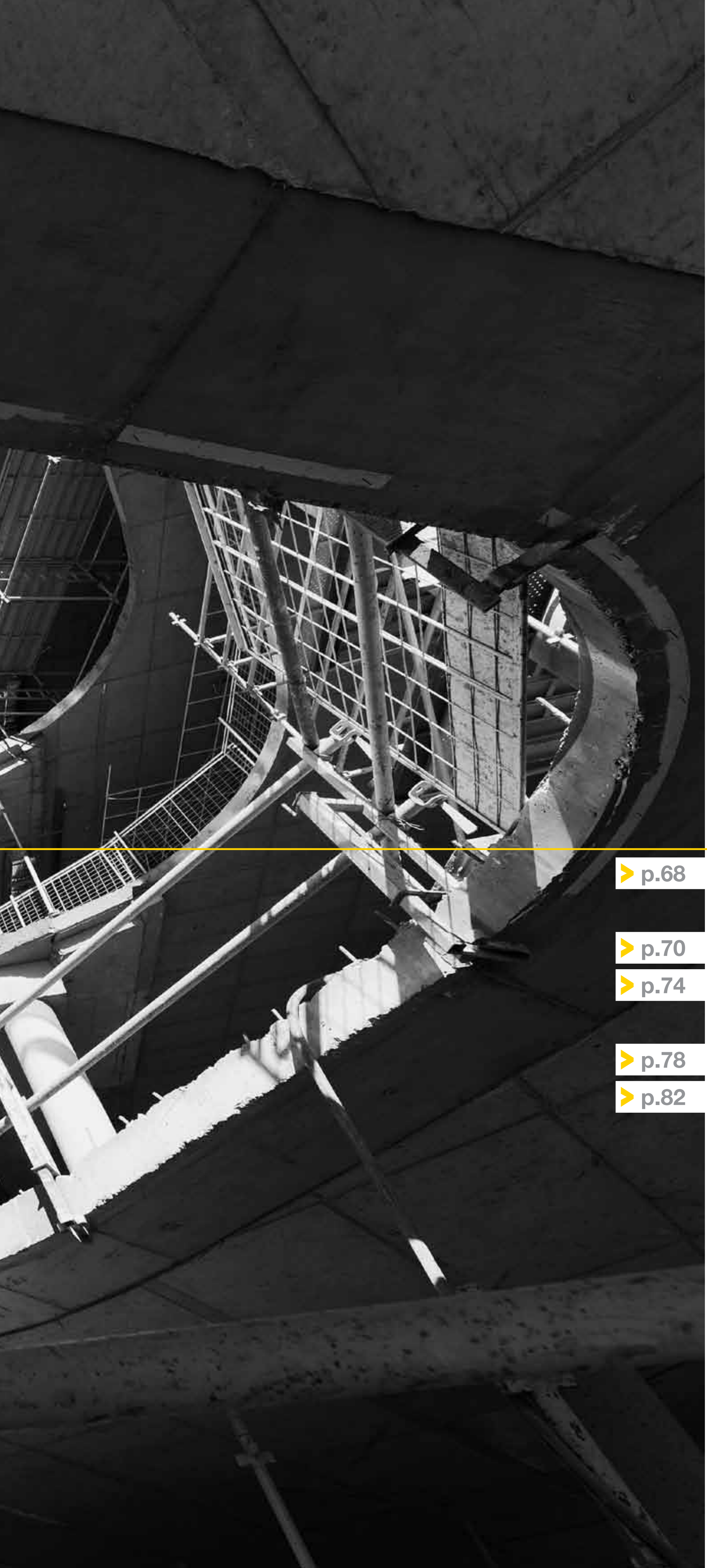
OPERATIONAL PERFORMANCE REVIEW

MURRAY & ROBERTS BUILDINGS IS WORKING TO A FAST-TRACK SCHEDULE THAT WILL SEE **102 RIVONIA ROAD** COMPLETED BY LATE 2013. THE PROJECT COMPRISES AN EIGHT STOREY BUILDING WITH AN ATRIUM SPACE TRANSECTED BY STAIR AND BRIDGE LINKS, A 14 STOREY OFFICE TOWER CONNECTED BY A FOUR STOREY BRIDGE AND A TWO STOREY PODIUM ON WHICH THE BUILDINGS REST.



GROUP OPERATIONS

REGIONAL

% OF GROUP TURNOVER IN FY2013

	CONSTRUCTION AFRICA AND MIDDLE EAST	ENGINEERING AFRICA
% of group turnover	20%	15%
Page	p.70	p.74
Region	AFRICA // MIDDLE EAST	AFRICA
COMPANIES	MURRAY & ROBERTS CONCESSIONS MURRAY & ROBERTS CONSTRUCTION MURRAY & ROBERTS MARINE MURRAY & ROBERTS MIDDLE EAST TOLCON	CONCOR ENGINEERING GENREC MURRAY & ROBERTS PROJECTS MURRAY & ROBERTS WATER WADE WALKER

