



MURRAY & ROBERTS POWER & ENERGY  
**KUSILE POWER STATION**  
MPUMALANGA PROVINCE, SOUTH AFRICA



# OPERATIONAL PERFORMANCE REVIEW

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# GROUP OPERATIONS

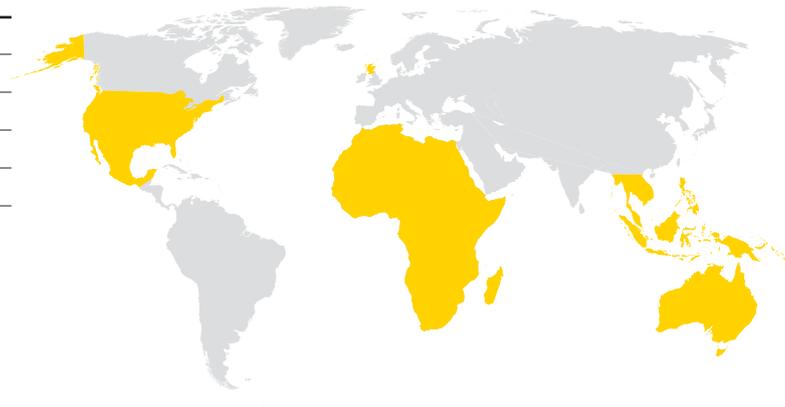
## OIL & GAS

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AFRICA • AUSTRALASIA • SOUTHEAST ASIA • NORTH AMERICA • SCOTLAND

### COMPANIES

- Booth Welsh
- CH-IV
- Clough
- e<sub>2</sub>o
- Murray & Roberts Marine



**49%**

OF GROUP  
TURNOVER  
IN FY2014

## UNDERGROUND MINING

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AFRICA • AMERICAS • AUSTRALASIA

### COMPANIES

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



**18%**

OF GROUP  
TURNOVER  
IN FY2014

### THE SECTORS WE OPERATE IN:

- MINING • METALS • MINERALS • ENERGY • OIL & GAS • POWER

# ENERGY & INDUSTRIAL

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## AFRICA

### COMPANIES

Genrec

Murray & Roberts Electrical &  
Control Systems

Murray & Roberts Power & Energy

Murray & Roberts Resources &  
Industrial

Murray & Roberts Water



**13%**

OF GROUP  
TURNOVER  
IN FY2014

# INFRASTRUCTURE & BUILDING

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## AFRICA • MIDDLE EAST

### COMPANIES

Murray & Roberts Concessions

Murray & Roberts Construction

Murray & Roberts Middle East



**20%**

OF GROUP  
TURNOVER  
IN FY2014

# OIL & GAS

**KEVIN GALLAGHER**  
Operating platform executive



CLOUGH, LNG JETTY CONTRACT  
KARRATHA, WESTERN AUSTRALIA

**CLOUGH CONTINUED ITS STRONG PERFORMANCE IN FY2014, ACHIEVING RECORD FINANCIAL RESULTS. IT CONTINUED TO PROVIDE A COMPREHENSIVE RANGE OF ENGINEERING, CONSTRUCTION, COMMISSIONING AND BROWNFIELD SERVICES TO SOME OF THE WORLD'S LARGEST ENERGY PROJECTS UNDER CONSTRUCTION IN AUSTRALASIA.**

## OVERVIEW

The platform comprises the following businesses: Clough (Perth based), e<sub>2</sub>o (Adelaide based) and Murray & Roberts Marine (Cape Town based). Subsequent to year end, Clough acquired two specialist engineering firms; Booth Welsh (Ayrshire based) and CH-IV (Hanover, Maryland based).

During December 2013 Murray & Roberts acquired the non-controlling interests in Clough, it became a wholly owned subsidiary of Murray & Roberts and was delisted from the Australian Stock Exchange. This was a strategic acquisition by Murray & Roberts, providing a strong base for the Group to grow in one of its chosen market sectors, oil and gas.

Clough continued its strong performance in FY2014, achieving record financial results. It provides a comprehensive range of engineering, construction, commissioning and brownfield services to some of the world's largest energy projects under construction in Australasia. Clough remains well positioned in the liquefied natural gas ("LNG") and coal seam gas ("CSG") market sectors, and is present on every LNG project currently underway in Australia and Papua New Guinea ("PNG"). The Australian oil and gas industry is transitioning to large brownfields opportunities, however ongoing new market opportunities remain.

## FINANCIAL

Clough's record financial growth in FY2014 was a result of the company's work on major LNG projects in Australia and PNG, and a continued focus on improving operational performance and cost efficiency.

Revenues increased 18% to R17,5 billion (June 2013: R14,8 billion) with an operating profit of R1 026 million (2013: R1 502 million).

