE ASSETS OTHER THAN GOODWILL

An intangible asset is an identifiable, non-monetary asset that has no physical substance. An intangible asset is recognised when it is identifiable, the Group has control over the asset, it is probable that economic benefits will flow to the Group, and the cost of the asset can be measured reliably.

Computer software

Acquired computer software that is significant and unique to the business is capitalised as an intangible asset on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programmes are capitalised as intangible assets only if it qualifies for recognition. In all other cases these costs are recognised as an expense incurred.

Costs that are directly associated with the development and production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding one year, are recognised as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads. Computer software is amortised on a systematic basis over its estimated useful life from the date it becomes available for use.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairments. Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense when incurred and is not capitalised.

Subsequent costs

Subsequent costs incurred on intangible assets are included in the carrying value only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to profit or loss on a systematic basis over the estimated useful life of the intangible asset from the date that they are available for use unless the useful lives are indefinite. Intangible assets with indefinite lives are tested annually for impairment. The estimate useful lives and residual values are reviewed at the end of each reporting period and the effect of any change in estimate will be applied prospectively.

The average amortisation periods are set out in note 5.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

12. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets that the Group holds for its own use or for rental to others and which the Group expects to be used for more than one period. Property, plant and equipment could be constructed by the Group or purchased by the entities. The consumption of property, plant and equipment is reflected through a depreciation charge designated to reduce the asset to its residual value over its useful life. The useful lives of property, plant and equipment are set out in note 2.

The residual value, useful life and depreciation method of each asset is reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Measurement

All property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, except for land, which is stated at cost less accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item and includes transfers from equity of any gains or losses on qualifying cash flow hedges of currency purchases of property, plant and equipment.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 July 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount at that revaluation date.

Subsequent costs

Subsequent costs are included in an asset's carrying value only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Day-to-day servicing cost are recognised in profit or loss for the year incurred.

Revaluations

Property, plant and equipment are not revalued.

Assets held under finance leases

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Components

The amount initially recognised in respect of an item of property, plant and equipment is allocated to its significant components and where they have different useful lives, are recorded and depreciated separately. The remainder of the cost, being the parts of the item that are individually not significant or have similar useful lives, are grouped together and depreciated as one component.

Depreciation

Depreciation is calculated on the straight-line or units of production basis at rates considered appropriate to reduce the carrying value of each component of an asset to its residual value over its estimated useful life. The average depreciation periods are set out in note 2.

Depreciation commences when the asset is in the location and condition for its intended use by management and ceases when the asset is derecognised or classified as held-for-sale.

The useful life and residual value of each component is reviewed annually at year end and, if expectations differ from previous estimates, adjusted for prospectively as a change in accounting estimate.

Impairment

Where the carrying value of an asset is greater than its estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying value in line with its recoverable amount.

Dismantling and decommissioning costs

The cost of an item of property, plant and equipment includes the initial estimate of the costs of its dismantlement, removal, or restoration of the site on which it was located.

13. INVESTMENT PROPERTY

Investment properties are land, buildings or part thereof that are either owned or leased by the Group under a finance lease for the purpose of earning rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, for administrative purposes, or sale in the ordinary course of business. The classification is performed on a property-by-property basis.

Initially, investment properties are measured at cost including all transaction costs. Subsequent to initial recognition investment properties are stated at fair value, with any movements in fair value recognised in profit or loss.

Investment properties are derecognised when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from their disposal.

Any gain or loss on the derecognition of investment properties is recognised in profit or loss in the year of derecognition.

14. IMPAIRMENT OF ASSETS

At each reporting period the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, the asset is tested for impairment by estimating the recoverable value of the related asset. Irrespective of whether there is any indication of impairment, an intangible asset with an indefinite useful life, intangible asset not yet available for use and goodwill acquired in a business combination, are tested for impairment on an annual basis.

When performing impairment testing, the recoverable amount is determined for the individual asset for which an objective indication of impairment exists. If the asset does not generate cash flows from continuing use that are largely independent from other assets or groups of assets, the recoverable amount is determined for the cash-generating unit ("CGU") to which the assets belong.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

15. NON-CURRENT ASSETS HELD-FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets, disposal groups, or components of an enterprise are classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets, disposal groups, or components of an enterprise classified as held-for-sale are stated at the lower of its previous carrying value and fair value less cost to sell.