SECTOR

MINING
Metals // Minerals

ENERGY
Oil & Gas // Power

INFRASTRUCTURE & BUILDING
Marine // Power // Transportation // Water

INTERNATIONAL

23%

42%

p.78

CONSTRUCTION GLOBAL UNDERGROUND MINING

AFRICA // AMERICAS // AUSTRALASIA

COMPANIES

CEMENTATION CANADA & USA
CEMENTATION SUDAMÉRICA
MURRAY & ROBERTS CEMENTATION
RUC CEMENTATION

p.82

CONSTRUCTION AUSTRALASIA OIL & GAS AND MINERALS

AFRICA // AUSTRALASIA // SOUTHEAST ASIA

COMPANY

CLOUGH

REGIONAL

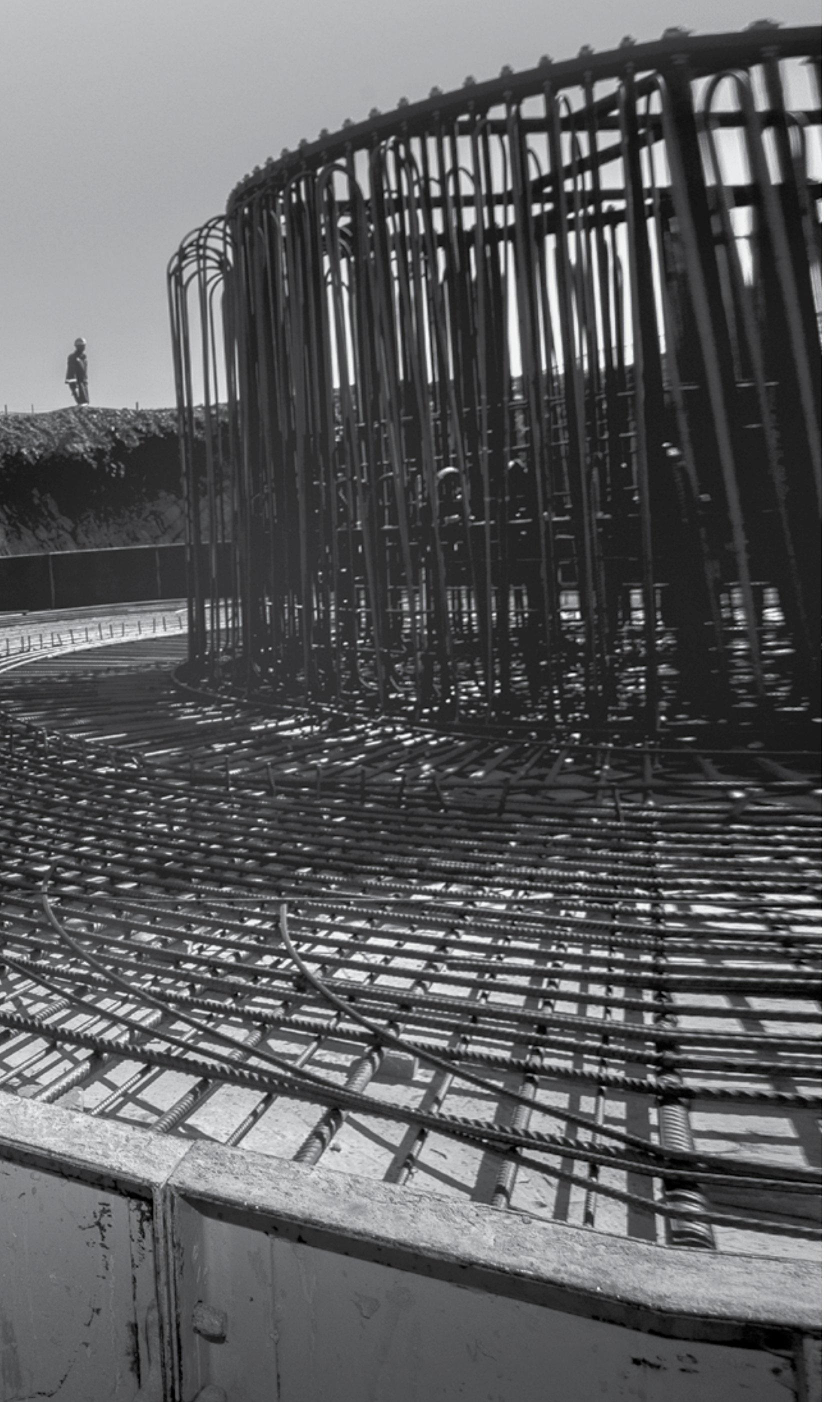
R MILLIONS	Construction Africa		Marine		Middle East		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Revenue	**5 971**	5 848	**288**	903	**575**	1 357	**6 834**	8 108
Operating (loss)/profit	**(32)**	321	**51**	(1 184)	**(47)**	(454)	**(28)**	(1 317)
Margin (%)	**(1%)**	5%	**18%**	(131%)	**(8%)**	(33%)	**0%**	(16%)
Segment assets	**3 677**	3 447	**915**	658	**1 823**	1 578	**6 415**	5 683
People	**7 560**	7 393	**53**	131	**106**	199	**7 719**	7 723
LTIFR (fatalities)	**0.9 (0)**	1.0 (0)	**0 (0)**	0.6 (0)	**0.3 (0)**	0.5 (0)	**0.7 (0)**	0.7 (0)
Order book	**7 053**	7 163	**269**	178	**1 394**	1 654	**8 716**	8 995

THE JEFFREYS BAY WIND FARM PROJECT SPANS 3 700 HA BETWEEN JEFFREYS BAY AND HUMANSDORP AND WILL INVOLVE THE DEPLOYMENT OF 60 SIEMANS SWT 2.3 MW WIND TURBINES, EACH WITH A ROTOR DIAMETER OF 101 METRES. THE CIVIL AND ELECTRICAL WORKS WILL BE COMPLETED BY A JOINT-VENTURE BETWEEN MURRAY & ROBERTS CONSTRUCTION AND CONSOLIDATED POWER PROJECTS.

CONSTRUCTION AFRICA AND MIDDLE EAST

IN THE NEAR TERM, THE QUALITY AND SIZE OF THE ORDER BOOK WILL BE ENHANCED THROUGH EXPANSION INTO NEW MARKETS, BOTH GEOGRAPHICAL AND SECTORAL

JEROME GOVENDER
OPERATING PLATFORM EXECUTIVE



TOGETHER TO ZERO HARM

The 12-month lost time injury frequency rate ("LTIFR") improved to 0.69 (June 2012: 0.71), better than the short-term target of less than one and the 12-month total recordable case rate ("TRCR") was also an improved 3.21 (June 2012: 3.4). There were 35 lost time injuries during the year, significantly better than the 50 in the previous financial year. Divisional safety highlights during the year included the 6.1 million lost time injury free hours at the St. Regis Resort project in the Middle East and Concor Civils HCJV project was completed with 43 lost time injury free months.

The platform's improved safety performance has been achieved through the implementation of divisional safety improvement plans aligned to the Group's various initiatives and in particular the Stop.Think.Act.24/7 awareness programme, as well as Fatal Risk Control Protocols that establish minimum standards for managing fatal risks.

PLATFORM OVERVIEW

The platform is emerging from a protracted period of operational, market and leadership instability. It has adopted a simple three phase strategy. Phase one entailed returning the platform to operational and leadership stability. Phase two will focus on a return to profitability through improved operational delivery, and Phase three will target improving margins through order book growth, coupled with sustained operational excellence. Phase one was completed in the year under review where operational stability and cost management were key targets. These were achieved through reintroducing a strong project delivery discipline into the platform, coupled with rightsizing of the Murray & Roberts Middle East and Concor Civils businesses. It was also necessary to review and increase forecast costs-to-complete in certain projects.

There was an improved operating loss of R28 million (June 2012: R1 317 million) while revenues decreased to R6,8 billion (June 2012: R8,1 billion). The order book decreased marginally by 3% to R8,7 billion (June 2012: R9,0 billion). Overcapacity exists in both the southern Africa and the Middle East construction markets which increased pressure on margins. Construction Africa's operating result was negatively impacted by two main issues. One was an increased forecast on costs-to-complete on certain projects (following a review process) and the other was the significant and ongoing

CONSTRUCTION AFRICA AND MIDDLE EAST CONTINUED

industrial action at the Medupi Power Station where the platform is a significant participant in the civil construction works. The risks associated with this platform's historical overreliance on spend by the South African and United Arab Emirates (UAE) economies is being mitigated by a stronger focus on selected countries in sub-Saharan Africa where increased capital expenditure, needed to unlock mineral resources, is expected to lead to extensive upgrading of infrastructure.