Growth was underpinned by the continuation of work for Chevron's Gorgon LNG project and three scopes of work on the Wheatstone LNG project: the design and construction of the LNG offloading jetty; the hook up and commissioning of the offshore platform; and the Operability, Maintainability and Reliability project. On the INPEX Ichthys LNG project Clough and its joint-arrangement partners continued to execute three scopes of work: the Integrated Project Management Services; the LNG Jetty; and the Module Offloading Facility.

Clough continued work on major CSG projects, including Santos' Gladstone LNG K128 construction and commissioning, and commissioning services for ConocoPhillips and Origin's APLNG project. The front end engineering design ("FEED") scope continued to grow on Arrow Energy's Upstream CSG project, with Clough being awarded a second FEED project for Arrow's Daandine Expansion.

Clough contributed to the early delivery of gas for ExxonMobil on the PNG LNG project, through the successful completion of three scopes of work for the Upstream Infrastructure, Jetty, and EPC4 Gas Conditioning Plant on that project.

Clough finished the year with an order book of R16,7 billion (June 2013: R20,6 billion) which provides a foundation for continued strong performance in the next financial year.

R MILLIONS	Engineering		Construction & Fabrication		Global Marine		Commissioning & Brownfields		Corporate overheads and other <sup>1</sup>		Total <sup>2</sup>	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue	4 794	4 659	7 096	7 023	2 466	884	2 013	1 103	1 111	1 131	17 480	14 800
Operating profit/(loss)	698	660	428	411	117	37	215	101	(432)	293	1 026	1 502
Margin (%)	15%	14%	6%	6%	5%	4%	11%	9%	(39%)	26%	6%	10%
Order Book	7 971	6 267	1 014	6 758	2 437	3 782	5 292	3 786	-	-	16 714	20 593
People											4 918	6 343
Segment assets											3 710	3 478
Segment liabilities											3 649	4 070
LTIFR (Fatalities)											0.35 (1)	0.2 (0)

<sup>1</sup> Operating profit includes R67 million transaction costs relating to the acquisition of the Clough non-controlling interests as well as R83 million onerous lease costs. Prior year operating profit includes R681 million profit on sale of Forge Group Limited ("Forge") disclosed under Corporate overheads and other.

<sup>2</sup> The segmental classification was changed compared to the prior year, as a result the prior year comparatives have been restated.

## OIL & GAS *continued*

### LEADERSHIP

Clough continued to implement its strategy in line with its 4+2+4 operating model, focused on:

- Four business product service lines – Engineering, Construction, Jetties & Marine and Commissioning & Brownfields;
- Two market sectors – oil & gas and minerals; and
- Four key regions – Australia, Asia, Europe Middle East & Africa and North America.

The company commenced global expansion of selected services including engineering, jetties and marine, commissioning and brownfields work, while continuing to provide full project lifecycle services to Australia and PNG-based projects. During the year Clough modified its organisational structure around three key divisions:

- Australia and PNG Oil, Gas and Minerals;
- Global Jetties and Marine; and
- Global Products and Services (including engineering, commissioning and brownfields services).

Leadership development is a key focus area across all businesses in the Murray & Roberts Group and Clough introduced a number of new initiatives including:

- The *Leadership for High-Performance* programme which develops top executives in leadership techniques to create a high-performance climate;
- The *Skill Pool* concept to develop and enhance capability across technical and professional groups; and
- A Clough *Project Manager's Academy*, in partnership with the Stanford University in the USA. The programme aims to have Clough certified project managers recognised as the best in the industry.

In addition to the leadership development initiatives, further initiatives are underway to support the *Pursuit of Excellence* culture. These include performance management and differentiation of reward and recognition based on performance.

### RELATIONSHIP

Clough has not experienced any protected industrial action, while minor instances of unprotected industrial action have occurred on project sites. Within Australia, Clough applies a robust evaluation process for the engagement of subcontractors through enterprise agreements approved under the Fair Work Act 2009. For international locations, relevant local industrial frameworks are reviewed prior to project commencement and an industrial relations strategy developed and implemented.

An employee effectiveness survey was undertaken during the 2013 calendar year, aimed at enhancing employee engagement, attraction and retention.

### OPERATIONAL

The Clough Transaction also created many opportunities to strengthen the value proposition to global clients, through the integration of Murray & Roberts Marine into Clough's Global Jetties & Marine Business.

The FY2013 acquisition of multi-discipline commissioning contractor e<sub>2</sub>o remains a success story, with strong growth in revenue and earnings recorded during the year under review.

Clough will aim to develop and maintain the micro LNG infrastructure through a build, own, operate and maintain ("BOOM") model, which allows clients to focus on their core business, leaving the management of the non-core LNG infrastructure to Clough.