An impairment loss, if any, is recognised in profit or loss for any initial and subsequent write-down of the carrying value to fair value less cost to sell. Any subsequent increase in fair value less cost to sell is recognised in profit or loss to the extent that it is not in excess of the previously recognised cumulative impairment losses. The impairment loss recognised first reduces the carrying value of the goodwill allocated to the disposal group, and the remainder to the other assets of the disposal group pro-rata on the basis of the carrying value of each asset in the disposal group.

Assets such as inventory and financial instruments allocated to a disposal group will not absorb any portion of the write-down as they are assessed for impairment according to the relevant accounting policy involved. Any subsequent reversal of an impairment loss should be proportionately allocated to the other assets of the disposal group on the basis of the carrying value of each asset in the unit (group of units), but not to goodwill.

Assets held-for-sale are not depreciated or amortised. Interest and other expenses relating to the liabilities of a disposal group continue to be recognised.

When the sale is expected to occur beyond one year, the costs to sell are measured at their present value. Any increase in the present value of the cost to sell that arises from the passage of time is presented in profit or loss as an interest expense.

Non-current assets, disposal groups or components of an enterprise that are classified as held-for-sale are presented separately on the face of the statement of financial position. The sum of the post-tax profit or loss of the discontinued operation, and the post-tax gain or loss on the remeasurements to fair value less cost to sell is presented as a single amount on the face of the statement of financial performance.

16. INVENTORIES

Inventories comprise raw materials, properties for resale, consumable stores and in the case of manufacturing entities, work-in-progress and finished goods. Consumable stores include minor spare parts and servicing equipment that are either expected to be used over a period less than 12 months or for general servicing purposes. Consumable stores are recognised in profit or loss as consumed.

Inventories are valued at the lower of cost or net realisable value.

The cost of inventories is determined using the following cost formulas:

- Raw materials – First In, First Out ("FIFO") or Weighted Average Cost basis.
- Finished goods and work-in-progress – cost of direct materials and labour including a proportion of factory overheads based on normal operating capacity.

For inventories with a different nature or use to the Group, different cost formulas are used. The cost of inventories includes transfers from equity of any gains or losses on qualifying cash flow hedges of currency purchase cost, where applicable.

In certain business operations the standard cost method is used. The standard cost takes into account normal levels of materials and supplies, labour, efficiency and capacity utilisation. These are regularly reviewed and, if necessary, revised in the light of current conditions. All abnormal variances are immediately expensed as overhead costs. All under absorption of overhead costs are expensed as normal overhead cost, while over absorption is adjusted against the inventory item or the cost of sales if already sold.

Net realisable value represents the estimated selling price in the ordinary course of the business less all estimated costs of completion and costs incurred in marketing, selling and distribution.

Property development

Property developments are stated at the lower of cost or realised value. Cost is assigned by specific identification and includes the cost of acquisition, development and borrowing costs during development. When development is completed borrowing costs and other charges are expensed as incurred.

17. LEASES

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised. All other leases are classified as operating leases. The classification is based on the substance and financial reality of the whole transaction rather that the legal form. Greater weight is therefore given to those features which have a commercial effect in practice. Leases of land and buildings are analysed separately to determine whether each component is an operating or finance lease.

Finance leases

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at an amount equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. Any direct cost incurred in negotiating or arranging a lease is added to the cost of the asset. The present value of the cost of decommissioning, restoration or similar obligations relating to the asset are also capitalised to the cost of the asset on initial recognition. The discount rate used in calculating the present value of minimum lease payments is the rate implicit in the lease.

The group as a lessee

Capitalised leased assets are accounted for as property, plant and equipment. They are depreciated using the straight-line or unit of production basis at rates considered appropriate to reduce the carrying value over the estimated useful lives to the estimated residual values. Where it is not certain that an asset will be taken over by the Group at the end of the lease, the asset is depreciated over the shorter of the lease period and the estimated useful life of the asset.

Finance lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are charged to operating costs as they become due.

The group as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Operating leases

Operating lease payments are recognised in profit or loss on a straight-line basis over the lease term. In negotiating a new or renewed operating lease, the lessor may provide incentives for the Group to enter into the agreement, such as up-front cash payments or initial rent-free period. These benefits are recognised as a reduction of the rental expense over the lease term, on a straight-line basis.

18. PROVISIONS AND CONTINGENCIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle that obligation at the reporting date, and are discounted to present value when the effect is material.

Provisions are reflected separately on the face of the statement of financial position and are separated into their long term and short term portions. Contract provisions are, however, deducted from contracts-in-progress.

Provisions for future expenses are not raised, unless supported by an onerous contract, being a contract in which unavoidable costs that will be incurred in meeting contract obligations are in excess of the economic benefits expected to be received from the contract.