Initiatives taken to rightsize the platform will bear fruit in terms of improved operational margins in the years ahead. Some of this benefit has already been realised in the Middle East business, where a great deal of focus is being placed on closing out commercial issues on completed projects. The platform's buildings business secured a sizeable order book with a number of awards towards the end of the year. The margins remain low, but are market-related. The Murray & Roberts Marine construction business returned to profitability in the year and continues to target opportunities in Southeast Asia and in sub-Saharan Africa.

EXPLORING OPPORTUNITY

Announcements that the South African Government will spend some R827 billion on infrastructure by 2016 have excited much conjecture and the expectation of a massive boost for the construction industry. Unpacking what precisely this substantial amount of expenditure means – and its implications for the platform – required sober and detailed analysis. Such analysis reveals that approximately 40% of the mooted budget relates to the investment programmes of Eskom and Transnet, programmes that have previously been announced. Little of the Transnet spend in the near term will be on civil engineering work, with most of the funds being allocated to new rolling stock. In the medium term, however, Transnet is expected to invest significant amounts in transport infrastructure, including the upgrading of ports. As such, this represents a major opportunity for the Murray & Roberts Marine construction business. However, on balance, the announced R827 billion is unlikely to catalyse a significantly improved local construction market.

With this in mind, and in addition to its traditional operating markets, the platform has positioned itself to take advantage of anticipated investment in alternative energy, rail infrastructure and civil infrastructure associated with the oil & gas sector in selected African countries. Opencast mining opportunities remain attractive to the platform, both within and outside of South Africa.

In the Middle East it is encouraging to note a moderate increase in tender activity in the latter part of the financial year. Due to the strength of the Murray & Roberts brand, opportunities exist in several countries, most notably Qatar, where large-scale infrastructural investment is anticipated to meet the country's commitments in terms of its hosting of the 2022 FIFA World Cup™. On a smaller but not insignificant scale, further opportunities exist in the Sultanate of Oman.

UPLIFTING CONSTRUCTION

The platform's most important priority in the year ahead will be to deliver phase two of the platform strategy, which is a return to profitability through improved operational delivery. This includes entrenching a performance driven culture and the focus on improved cost management. The stabilised leadership team has enhanced the platform's capacity and ability to execute contracts with greater certainty.

Several pockets of high innovation and delivery excellence exist within the platform and must be built upon across all businesses. Upgrading the skills of our people is thus essential, particularly in terms of site and contract management. These core skills will be especially important in the current challenging market environment and in successfully expanding into new markets. Improving the platform's safety culture and safety performance will also be a priority in the new year with large numbers of supervisory staff taking part in Visible Felt Leadership training.

It is expected that relationships with customers will be improved over time, through consistent and reliable delivery of quality projects. In the near term, the quality and size of the order book will be enhanced through expansion into new markets, both geographic and sectoral.

CASE STUDY

TYRE ENTREPRENEUR ON THE RIGHT TRACK

Matthew Nondwayi knows tyres

From small tyres for bakkies to enormous tyres for earthmoving equipment, Matthew knows intimately what is a good tyre and what is a questionable one. He knows how long they should last, how they should be fitted and how and when they should be used and what they should cost.

The 53-year-old from the Eastern Cape has been in the tyre business for almost three decades, working for a national retail chain where he worked his way through the ranks until he was managing two branches.

In 1996 Matthew went on his own, starting a business called Eastern Cape Tyres that today has three branches in Alice and King Williamstown. It was through this business that Matthew first dealt with Jim Wiggins, then working for a well-known construction company.

Today Jim is managing director of Murray & Roberts Plant and, when he became concerned about the availability and prices of tyres, he got in touch with Matthew for some expert advice. Since 2010 Eastern Cape Tyres has benefitted from a Murray & Roberts enterprise development initiative in terms of which Matthew's business sources, supplies and fits tyres (including the enormous 27.00R49s that can cost as much as R180 000 for a single tyre, measuring more than two metres across).

Murray & Roberts Plant has learnt to rely on Matthew's expertise to the point that he was recently sent to Shanghai, China, to source earthmoving tyres. It was well known that such large tyres could be sourced relatively cheaply in China but there was no point in ordering tyres that would not be up to the task. Matthew helped find the right quality product – at a cost that translated into savings of some 40% – and the heavy-duty earthmoving tyres are now proving their worth day in and day out in some extremely rugged conditions.

Eastern Cape Tyres has its own dedicated workshop and office at Murray & Roberts Plant's facilities in Amalgam, Johannesburg. Three people work full time on the Murray & Roberts business, receiving and fitting a wide variety of tyres and Matthew flies up from the Eastern Cape at least once a month.

Today large signs above the workshop proclaim that this is the home of the "Tyre Zone", a new business that Matthew has started and that will be allowed to sell and service tyres for other, non-Murray & Roberts customers.

Matthew is enthusiastic about the partnership with Murray & Roberts, his business's biggest client. "Since 2010 our business with Murray & Roberts has grown 50% so, yes, it is going well. There are very few independently owned tyre businesses that can handle work of this magnitude," he says. "And it is extremely difficult for a start-up to compete with the giants who dominate the business. We're not a start-up but we are an independent and, thanks to Murray & Roberts, we are competing very successfully."

REGIONAL

R MILLIONS	Power Programme[1]		Engineering[2]		Total	
	2013	2012	**2013**	2012	**2013**	2012
Revenue	**4 008**	4 327	**1 028**	886	**5 036**	5 213
Operating profit/(loss)	**227**	237	**(90)**	(37)	**137**	200
Margin (%)	**6%**	5%	**(9%)**	(4%)	**3%**	4%
Segment assets	**1 328**	1 556	**509**	546	**1 837**	2 102
People	**6 243**	6 222	**898**	2 061	**7 141**	8 283
LTIFR (fatalities)	**0.7 (0)**	0.8 (0)	**0.2 (0)**	0.2 (0)	**0.5 (0)**	0.7 (0)
Order book	**5 890**	6 121	**580**	647	**6 470**	6 768