Post year end Clough acquired CH-IV International ("CH-IV"), a privately owned, boutique LNG engineering and consulting services provider based in the USA. CH-IV delivers the full spectrum of LNG consulting and design services, from feasibility studies through to operations support. The company is well positioned in the US LNG market and provides Clough with an entry into this market and an opportunity to enhance its current range of services for LNG engineering, jetties & terminals, commissioning and brownfields scopes of work.

Clough also completed the £9 million strategic acquisition of Booth Welsh, a privately owned engineering services company based in Ayrshire, Scotland. Booth Welsh specialises in the provision of electrical, instrumentation and automation design, process consultancy, project management, implementation and commissioning services.

A key research and development initiative was a micro LNG concept, which aims to sustainably reduce energy costs and carbon emissions for mining clients by replacing diesel with LNG as a fuel for transport and power generation at mines.

Clough has strengthened its commercial processes by adopting a lessons learnt process in addition to the existing contracting principles standards.

Building on wider initiatives to strengthen project delivery and business systems, investment was made in several system improvements including an integrated Oracle e-business system.

Clough's delegated authority limits and governance frameworks have been aligned with that of Murray & Roberts. Clough is committed to being a good corporate citizen and its Code of Conduct sets mandatory standards applicable to all Clough employees.

### RISK

Clough's *Target Zero* programme provides the policies and systems to ensure all employees take responsibility and care for their work colleagues and the communities and environments in which they work.

Sadly, in early FY2014, Clough suffered its first fatality in more than 10 years when Mr. Prida Chumpla was crushed during pipeline fitting activity for the PNG LNG Upstream Infrastructure project.

Senior management from across the business were involved in the investigation to establish the root causes of the incident, and the investigation resulted in a series of recommendations to reduce the risk of a similar tragedy occurring on Clough's projects in the future.

Notwithstanding this unfortunate fatal incident, continued excellent safety performances were achieved across Clough's operations. During the year, the PNG LNG EPC4 project achieved practical completion two months ahead of schedule, completing the 21 million work hour journey without any lost time injuries. However, LTIFR increased from 0.13 in June 2013 to 0.21 in May 2014.

Clough has updated its environmental reporting procedures to align with the Murray & Roberts reporting requirements. As a contracting business, Clough has a range of environmental obligations relating to greenhouse gas initiatives.

On the Chevron-owned Gorgon Project, the Kellogg Joint Venture quarantine team, which includes Clough personnel, has been recognised by the United Nations for its best-practice quarantine

management system. The Clough Downer Joint Venture ("CDJV") environment team implemented measures to avoid impact to wildlife species. Exceptional fauna management procedures allow the CDJV to hold a State Government rehabilitation permit and damage mitigation permit, a rare achievement for a construction company.

Clough regularly reviews and updates its business risk portfolio, which is focused on nine enterprise risks relating to the growth of key business areas that are critical to the long-term success of the company.

## PROSPECTS

Clough's outlook remains strong, with work to continue on major LNG projects including Chevron's Gorgon and Wheatstone, INPEX's Ichthys and Shell's Arrow projects.

In Australia, the investment boom in new LNG projects is transitioning to a sustaining capital and operations market, creating opportunities for Clough to secure new contracts for engineering and brownfields services on the projects it helped build. Significant CSG greenfield expansion projects also exist on the east coast of Australia, where Clough has a strong presence.

In metals and minerals, a key opportunity exists to extend a small engineering contract for Rio Tinto's Cape Lambert Power Station into an engineering, procurement and construction ("EPC") contract. Future metals and minerals opportunities are also shifting from growth to sustaining capital investment and operational efficiencies. Clough is well positioned to provide EPC services to these clients.