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At subsequent reporting dates, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18: Revenue.

Restructuring

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditure arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Such contingent assets are only recognised in the financial statements where the realisation of income is virtually certain. If the inflow of economic benefits is only probable, the contingent asset is disclosed as a claim in favour of the Group but not recognised in the statement of financial position.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions.

An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

19. SHARE-BASED PAYMENTS

An expense is recognised where the Group received goods or services in exchange for shares or rights over shares ("equity-settled transactions") or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions").

Employees, including directors, of the Group receive remuneration in the form of share-based transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined independently by using the binomial lattice and Monte Carlo Simulation models. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Group ("market conditions"). The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on a straight-line basis over the period in which the non-market performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

For cash-settled transactions, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting period.

Where there are any vested share options which have not been exercised by the employees and have expired, the cumulative expense recognised in the share-based payment reserve is reclassified to retained earnings.

20. EMPLOYEE BENEFITS

Defined contribution plans

Under defined contribution plans the Group's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Consequently, the actuarial risk that benefits will be less than expected and the investment risk that assets invested will be insufficient to meet expected benefits, is borne by the employee. Such plans include multi-employer or state plans.

Employee and employer contributions to defined contribution plans are recognised as an expense in the year in which incurred.

Defined benefit plans

Under defined benefit plans, the Group has an obligation to provide the agreed benefits to current and former employees. The actuarial and investment risk are borne by the Group. A multi-employer or state plan that is classified as a defined benefit plan, but for which sufficient information is not available to enable defined benefit accounting, is accounted for as a defined contribution plan.

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Methods, with actuarial valuations being carried out at each reporting period date.

The current service cost as well as net interest expense in respect of defined benefit plans is recognised as an expense in the year to which it relates. Past service costs are recognised immediately in profit or loss. Experience adjustments, effects of changes in actuarial assumptions and plan amendments in respect of existing and retired employees are recognised in other comprehensive income as remeasurements in the period in which they arise. Deficits arising on these funds, if any, are recognised immediately in respect of retired employees and over the remaining service lives of current employees.

The defined benefit obligation in the statement of financial position, if any, represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and are reduced by the fair value of planned assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contribution to the plan.

21. TAXATION

Income taxation expense represents the sum of current and deferred taxation.

Current taxation assets and liabilities

The current taxation liability is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of financial performance because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current taxation is calculated using taxation rates that have been enacted or substantively enacted by the reporting date.

Deferred taxation assets and liabilities

A deferred taxation liability is based on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of the taxable profits, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition, other than in business combinations, of other assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profits.

Deferred taxation liabilities are recognised for the taxable temporary differences arising from investments in subsidiaries, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future. Deferred taxation assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of a deferred taxation asset is revised at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the asset or part of the asset to be recovered.

Deferred taxation is calculated at the taxation rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred taxation is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity in which case the deferred taxation is also charged or credited directly to equity.

Deferred taxation assets and liabilities are offset when there is a legal enforceable right to offset deferred taxation assets against liabilities and when the deferred taxation relates to the same fiscal authority.

22. RELATED PARTIES

Related parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the party in making financial and operating decisions. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all executive and non-executive directors.

Related party transactions are those where a transfer of resources or obligations between related parties occur, regardless of whether or not a price is charged.

23. REVENUE

Revenue is the aggregate of turnover of subsidiaries and the Group's share of the turnover of joint arrangements and is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of rebates, discounts and sales related taxes:

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from services is recognised over the period during which the services are rendered.

Interest and dividend income

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity. Dividend income is recognised when the right to receive payment is established.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Long term and construction contracts

Where the outcome of a long term and construction contract can be reliably measured, revenue and costs are recognised by reference to the stage of completion of the contract at the reporting date, as measured by the proportion that contract costs incurred for work to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that collection is probable and the amounts can be reliably measured. Anticipated losses to completion are immediately recognised as an expense in contract costs.

Where the outcome of the long term and construction contracts cannot be estimated reliably, contract revenue is recognised to the extent that the recoverability of incurred costs is probable.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as amounts received in excess of work completed. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

In limited circumstances, contracts may be materially impacted by a client's actions such that the Group is unable to complete the contracted works at all or in the manner originally forecast. This may include dispute resolution procedures under the relevant contract and/or litigation. In these circumstances the assessment of the project outcome, whilst following the basic principles becomes more judgemental.

24. DIVIDENDS

Dividends are accounted for on the date of declaration and are not accrued as a liability in the financial statements until declared.

25. SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Executive Committee who makes strategic decisions.

Inter-segment transfers

Segment revenue, segment expenses and segment results include transfers between operating segments and between geographical segments. Such transfers are accounted for at arm's length prices. These transfers are eliminated on consolidation.

Segmental revenue and expenses

All segment revenue and expenses are directly attributable to the segments.

Segmental assets

All operating assets used by a segment principally include property, plant and equipment, investments, inventories, contracts-in-progress, and receivables, net of allowances. Cash balances are excluded.

Segmental liabilities

All operating liabilities of a segment principally include accounts payable, subcontractor liabilities and external interest bearing borrowings.

26. BLACK ECONOMIC EMPOWERMENT

IFRS 2: Share-Based Payments requires share-based payments to be recognised as an expense in profit or loss. This expense is measured at fair value of the equity instruments issued at grant date.

Letsema Vulindlela Black Executive Trust

Once selected, black executives become vested beneficiaries of the Letsema Vulindlela Black Executive Trust and are granted Murray & Roberts shares. In terms of their vesting rights, the fair value of these equity instruments, valued at the various dates on which the grants take place, are recognised as an expense over the related vesting periods.

Letsema Khanyisa Black Employee Benefits Trust and Letsema Sizwe Community Trust

These trusts established as 100-year trusts. However, after the lock-in period ending 31 December 2020, they may, at the discretion of the trustees, be dissolved in which event any surplus in these trusts, after the settlement of all the liabilities, will be transferred to organisations which engage in similar public benefit activities. An IFRS 2 expense will have to be recognised at such point in time when this surplus is distributed to an independent public benefit organisation.

27. SHARE CAPITAL AND EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

28. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the asset is ready for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

TRADING HISTORY OF MURRAY & ROBERTS SHARES ON THE JSE

Daily

Day ended	High price (cents)	Low price (cents)	Volume traded	Value (Rand)
1 March 2018	1 185	1 068	659 634	7 264 999
2 March 2018	1 144	1 053	119 640	1 281 735
5 March 2018	1 099	1 040	246 857	2 610 356
6 March 2018	1 093	1 030	1 609 741	16 864 994
7 March 2018	1 075	1 021	308 933	3 208 253
8 March 2018	1 050	984	605 333	6 071 380
9 March 2018	1 043	983	285 139	2 832 292
12 March 2018	1 018	938	247 815	2 436 861
13 March 2018	1 030	950	415 594	4 027 902
14 March 2018	1 100	969	482 850	4 723 063
15 March 2018	1 052	950	2 783 030	27 046 750
16 March 2018	1 085	970	1 360 607	14 033 451
19 March 2018	1 048	965	414 336	4 149 013
20 March 2018	1 011	940	1 380 358	13 384 673
22 March 2018	1 032	870	496 219	4 686 309
23 March 2018	995	944	782 250	7 472 215
26 March 2018	1 452	1 390	17 204 668	255 258 786
27 March 2018	1 431	1 249	1 724 572	23 685 062
28 March 2018	1 371	1 313	3 242 714	43 919 158
29 March 2018	1 402	1 350	234 304	3 239 185
3 April 2018	1 420	1 380	1 531 029	21 471 265
4 April 2018	1 436	1 375	1 617 890	22 951 604
5 April 2018	1 478	1 427	496 566	7 176 223
6 April 2018	1 518	1 425	6 034 362	89 777 021
9 April 2018	1 512	1 489	730 649	10 947 096
10 April 2018	1 548	1 495	4 583 360	68 772 352
11 April 2018	1 525	1 498	30 538 446	458 097 983
12 April 2018	1 512	1 498	1 039 004	15 646 681
13 April 2018	1 525	1 451	14 982 124	224 731 573

Monthly – 2017

Month	High price (cents)	Low price (cents)	Aggregated volume traded	Aggregated value (Rand)
January	1 120	1 062	11 114 009	125 543 266
February	1 529	1 495	134 488 236	1 971 013 626
March	1 580	1 501	21 755 264	338 511 338
April	1 400	1 345	14 018 492	208 781 121
May	1 360	1 329	12 562 326	173 817 081
June	1 378	1 302	13 461 601	179 231 195
July	1 442	1 362	4 644 587	67 316 270
August	1 520	1 469	5 331 571	75 362 684
September	1 603	1 550	12 309 886	199 995 162
October	1 600	1 510	11 839 035	187 116 892
November	1 425	1 316	4 751 530	70 189 082
December	1 211	1 150	6 779 084	79 504 084

Source: JSE Information Services

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