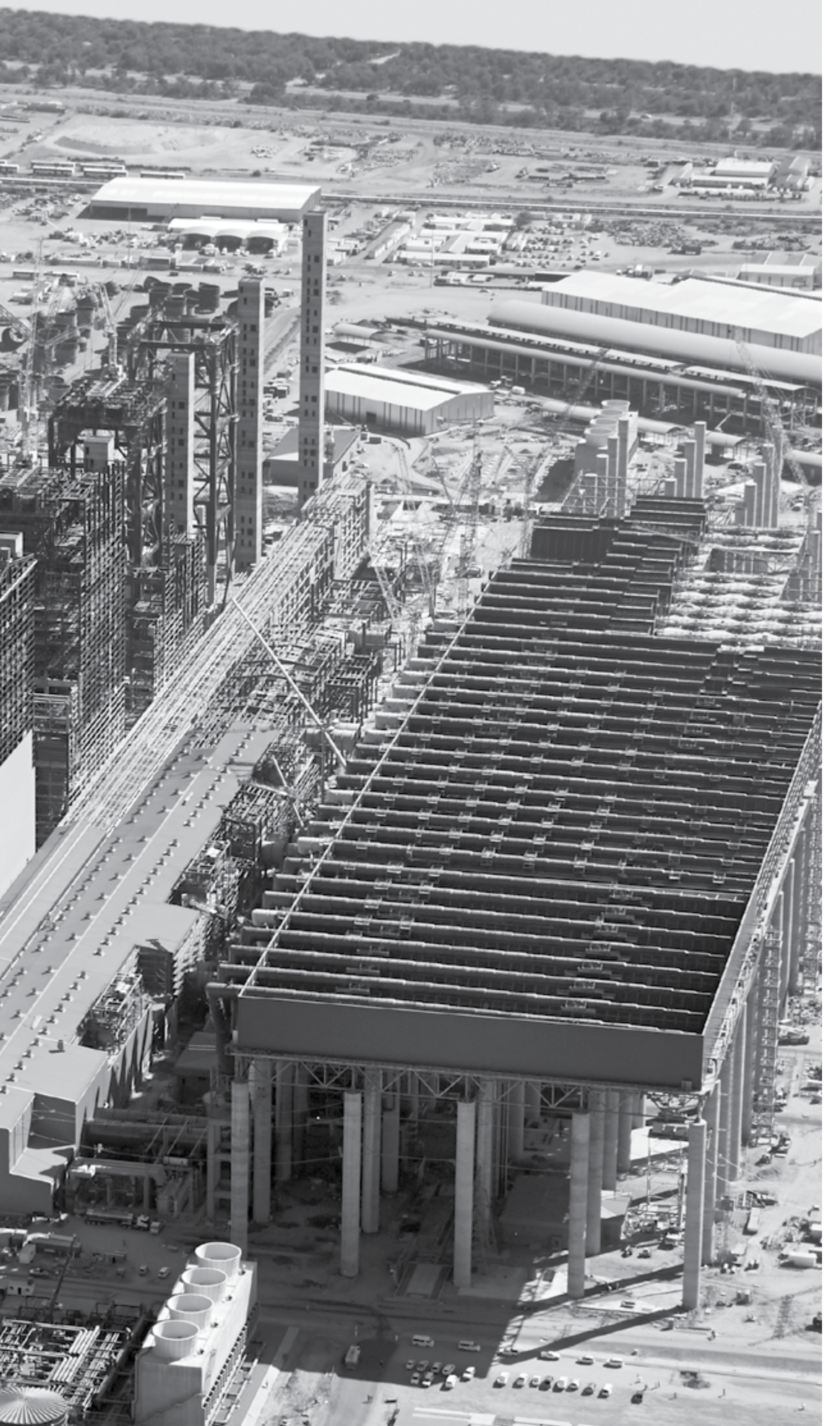
1 Murray & Roberts Projects power programme contracts and Genrec.
2 Includes Wade Walker, Concor Engineering, Murray & Roberts Water and Murray & Roberts Projects non-power programme projects.

MEDUPI WILL BE THE BIGGEST DRY-COOLED POWER STATION IN THE WORLD AND INCORPORATES SUPER CRITICAL TECHNOLOGY, WHICH OPERATES AT HIGHER TEMPERATURES AND PRESSURES THAN PREVIOUS GENERATION UNITS, AND WITH GREATER EFFICIENCY, MAKING BETTER USE OF NATURAL RESOURCES.

ENGINEERING AFRICA

BY 2016, THE PLATFORM WILL OFFER AN INTEGRATED SUITE OF SERVICES, WORKING CLOSELY WITH OTHER MURRAY & ROBERTS GROUP BUSINESSES TO OFFER VALUE-ADDING PROJECT SOLUTIONS

FRANK SAIEVA
OPERATING PLATFORM EXECUTIVE



TOGETHER TO ZERO HARM

Continued focus on health and safety saw the Engineering Africa platform achieve an LTIFR of 0.55 (2012: 0.65). Good progress was made in the roll-out of the Group's *Zero Harm through Effective Leadership* programme and platform specific health and safety interventions. With the Medupi and Kusile power projects well underway, a strong focus on risk awareness, alignment and formalisation of the Visible Felt Leadership programme was vital. The implementation of an enhanced health and safety communication strategy saw employees recommending various solutions to make their work environment safer and ultimately reduce the extent of incidents.

PLATFORM OVERVIEW

Revenues decreased 3% to R5,0 billion (June 2012: R5,2 billion), while operating profit reduced to R137 million (June 2012: R200 million). The order book decreased marginally to R6,5 billion (June 2012: R6,8 billion).

Work on the Eskom power programme returned acceptable financial results despite a challenging labour relations environment. The growing tendency for unprotected strikes and unrealistic wage demands impacts on contractors' abilities to execute work on time, within budget and safely. The commercial arrangement with Hitachi entered into in FY2011 lessened the negative financial impact from these disruptions.

Wade Walker and Concor Engineering performed poorly, but are both expected to significantly improve their contributions to platform profit in FY2014.

At year-end, two-thirds of the platform's budgeted order book had been secured. This is encouraging given the projected decline in power programme revenues. Overall South African engineering order books showed signs of improvement during the year.

The platform continued with its market penetration into Africa. Considerable work was also undertaken in identifying meaningful opportunities in East, Southern and Central Africa.

ENGINEERING AFRICA CONTINUED

CASE STUDY

CAPTURING THE POWER OF THE SUN

South Africa's abundance of renewable energy in the form of sunshine,coupled with its constrained electricity supply, make solar power an obvious consideration in a country that has historically relied on coal to drive its economy. Murray & Roberts Projects, which has focused on the Medupi and Kusile coal-fired power plants over the last number of years, is now looking to participate in solar power projects in the Northern Cape.

Murray & Roberts Projects has focused its interest on concentrated solar power ("CSP") because these projects are large and involve partnership with a technology supplier, which enables Murray & Roberts Projects to provide a balance of detailed engineering, procurement and multi-disciplinary construction. This is aligned to the skill set within Murray & Roberts Projects and is an area where it believes it can add significant value to independent power producers ("IPPs") and developers by offering full lump-sum turnkey project delivery solutions.

In principal, CSP plants produce electricity by concentrating the sun's thermal energy and converting this energy through heat transfer mediums to produce high temperature and pressure steam to drive a conventional steam turbine and generator.

The current "proven" technologies include CSP parabolic trough and CSP central tower technologies. The CSP parabolic trough technology uses a concave mirror to concentrate the sun's thermal energy onto a receiver tube to heat oil. The oil is then used to transfer the heat to produce steam, which in turn drives a steam turbine and generator. Central tower technology incorporates the accurate focusing of thousands of concentric mirrors onto a central tower and receiver which is the basis for the process of producing steam to similarly generate power through a steam turbine and generator.