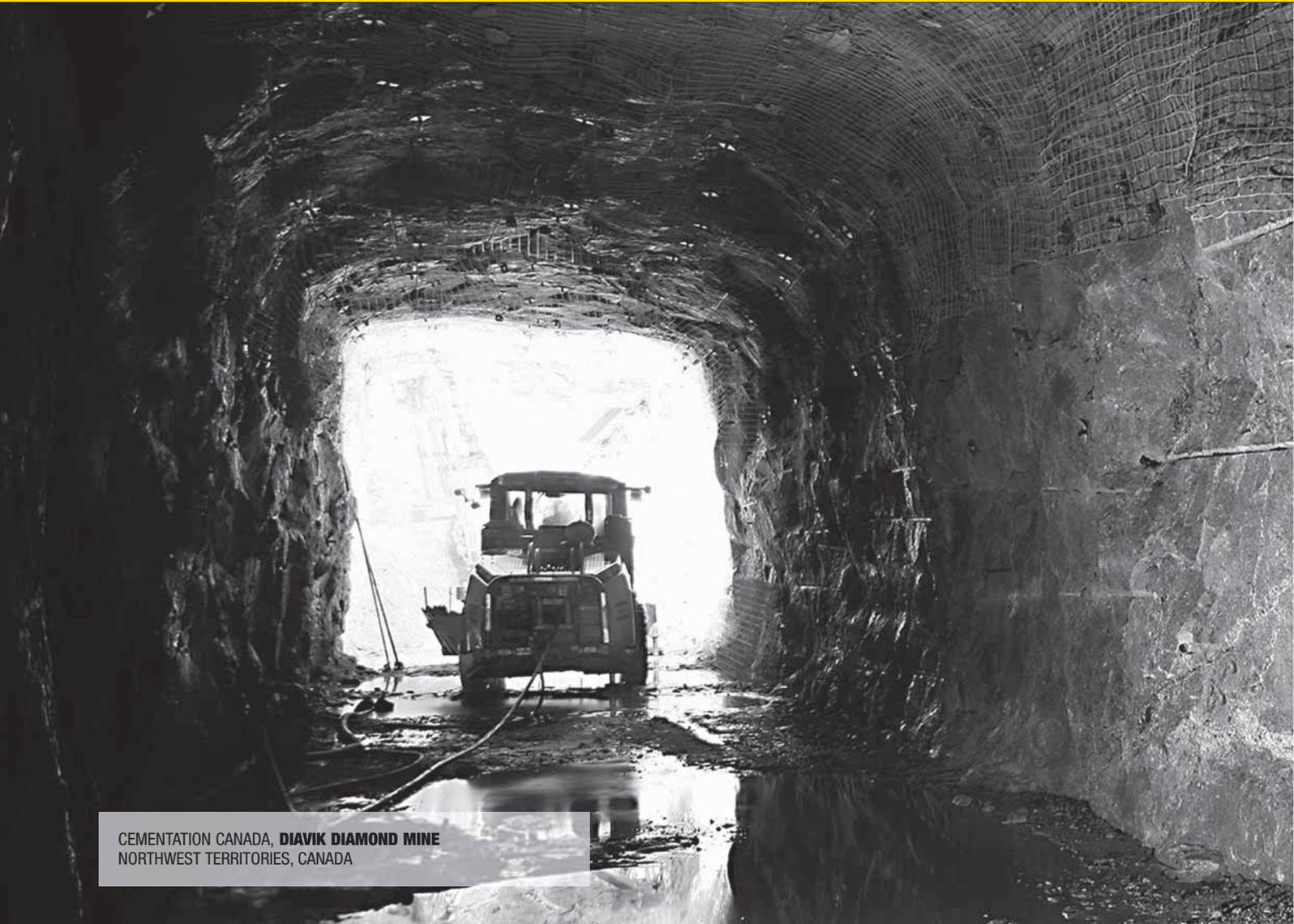
The successful completion of ExxonMobil's PNG LNG project has helped attract additional LNG investment into Papua New Guinea. Clough's successful 30-year track record in this region positions the company well to win future work.

Gas will continue to be a growth sector globally, with investment shifting to new basins, including Africa and America. Through its work with some of the world's largest energy companies, Clough aims to follow its clients to new locations, while utilising Murray & Roberts' global presence to facilitate entry into new regions.

Clough, **NAAN3 EPC CONTRACT**  
KWINANA, WESTERN AUSTRALIA

# UNDERGROUND MINING

**ORRIE FENN**  
Operating platform executive



CEMENTATION CANADA, **DIAVIK DIAMOND MINE**  
NORTHWEST TERRITORIES, CANADA

**THE PLATFORM HAS ONE OF THE LARGEST GLOBAL FOOTPRINTS IN ITS INDUSTRY, AND ITS SERVICE OFFERING SPANS THE PROJECT VALUE CHAIN INCLUDING SPECIALIST ENGINEERING, SHAFT CONSTRUCTION, MINE DEVELOPMENT, RAISE DRILLING AND CONTRACT MINING.**

## OVERVIEW

The platform comprises the following businesses: Murray & Roberts Cementation (Johannesburg based); Cementation Canada (North Bay based); Cementation USA (Salt Lake City based); Cementation Sudamérica (Santiago based) and RUC Cementation Mining (Perth based). The platform has one of the largest global footprints in its industry, and its service offering spans the project value chain including specialist engineering, shaft construction, mine development, raise drilling and contract mining.

The platform is actively looking to expand its footprint by establishing a local presence in regions where suitable opportunities are identified. This strategy has been particularly successful in Zambia. The North America region has been highlighted as the preferred region for growth through acquisition.