The current demand for power during peak periods in South Africa makes CSP the ideal technology to be deployed due to its relatively quick project implementation duration, high job creation opportunities, low operation costs and – very importantly – the ability to be able to store the solar energy and generate power during these peak demand periods.

Murray & Roberts Projects is looking at participating in CSP central tower and parabolic trough projects. The former involves the design and construction of a central tower with a height of more than 160 metres, including detailed engineering and construction related to the power island, solar field and all associated balance-of-plant infrastructure. A CSP parabolic trough project also includes providing multidisciplinary construction services.

The highly successful Renewable Energy Independent Power Producers Procurement ("REIPPP") Programme developed and implemented by the Department of Energy is aligned to the South African Government's Integrated Resource Plan for Electricity 2010, which spells out the strategy for powering the country until 2030.

The current success of the REIPPP Programme has also created a road map for the generation of power through IPPs and the introduction of alternative technologies, including biofuels and co-generation power projects, which Murray & Roberts Projects is also actively considering, not only on the southern tip of Africa, but also further north in other parts of sub-Saharan Africa.

REORGANISING AND REALIGNING

This year was one of significant achievement for the Engineering Africa platform.

The platform and some of its businesses were reorganised and refocused, resulting in a well-resourced specialist engineering business that offers engineering and construction solutions in the fields of power & energy, water, mining & metals, structural engineering, and electrical & instrumentation.

Encouragingly, the platform made significant investments this year in human capital, most notably the training of artisans at Medupi and in Ghana. A number of key executive appointments were made, almost all of them from within Murray & Roberts.

Leadership has sought to develop and equip individuals with the abilities to better understand client needs and expectations, respond timeously to opportunities and to deliver project excellence. One area of great success deriving from this new business ethos is the substantial cost reductions achieved by the new management team at Genrec. These reductions will have long-term implications for the sustainability of this business in a market where it is hard to compete with imported steel.

Murray & Roberts Water was established during the year and operates in wastewater treatment, acid mine drainage and desalination. Opportunities to deliver state-of-the-art water solutions amount to several billion rand annually and will be pursued both in South Africa and elsewhere on the continent. This business secured and successfully delivered its first significant work order, in Ghana, just months after its establishment.

This year, Wade Walker and Concor Engineering were reorganised under one executive team, so as to maximise opportunities as a closely integrated unit with a single value proposition that will be attractive to a wide range of clients. A much improved performance by these businesses is anticipated in FY2014.

Work on the Eskom power programme returned satisfactory overall financial results despite the difficult labour relations environment which, in the case of the Medupi site, resulted in Murray & Roberts Projects losing more than 100 full days of production. The new commercial arrangements entered into in FY2011 largely shielded the platform from the potentially worst effects of these disruptions. Concor Engineering's work at Kusile was less successful, recording a substantial loss.

GEARING FOR GROWTH

Murray & Roberts Projects, which this year accounted for some 70% of platform revenue, began to position itself for growth after the eventual completion of current power programme work. In addition to a new focus on the oil & gas sector, systems and capability are being built to service independent power producers and to establish operations and maintenance capability in the power sector. In various fields, but especially in operations and maintenance, partnerships and joint-ventures were forged with some of the world's leading providers of specialist engineering solutions. These partnerships will further differentiate Engineering Africa from its competitors.

Wade Walker and Concor Engineering are predicted to significantly grow their EBIT contributions. Concor Engineering is becoming increasingly active in the mining and minerals processing sectors, for which its skill sets are well suited. These sectors are also expected to continue receiving significant investment. Water represents a material opportunity and the new business is projected to contribute strongly to a sustained platform profit. While requiring modest additional capital investment to build on the productivity and cost improvements realised this year, Genrec is working on a number of initiatives to diversify its sources of income from 2015.

Leadership and skills development will be key to the various business units' achievement of their financial objectives and detailed training targets have been put in place. The platform will also focus on transformation and management will be required to achieve specific objectives.

By 2016, the platform will be offering an integrated suite of services, working closely with other Murray & Roberts Group businesses to offer value-adding project solutions and avoiding riskier low-margin projects. Operations outside of South Africa will be of much greater importance to overall performance. Platform revenues are projected to return to levels that are similar to those of the present power programme era, but at improved profit margins.

CASE STUDY

GENREC REINVENTS ITSELF

Steel fabricator Genrec was forced to rethink everything when aggressive international competition for work meant that the 60-year-old business was not securing as many jobs as it had in the past.

"The sale price of fabricated steel items has dropped by 20% over the past three years due to lower demand and more competitive overseas players in our market," explains Charles Fryer, the works manager for structural steel at Genrec's factory in Wadeville, Gauteng. With throughput of above 2 000 tonnes a month, it's easy to see the impact on turnover of such a price decline.

"In order to be able to compete, Genrec had to re-strategise everything to do with our operations," Charles says. And this is just what Genrec has done, to dramatic effect. Under the leadership of Genrec's managing director Mike Borello, the changes have led to a significant reduction in costs in the year. They have encompassed – among others – some automation, job cuts, improved training programmes and a more systematic approach to maintenance.

"We had to review expenses across the board and we had to look at the way people operated and maintained tools, as well as the cost and usage of consumables," he adds. "We've had to change our mindset, even on the items with low price tags, and now everyone considers every cost."

Richard Louw, manager of the smalls and training bay, concurs: "Our focus is on being a lean, competitive facility. We need continuous, small-step improvements, not only quantum leaps."

In the past year, Genrec has automated some sections of operations, with the introduction of a Peddinghaus PeddiWriter, which does steel layout mark-ups for assembly (ensuring what Charles says is a three-to-four hour/tonne time saving), and the start-up of an automated beam assembly machine, which he says is 8 – 9 times more efficient than previous work models.

These have had a knock-on effect on the rest of the workshop. And while some jobs were lost to this automation, the increase in throughput has required the need for more skills further down the value chain and some people have been re-deployed. "It's not just about the new equipment we have brought in; it's also about using existing equipment in a better and more integrated way," says Charles.

It's also about more highly skilled workers. "In the last 18 months we've developed an in-house training centre," says Richard. After six months at a technical college, apprentices move into the training centre, where they work with experienced artisans. "Within three months, they are producing some of the smaller, lighter pieces themselves."

The training centre produces around 550 items a week, which would otherwise clog up the main workshop if they were made there.

Genrec's training also extends beyond its own apprentices. In March 2013, the Department of Labour sent 30 unskilled people to Genrec for a month of training in a range of basic engineering skills. "By operating in a real production environment, people quickly learn how things should be done. Once they've left us, they have the skills to start their own small workshops, making things like burglar guards, for example. It also exposes us to potential artisans," says Richard.

Charles says the company's new approach to maintenance, which gets to the root cause of machine breakages, has led to a sharp decline in costs. "In the past we were regularly spending R30 000 a month replacing airtools. They were being broken through careless use and irregular maintenance, and so we re-deployed a skilled supervisor to work alongside our artisans and maintenance personnel to understand why they were breaking and to show people how to use them properly. Now, if we spend R1 000 on airtools a month that's a lot!"