Key to the platform's growth strategy is a focus on early engagement with clients through upstream engineering work, and the establishment of long-term, annuity revenue opportunities through downstream contract mining work, with the emphasis on developing "life-of-mine" relationships, primarily with top-tier mining clients.

## FINANCIAL

The stalling of the commodity boom that underpinned the Underground Mining platform's muted performance up until 2012 continued into 2014. The market was characterised by project cancellations, terminations, deferrals and scope reductions. Revenues decreased 16% to R6,6 billion (2013: R7,9 billion), while operating profit declined to R258 million (June 2013: R318 million). The order book remained stable at R9,9 billion (2013: R9,9 billion).

During the year under review, results were adversely affected by low margin and loss-making projects in Murray & Roberts Cementation, with Sasol's Impumelelo coal mine project continuing to incur losses. This project will be completed in the second half of FY2015 and losses to completion have been accounted for in the FY2014 financial result. Once-off costs incurred in Cementation Sudamérica to acquire full control of the company and to complete two problematic raise boring projects, further impacted platform performance.

Murray & Roberts Cementation (Zambia) performed admirably on the back of three major projects in Zambia, while the North American operations, Cementation Canada and Cementation USA, which experienced significant growth, reported pleasing results.

RUC Cementation Mining experienced difficult trading conditions, particularly in its home market, but compensated for this by successfully expanding its reach in the Asia Pacific region.

R MILLIONS	Africa		Australasia		The Americas		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Revenue	3 111	3 203	699	1 014	2 818	3 687	6 628	7 904
Operating profit/(loss)	57	(65)	49	85	152	298	258	318
Margin (%)	2%	(2%)	7%	8%	5%	8%	4%	4%
Segment assets	1 060	1 195	636	661	1 415	1 609	3 111	3 465
Segment liabilities	987	1 153	127	235	637	748	1 751	2 136
People	6 157	6 163	492	184	1 037	1 342	7 686	7 689
LTIFR (Fatalities)	2.18 (1)	2.5(1)	0.97 (0)	1.0 (0)	0.78 (0)	1.2 (0)	1.90 (1)	2.3 (1)
Order Book	6 157	6 406	556	1 094	3 225	2 434	9 938	9 934

## UNDERGROUND MINING *continued*

### LEADERSHIP

The platform pursued its growth strategy organically with the opening of offices in Zambia (Kitwe) and Canada (Quebec) and a branch in the Philippines. Work continued on identifying acquisition opportunities to complement its North American operations.

Leadership development continues to receive priority in line with the Group's Talent Management Framework. A number of key appointments were made across the platform including Justin Oleson, as managing director of Cementation USA, following the retirement of Mike Nadon. Justin has been instrumental in building the Cementation USA business into the leading mining contracting company in the USA.

To improve its project management capability, 60 Murray & Roberts Cementation employees completed a certificated project management programme, aligned with the Murray & Roberts Project Management Framework, under the auspices of the International Project Management Institute. The business also established a Project Management Office, to further drive project management excellence through increased project oversight at all levels of operations.

Transformation and diversity are key focus areas in the South African operation with the emphasis on improving its BBBEE rating, which currently stands at Level 4 but is expected to improve to Level 3 in the first half of FY2015. We continue to increase the awareness and importance of diversity in the multi-cultural environment in which we operate. A diversity awareness programme was attended by all head office employees, which will be rolled out across all project sites in the coming year.

### RELATIONSHIP

Leveraging the respective key strengths of the platform's individual operations through ongoing collaboration remains a key focus area. The most notable example of this approach is De Beers' multi-billion rand Venetia underground diamond mining project, in which our South African, Australian and Canadian operations are participating. Our project in Freeport, Indonesia is another example where Cementation Canada and RUC Cementation Mining's range of services are meeting client's expectations.

The "life-of-mine" philosophy, which is based on working with the client with a view to meeting their requirements over an extended period of time, is a key component in determining and influencing platform performance. In addition, sound working relationships with original equipment manufacturers are important to ensure that the operations' service delivery expectations are met.

Another critical relationship which has a significant influence on platform performance is with our employees. A Group-wide Employee Relations Framework has been developed which will be rolled out early next year. The framework aims to understand what the issues are that inhibit performance within the operations, influences morale, and determines organisational culture.

The shortage of skills in South Africa has a significant effect on productivity, and is further exacerbated by the mobility of skilled staff. Murray & Roberts Cementation is focusing on retaining and developing current skills, and developing a strong succession pipeline. It also participates in the annual *Deloitte Best Company to Work For Survey* to understand and implement what is required to qualify as an employer of choice.

### OPERATIONAL

Murray & Roberts Cementation's performance was particularly affected by changes in project status and low margin projects. It was also affected by the protracted strike in the platinum sector.

Murray & Roberts Cementation progressed its Africa strategy through its Kitwe office in Zambia, cementing its presence and providing a springboard into sub-Saharan Africa. Within Zambia, our brand continues to grow in stature with key clients, who have awarded Murray & Roberts Cementation significant contract extensions. The skills and expertise of our Canadian and Australian operations continue to be utilised to complement the South African operation's capabilities as and when required.

In Australia, market conditions remained tough, impacting RUC Cementation Mining's order book. The temporary curtailment of operations at Oyu Tolgoi in Mongolia added to the problem. Positive developments included a significant increase in the scope of work at Freeport, Indonesia and the completion of the first raise boring contract in the Philippines.

In Canada, the market was characterised few large projects being awarded, but Cementation Canada again demonstrated its sound relationship management approach and proven project delivery track record with ongoing increases in project scope with existing clients. An office was established in Quebec which secured its first project award. Cementation Canada also made inroads into the European market with engineering-led projects which may lead to downstream related work opportunities in the future. Cementation USA was awarded two mine development contracts during the year totalling some R1,5 billion, one of which was at Rio Tinto's Kennecott mine where the platform's "life-of-mine" strategy is proving particularly beneficial.

As a wholly owned subsidiary, Cementation Sudamérica secured its first raise boring project in Chile which is progressing smoothly. In conjunction with Cementation Canada it has partnered with an established local mining player in Peru to tender on upcoming projects in that country.

### RISK

The platform fully subscribes to the Group's Health, Safety And Environment Framework, measuring its safety performance by focusing on both lag and lead indicators.

Tragically, Mr. Brian Sikate was fatally injured when he was struck by a kibble at the Mopani Synclinorium shaft sinking project in Zambia. We have extended our condolences to the families of the deceased.

The platform ended the year with an LTIFR of 1.9, the lowest on record and among the best achieved in the mining industry. Cementation USA achieved 26 months without an LTI, RUC Cementation Mining 11 months, and Cementation Canada seven months. In South Africa, Murray & Roberts Cementation achieved a period of 2.5 months without an LTI, a first, and a 12% reduction in LTIFR compared to FY2013. The platform seeks to address the difference in safety performance between its local and international operations by identifying and sharing best practices across the platform.

Murray & Roberts Cementation maintained its OHSAS 18001 accreditation during the year, while Cementation Canada achieved accreditation in November. RUC Cementation Mining and Murray & Roberts Cementation (Zambia) are on course for accreditation in the first half of FY2015.

Murray & Roberts Cementation also maintained its ISO 14001 accreditation during the year, while accreditation for Cementation Canada, Murray & Roberts Cementation (Zambia) and RUC Cementation Mining is planned for the first half of FY2015. No environmental issues were reported during the year.

Each operation has its own risk register which is reviewed and updated on a monthly basis. The platform executive also reviews the platform's overall risk profile on a quarterly basis for discussion at Murray & Roberts Limited Board level, while a platform-wide risk meeting is held quarterly. The lack of skills which directly impacts the platform's and clients' ability to deliver on projects, and the ongoing threat of industrial action locally are viewed as key risk areas.

More than 2 600 South African team members participated in the *Global Mineral Industry Risk Management* ("G-MIRM") training programme, viewed as best practice in terms of risk management, at Murray & Roberts Cementation's training facility at Bentley Park in Carletonville.

## PROSPECTS

The platform anticipates an improvement in the global mining sector as demand for commodities increases. There is a large investment pipeline of underground projects in regions where the platform has a presence. With its global footprint, and the ability to pool and leverage its resources, the platform is well placed to win and execute work for its clients when market conditions improve. Most key commodities are represented in the current portfolio of projects and significant opportunities for organic growth exist as mining activity picks up.

CEMENTATION CANADA, NICKEL RIM SOUTH  
ONTARIO, CANADA



# ENERGY & INDUSTRIAL

**FRANK SAIEVA**  
Operating platform executive



**KUSILE POWER STATION**  
MPUMALANGA, SOUTH AFRICA

**A KEY ELEMENT OF THE PLATFORM'S STRATEGY IS TO STRENGTHEN ITS ENGINEERING SERVICES OFFERING, ENABLING THE PLATFORM TO DELIVER AN 'ENGINEER AND CONSTRUCTOR' SERVICE TO ITS TARGETED MARKET.**

## OVERVIEW

The platform comprises the following five businesses; Murray & Roberts Power & Energy, focusing on power, petrochemical and oil & gas (previously Murray & Roberts Projects); Murray & Roberts Resources & Industrial, focusing on minerals processing and industrial (previously Concor Engineering); Murray & Roberts Water, focusing on water management and treatment solutions; Murray & Roberts Electrical & Control Systems, focusing on engineered electrical and control systems solutions (previously Wade Walker) and Genrec, focusing on engineering, designing and manufacturing structural steel solutions.