Cost saving is not something people generally take to easily, but Genrec employees now understand the alternative. "While we are cost saving, we are securing jobs and the future for many people. We are becoming more competitive, which means we will be able to get more work in. That must be good for the long term," Charles concludes.

INTERNATIONAL

R MILLIONS	Africa		Australasia		The Americas		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Revenue	**3 203**	5 687	**1 014**	958	**3 687**	3 214	**7 904**	9 859
Operating (loss)/profit	**(65)**	250	**85**	90	**298**	265	**318**	605
Margin (%)	**(2%)**	4%	**8%**	9%	**8%**	8%	**4%**	6%
Segment assets	**1 195**	1 508	**661**	639	**1 609**	1 459	**3 465**	3 606
People	**6 163**	16 650	**184**	469	**1 342**	1 494	**7 689**	18 613
LTIFR (fatalities)	**2.5 (1)**	2.6 (3)	**1.0 (0)**	2.9 (0)	**1.2 (0)**	1.7 (1)	**2.3 (1)**	2.5 (4)
Order book	**6 406**	3 529	**1 094**	1 184	**2 434**	4 095	**9 934**	8 808

MURRAY & ROBERTS CEMENTATION IS DEVELOPING UNDERGROUND INFRASTRUCTURE AND A VENTILATION SHAFT FOR BHP BILLITON'S WESSELS MINE IN **HOTAZEL, NORTHERN CAPE**.

CONSTRUCTION GLOBAL UNDERGROUND MINING

WITHIN A NUMBER OF EMERGING MARKETS, THE CONSTRUCTION GLOBAL UNDERGROUND MINING PLATFORM IS TODAY WELL PLACED TO WIN AND EXECUTE WORK FOR ITS CLIENTS

ORRIE FENN
OPERATING PLATFORM EXECUTIVE

TOGETHER TO ZERO HARM

Safety remains a top priority. This year, regrettably, Gil David Macamo lost his life in a fall of ground incident at Lonmin's Karee 3 shaft. This incident came shortly after the platform achieved a 12-month fatality free period, a first and significant achievement for the platform. We extend our condolences to Mr Macamo's family, friends and colleagues.

The businesses in Canada and the USA performed much better than in recent years and safety behaviour continues to be ingrained with growing success in these operations, as is the case in Australia which reached a lost time injury frequency rate ("LTIFR") of zero in May. In South Africa, notwithstanding a continued drive and focus on all aspects of safety the LTIFR remains stubbornly above 2.0. However, the belief that every injury is preventable remains firm.

PLATFORM OVERVIEW

Revenues decreased 20% to R7,9 billion (June 2012: R9,9 billion), while operating profit declined to R318 million (June 2012: R605 million). The order book increased to R9,9 billion (June 2012: R8,8 billion).

On 1 July 2013, Orrie Fenn, who previously headed up the now discontinued Construction Products Africa platform, assumed platform leadership from Peter Adams who retired from the Group. A number of senior appointments were made at Murray & Roberts Cementation, principally with a view to improving operational performance.

The platform experienced trying and fundamental challenges during the year under review.

In its African operations, the platform experienced a significant decline in financial performance, mainly due to the mutually agreed termination of the Aquarius contract and through underperformances on some of its projects.

Sub-Saharan Africa represents a material opportunity for the platform as a whole, as mining activity in the region gains increasing momentum. The business continues to win work with mining majors in the region.

While the North American and Australian operations returned satisfactory financial performance, the immediate outlook for these businesses was clouded by deferments of new projects and termination of existing projects. After several years of

CONSTRUCTION GLOBAL UNDERGROUND MINING CONTINUED

strong growth, Cementation Canada and Cementation USA are facing more challenging market conditions. With little upturn expected in the Australian market, RUC Cementation is expanding its reach into the Asia Pacific region.

The pooling of resources within the Construction Global Underground Mining platform represents a sizeable competitive advantage. Within a number of emerging markets, the Construction Global Underground Mining platform is today well placed to win and execute work for its clients.

MINING NEW OPPORTUNITIES

Murray & Roberts Cementation was awarded the first work order for De Beers' new Venetia diamond mine in South Africa. This investment by De Beers potentially represents the Group's largest single opportunity since the Eskom power programme. The platform's world-leading engineering, design and execution capabilities position it well to acquire a substantial part of the work that will be required to bring Venetia to production.

With regard to this particular opportunity it must be noted that Murray & Roberts Cementation has benefitted greatly from the expertise and technology of its colleagues in North America, an advantage that has been explicitly recognised by De Beers.

This year, underperforming projects in South Africa impacted platform profitability. The associated losses are ascribed to poor operational performance and contractual deficiencies and by year-end remedial action had been taken to address the reoccurrence of such losses.

An ongoing issue over which Murray & Roberts Cementation has little influence, is the worsening labour relations climate in South Africa. Despite the increase in labour-related mining costs in South Africa, the business remains committed to building its business here.

This year considerable resources were devoted to fine-tuning the strategy for Africa, incorporating the capabilities of our Australian operations in particular, to better explore the opportunities that Africa presents. In future, we anticipate an increased demand for mechanised mining, another area in which the Group is a market leader.

In June 2013 an office was established in Kitwe, which will cement our presence in Zambia and our penetration of other sub-Saharan Africa markets. Within Zambia, our brand enjoys growing stature with key clients, awarding Murray & Roberts Cementation substantial contract extensions. The Group's increasing presence through its recently opened Ghana office, will be used by the platform to secure opportunities in West Africa.

In South Africa and elsewhere on the continent, the intent is to secure new contracts, wherever possible, on a cost-reimbursable commercial basis, as is customary for mining contracts in other parts of the world, especially in Canada and the USA. This will benefit not only the platform by substantially reducing contract risk, but be of benefit to clients, particularly in instances where the scope and design of projects is likely to be subject to considerable variation.

Southeast Asia, which in 2012 accounted for 60% of the worldwide mining market, is expected to be an area with the greatest potential. Our Australian operation, RUC Cementation, in co-operation with Cementation Canada and Murray & Roberts Cementation, has achieved success in establishing its block-cave and raiseboring offerings among clients in Mongolia and Indonesia. With little upturn expected in the Australian market, RUC Cementation is actively expanding its reach into the Asia Pacific region.

While the Chile-based South American operation still has to win its first construction contract, the first engineering contracts have been entered into. This bodes well for the eventual success of our South American operations.

CASE STUDY

CEMENTATION CANADA'S YOUNG-DAVIDSON PROJECT

Cementation Canada's ("Cementation") contracting model is based on a "best for project" philosophy. This means looking for every opportunity to help clients improve safety, reduce costs, and shorten schedules. The result has been some very innovative projects. One garnering a lot of attention is the Young-Davidson project being carried out for AuRico in Northern Ontario. The original work for this project included Cementation engineers completing a feasibility study.

The basis of the scope was to upgrade an existing shaft and establish additional material handling systems to meet the projected 7 000 tonnes per day of gold ore to be brought to surface during production. Through early involvement, Cementation was able to identify an opportunity to combine proven technologies and execute a cost-effective methodology with schedule improvements that were very beneficial to the owner. By developing the main shaft as a 1 500m deep, 5.5m diameter borehole hoisting system, the project capital was almost cut in half in comparison to a traditional drill and blast shaft, and the schedule improved by one year. Presented with the option, it turned out to be an easy decision for AuRico. "It was substantially cheaper, quicker, and a lot safer than conventional shaft sinking. The big driver was schedule, [but] the cost of the excavation itself was also cheaper than conventional methods," said Luc Guimond, General Manager, Young-Davidson Mine.

This resulted in an Engineer, Procure and Construct contract with Cementation as the main contractor for the surface plant, underground shaft, and related systems. Richard Bartlett, Cementation's site project manager, explains: "Because this project is design-build, we have saved our client time and money through responsiveness to design issues, as well as getting site input into constructability. Ongoing engineering involvement has resulted in further methodology modifications to establish a mid-shaft loading system that will allow AuRico to begin hoisting waste development in the last quarter of 2013. This will provide significant savings in trucking costs and ventilation requirements for the mine."

The borehole hoisting concept stems from the development of large diameter raise boring which Cementation introduced in Canada at Goldcorp's Red Lake project in 2003, and the application of vertical drilling technology. Ongoing collaboration with other Cementation groups has provided Cementation Canada with access to the long-term experience that RUC Cementation has in large diameter raise boring and in the use of vertical drilling equipment. The result has been the very accurate drilling of the first two legs of the shaft at Young-Davidson, with concurrent surface construction of the concrete headframe and installation of the friction hoist. Other design and build work on site includes all shaft furnishings as well as crusher and material sizing systems. Now potential clients in RUC Cementation's market have enquired about the method and Cementation Canada and RUC Cementation are working together to introduce this application in Australia.

Of course, the first consideration in a successful project is the safety of our people. The Young-Davidson project has established an excellent safety record. On a recent site visit, Cementation Canada President Roy Slack said: "What impressed me the most was the quality of work being done in both the construction areas and the development headings. Our people should be proud of the work they are doing here. The Young-Davidson project is a great example of the benefits that can be realised from innovative methods coupled with a design-build approach."

Also worth noting within the North American operations is the excellent safety record in the USA. The US operations have had no lost time injuries for the past 1.5 years. Given that the work the company does includes mine development in challenging ground conditions, at great depths and at high temperatures, the results are impressive.

INTERNATIONAL

R MILLIONS	Engineering 2013	Engineering 2012	Projects 2013	Projects 2012	Commissioning and Asset Support 2013	Commissioning and Asset Support 2012	Fabrication, Corporate overheads and Other 2013	Fabrication, Corporate overheads and Other 2012	Total 2013	Total 2012
Revenue	**4 658**	2 833	**7 635**	4 394	**1 102**	640	**1 405**	617	**14 800**	8 484
Operating profit/(loss)[1]	**659**	394	**521**	276	**101**	42	**221**	(426)	**1 502**	286
Margin (%)	**14%**	14%	**7%**	6%	**9%**	7%	**16%**	(69%)	**10%**	3%
People	**1 371**	846	**4 286**	3 214	**536**	405	**150**	320	**6 343**	4 785
Order book	**6 271**	6 460	**10 289**	9 628	**3 786**	3 343	**247**	13	**20 593**	19 444
Segment assets									**3 478**	3 995
LTIFR (fatalities)									**0.2 (0)**	0.1 (0)

1 Operating profit includes R681 million profit on sale of Forge and R821 million relating to trading profit.

CBI CLOUGH'S SCOPE ON EXXONMOBIL'S PNG LNG PROJECT HIDES GAS CONDITIONING PLANT, **IN PAPUA NEW GUINEA**.

CONSTRUCTION AUSTRALASIA OIL & GAS AND MINERALS

CLOUGH MANAGEMENT WILL FOCUS ON EXTENDING THE BUSINESS' GEOGRAPHIC FOOTPRINT BY LEVERAGING ITS VALUE PROPOSITION IN NEW, POTENTIALLY LUCRATIVE MARKETS

KEVIN GALLAGHER
CHIEF EXECUTIVE, CLOUGH

TOGETHER TO ZERO HARM

The company continued to lead the Australian energy and resources contracting industry on safety, further improving on its safety performance in FY2013. A highlight of Clough's safety performance was the achievement of 12 million hours without a lost time injury on the CBI Clough EPC4 project in Papua New Guinea. Regrettably, shortly after year-end, a fatal incident was recorded on a project in Papua New Guinea.

In early FY2014, Clough suffered its first fatality in over 10 years when a contractor, Prida Chumpla, was crushed during pipeline fitting activity in Papua New Guinea. Our condolences go out to Mr Chumpla's family, friends and colleagues.

PLATFORM OVERVIEW

Revenue and operating profit increased to R14,8 billion (June 2012: R8,5 billion) and R1,5 billion (June 2012: R0,3 billion) respectively, aided by a weakening Rand exchange rate and profit on disposal of Forge of R681 million.

In March 2013, Clough completed the disposal of its 36% shareholding in engineering and construction company, Forge Group Ltd. At a selling price of A$6.05 per share, the disposal realised some A$187 million (R1,8 billion), its timing proving to be opportune as the Australian construction market weakened sharply subsequent to the sale. The proceeds of the sale will be used to fund either strategic acquisitions or capital management initiatives.

The restructuring of the business, which commenced during the previous year, was successfully completed and is now firmly embedded in Clough's corporate culture. The four business divisions – Engineering, Capital Projects, Jetties & Near-Shore Marine and Commissioning & Asset Support – are all profitable and contributing to Clough's drive to create sustainable shareholder value. As a relatively new business, Commissioning and Asset Support came off a low base and increased its EBIT contribution by 72% to R1 102 million.

Post the restructuring, clients have a much clearer understanding of Clough and its value offering. Similarly, employees understand the company strategy and have bought into the 4 + 2 + 3 business model where "4" refers to the business divisions, "2" to the markets in which Clough operates (energy & chemical and mining & minerals) and "3" relates to the business' main regions – Western Australia and

CONSTRUCTION AUSTRALASIA OIL & GAS AND MINERALS CONTINUED

the Northern Territory, Queensland and Papua New Guinea and International.

A performance culture has been driven across the business with a focus on four key areas: execution excellence, cost efficiency, contract & earnings diversification and growth. Proactive austerity measures, amounting to sustainable savings of approximately R85 million, were effected in anticipation of slowing market conditions. An increase in revenue, as well as further cost reduction measures this year, reduced overhead costs as a percentage of turnover from 5% to 3%.