A key element of the platform's strategy is to strengthen its engineering services offering, enabling the platform to deliver an 'Engineer and Constructor' service to its targeted market. Further development of the operations and maintenance (including outage management) capability continues. Market opportunities, specifically in West (Ghana), East (Mozambique), as well as Central (Zambia) Africa are receiving consideration from platform development teams.

## FINANCIAL

Revenues decreased marginally to R4,8 billion (2013: R5,0 billion) with an operating profit of R144 million (2013: R137 million). The order book decreased to R6,2 billion (2013: R6,5 billion). The reduction in order book was driven mainly by consumption of the power programme contract.

Overall platform performance was reasonable with Murray & Roberts Resources & Industrial and Murray & Roberts Electrical & Control Systems recording breakeven results.

Murray & Roberts Power & Energy continued to perform well on the power programme Murray & Roberts Resources & Industrial and Murray & Roberts Electrical & Control Systems' results were adversely impacted by losses on the Kusile Flues project, a Photovoltaic plant and the Exxaro Grootegeluk contracts, but results are expected to improve substantially from this low base, as all problem contracts have been closed out. Murray & Roberts Water recorded a small loss due to poor market conditions driven by delayed expenditure in the resources market sector, as well as delayed spending on water-related infrastructure in the South African market. Genrec produced a steady result in a tightly priced market and was announced as the overall winner at the 2013 Steel Awards, for its work on the Medupi main frame and boiler grid support project. Overall, cash generation was good, underpinned by Murray & Roberts Power & Energy's performance.

## LEADERSHIP

The platform's strategic themes encompass growth, business excellence and business transformation. Particular focus has been on the identification of appropriate bolt-on acquisitions to deliver growth potential across the project value chain. Targets have been identified to increase engineering capability, asset maintenance and support, and market reach. Similarly, internal capability in engineering has been restructured to achieve more effective positioning and offer an EPC service. Significant partnerships have been established to offer specific technologies and solutions. These include a memorandum of agreement with Hyflux, a leader in water treatment solutions (in particular desalination), joint-venture agreements with WorleyParsons (power) to enable an operations and outage management service, and the delivery of fuel storage systems with Chicago Bridge & Iron.

R MILLIONS	Power Programme <sup>1</sup>		Engineering <sup>2</sup>		Total	
	2014	2013	2014	2013	2014	2013
Revenue	3 685	4 008	1 070	1 028	4 755	5 036
Operating profit/(loss)	238	227	(94)	(90)	144	137
Margin (%)	6%	6%	(9%)	(9%)	3%	3%
Segment assets	1 130	1 328	571	509	1 701	1 837
Segment liabilities	1 111	1 233	327	453	1 438	1 686
People	5 276	6 243	1 628	898	6 904	7 141
LTIFR (Fatalities)	0.89 (0)	0.7 (0)	0.44 (0)	0.2 (0)	0.8 (0)	0.5 (0)
Order Book	5 503	5 890	657	580	6 160	6 470

<sup>1</sup> Power programme contracts and Genrec power programme contracts.

<sup>2</sup> Includes Electrical & Control Systems, Resources & Industrial, Water and Power & Energy non-power programme projects and Genrec non-power programme contracts.

## ENERGY & INDUSTRIAL *continued*

The implementation of the Murray & Roberts Project Management Framework has been completed and a significant training drive has been rolled out to align all project personnel engaged in managing various aspects of engineering and construction projects. Increased project oversight at all levels of operations has further reinforced excellence in execution by emphasising the learning process.

### OPERATIONAL

The platform is currently delivering on the mechanical construction of the boilers on the Medupi and Kusile power stations for Mitsubishi Hitachi Power Africa; electrical and instrumentation installation on the Grootegeluk In-and-Out plant for Exxaro; civil, structural, mechanical and electrical & instrumentation supply and construction of the Steel Sulphuric Acid plant for Outotec in Namibia; electrical and instrumentation installation at Medupi for Alstom (in joint-arrangement with Actom) and a boiler outage for Illovo in Malawi, to name a few.

Murray & Roberts Water, partnering with technology provider Miwatek, was awarded a contract by a blue-chip mining client to undertake basic engineering design and pilot testing at one of its operations in Ghana. This work has already commenced and will continue to April 2015. Key to the company securing the project for this particular client is the strength of the Murray & Roberts brand in sub-Saharan Africa, the Group's proven project execution capability in remote African locations and flexibility, which enables us to bring together core experience.