Organisational improvements implemented have flattened hierarchies and improved communication and decision-making. The focus on performance in current and prior years bore fruit as Clough achieved significant growth at a time when less resilient competitors gave up 40% or more of their value.

Clough remains focused on its three key regions, but important progress was made this year in positioning the business to leverage opportunities for its specialised LNG expertise in Southeast Asia, the North Sea, the Mediterranean and Africa. Clough and Murray & Roberts will explore opportunities to leverage the capabilities of associated Murray & Roberts companies, notably the Group's experience in the field of marine engineering.

MURRAY & ROBERTS PROPOSAL

Murray & Roberts has announced a conditional proposal to acquire all outstanding shares in Clough it does not already own. Murray & Roberts has had a long association with Clough since initially acquiring a shareholding in 2003.

The proposal offer price of A$1.46 comprises a cash payment by Murray & Roberts of A$1.32 and the payment by Clough of a dividend of A$0.14 per share. This dividend is expected to be fully franked, providing up to an additional A$0.06 per share for those Clough shareholders who are able to utilise the franking credit. The proposal represents an opportunity for Clough shareholders to realise significant value from their investment. The offer price is at a premium to the price at which Clough shares have traded on the Australian Stock Exchange and is a 30,9% premium to the closing share price on the day prior to the announcement of the proposal.

The proposed acquisition should be concluded towards the end of the 2013 calendar year.

GROWTH AREAS

This year, Clough partnered with South Korean manpower and logistics company, Coens Energy, to launch Clough Coens Commissioning and Completions, a joint-venture that will provide specialised commissioning and completions services to the world's largest fabrication yards in Korea and China. Clough is the major partner at 55%. In January 2013, Clough bought specialised commissioning, completion and hazard area inspections contractor e2o. Although this was a small acquisition, it was strategic in further positioning Clough in maintenance and asset support markets.

These investments are aligned with Clough's growth strategy to build capability in the areas of engineering & commissioning and asset support. These are growth areas where there are significant future opportunities at higher margins than those currently obtainable in construction.

Over the next four to five years, commissioning is expected to be a particularly lucrative field for those possessing the required systems and know-how as several large Australian LNG projects move from construction to operations. This is a new market which is expected to largely counter the impact of an expected decline in Australian LNG capital projects.

Clough's market-leading skills in production operations were demonstrated at several projects this year where the design, maintenance and operation of oil & gas processing facilities was improved, resulting in significantly enhanced efficiencies and output. Given the costs associated with unplanned shutdowns and sub-optimal operations, top-quality engineering consulting and design work carried out in this area can attract sizeable premiums.

The development of high-value skills to service the needs of the energy and resources industries became a priority this year. Management embarked on a number of initiatives to position Western Australia as a centre of excellence for LNG engineering. To this end, relations with the University of Western Australia were strengthened, a record investment was made in leadership development and the Clough scholarship programme (which was launched in 1969 but had been dormant for several years) was relaunched. A focus on building a pipeline of project management talent will enable promising young engineers to gain project management experience on small to medium-sized projects before being deployed to larger, strategically important contracts.

POSITIVE PROSPECTS

Clough ended the year debt free and with a record order book amounting to R20,6 billion (June 2012: R19,4 billion). Of this, 75% was on a cost-reimbursable basis. The company envisages continuing to increase EBIT margins towards the longer-term target of 7%.

Cash reserves were at a record high of R4,0 billion and will be used to support organic and inorganic growth. Any acquisition will be value accretive, aligned with Clough's growth strategy and must have a strong cultural alignment with the business.

Over the medium term Clough aims to re-enter the mining and minerals sector, growing revenue from this sector to between 10% and 20% of total revenue.

Within energy and chemicals, Clough is well positioned to compete successfully for a growing share of business in the engineering, commissioning and asset support of large-scale facilities in Australia and further afield. The health of the order book and strong position in the LNG and coal seam gas sectors provide an excellent foundation on which to continue the company's growth trajectory in the coming year.

Clough management will focus on extending the business' geographic footprint by leveraging its value proposition in new, potentially lucrative markets.

Strategic investment in high-value skills development will remain a priority as this is considered essential to long-term value creation. The importance attached to safety performance, an increasingly significant business imperative, is expected to grow following the appointment this year of a health, safety and environmental executive.

CASE STUDY

CLOUGH THINKS LONG TERM

Kevin Gallagher, the CEO and managing director of Clough, is a man on a mission – and his mission is all about sustainability.

With more than 22 years' experience in managing oil & gas operations in Australia, the US and North and West Africa, Kevin understands the challenges of both contractors and operators. In short, he is a man who knows the resources sector inside and out.

Kevin explains his new mission: "By 2017 Australia will become the world's second largest exporter of liquefied natural gas, and Western Australia is where most of the development is happening. This should create a significant opportunity for Western Australia to become an LNG centre of excellence by creating an LNG service industry that can not only benefit the state economy but also create exportable skills to support the international oil & gas industry for generations to come."

That is the prize that Perth-based Kevin has set himself: working to create sustainable value-adding jobs and careers to the benefit of the local economy.

At present, he notes, while the Western Australian LNG sector is booming, 95% of engineering work for the projects being carried out is done overseas and local contractors are failing to secure a significant slice of the pie. "We've missed the opportunity to create high-value skills off the back of the LNG construction phase," says Kevin. "Even in mining and minerals, the trend is increasingly to deliver engineering overseas."

The solution, he believes, is not to insist on local content quotas because these have the undesired consequences of inflating costs and stifling innovation. "We are proposing instead that resources companies – not contractors – be given incentives to invest in the development of high-value skills in the energy and resources sector. Such high-value skills would help create the sort of centre of excellence here in Western Australia that would support the global resources sectors and create further benefits for the economy. This multiplier effect could support the Western Australian economy in the way that the development of Silicon Valley has resulted in technology skills being exported from California all over the world."

Kevin has worked out a number of very specific ways in which government could implement the proposed skills development without hurting the fiscus' short-term revenues. These mechanisms, plus the benefits that would accrue to government in the short and long term, he spells out in detail in an eight-page information booklet that has been professionally produced for Clough. Clough is using the booklet as a tool to popularise the concept of a Western Australian centre of energy engineering excellence in meetings, briefings and workshops.

Clough is also actively practising what Kevin is preaching. This year relations with the University of Western Australia were strengthened when the prestigious Clough scholarship programme – first instituted in 1969 – was re-launched with Clough awarding two engineering bursaries worth A$15 000 each. Next year Clough plans to award four bursaries and it is looking to include other universities, as well as offering bursaries in Papua New Guinea.

"In Australia we have a significant opportunity to create an industry that will sustain our people, our communities and our economy for decades," says Kevin. "We're working hard to convince a wide range of stakeholders and partners that we can and must create a win-win outcome."