Murray & Roberts Resources & Industrial and Murray & Roberts Electrical & Control Systems have recently merged under a joint management team to optimise overhead costs. These savings should be evident in FY2015.

Corporate governance features significantly in the performance indicators of all levels of management. Training of employees in the legal compliance framework requirements, competition compliance and anti-bribery and corruption is a continuous process. The effective identification and mitigation of risks is a prominent feature of project reviews and oversight.

### RELATIONSHIP

The platform's development of stakeholder relationships, in particular its client base, is an area that receives significant management priority. In particular, engagement with clients requires more focus as the businesses explore new markets such as water and seeks to re-engage with the petrochemical sector, to replace the declining power programme work. An example of stakeholder engagement is the *Murray & Roberts Industry Initiative* that draws stakeholders from all industry sectors to a quarterly forum where speakers address diverse topics of interest.

Regular employee communication sessions which focus on operational performance, as well as feedback regarding strategy and opportunities are conducted at all levels of management.

The development and implementation of an Employee Relations Framework was a key focus during the latter half of the financial year. The implementation of this important initiative will be complete in the last quarter of calendar year 2014.

### RISKS

The platform's safety performance showed continued improvement, with LTIFR at 0,77 (2013: 0,9) and TRCR at 0,32 (2013: 0,34).

Significant safety achievements include the more than three years and in excess of 3,8 million man-hours that have been worked by Murray & Roberts Resources & Industrial without a disabling injury. Also, Murray & Roberts Electrical & Control Systems recorded no LTIs during the year. No fatalities were recorded during the year.

All operating entities have successfully obtained OHSAS 18001 certification. As far as ISO 14001 is concerned, only Murray & Roberts Resources & Industrial and Murray & Roberts Electrical & Control Systems require certification, which should be achieved by the first quarter of FY2015.

The key risk to the implementation of the certification plan is the ability to secure sufficient new work. The team has developed key approaches and plans to achieving its targets but to a degree relies on some measure of increased economic activity.

### PROSPECTS

The key prospects in the short term lie in the renewable energy programme and Murray & Roberts Power & Energy has established good relationships to access available projects. The power programme still offers opportunities for most of the businesses and accessing these opportunities remains a priority. Further power sector work in the management of assets, either as maintenance, outage management and execution or operations, provide opportunity for all the platform businesses. These are being explored with Eskom.

Although project wins in the industrial water market have been few, a good foothold has been established in certain water treatment opportunities by securing the front end engineering packages. Returning to increased involvement in the petrochemical market presents some immediate opportunities. The platform is particularly qualified to operate in this sector as it is able to bring its significant power programme experience and lessons learnt to a market with similar skill set requirements. These are short- and medium-term prospects, with the latter including potential in the oil & gas market.



MURRAY & ROBERTS POWER & ENERGY  
NEW MULTI PRODUCT PIPELINE, GAUTENG, SOUTH AFRICA

# INFRASTRUCTURE & BUILDING

**JEROME GOVENDER**  
Operating platform executive



MURRAY & ROBERTS BUILDINGS, **BAY WEST MALL**  
EASTERN CAPE, SOUTH AFRICA

**THE NEW FINANCIAL YEAR WILL FOCUS ON CONSOLIDATING THE PRACTICES THAT HAVE RESTORED PROFITABILITY, AND DEVELOPING A STRATEGY TO LEAD THE PLATFORM INTO A NEW PHASE OF GROWTH.**

## OVERVIEW

The platform comprises the following businesses; Murray & Roberts Buildings (Gauteng, Western Cape, Namibia and Botswana); Murray & Roberts Infrastructure (incorporating Roads & Earthworks and Civil construction); Concor Opencast Mining and Murray & Roberts Middle East, as well as Murray & Roberts Concessions (Public Private Partnership Investments and Services). The platform's operations are supported by shared administration services and plant (Murray & Roberts Plant) functions.

The South African and Middle East construction industries experienced reasonable growth in the early part of the last decade, until 2008. In South Africa, this growth continued until 2010, mainly as a result of the infrastructure development in preparation for the FIFA Soccer World Cup 2010 was followed by a strong downturn, which impacted the platform's revenue and profitability. Against this background, the platform developed a three-phase plan to return to profitability, shown in the graphic below.

The platform has successfully delivered the first two phases of this plan, exceeding targets for Phase 2, and is poised to implement Phase 3.

The new financial year will focus on consolidating the practices that have restored profitability, and developing a strategy to lead the platform into a new phase of growth. The muted South African and Middle East market conditions have resulted in a highly competitive environment, with margins remaining under pressure.

The platform's growth into Africa (beyond SADC) is being pursued judiciously and it is not expected to be a significant contributor in the near term.

## FINANCIAL

FY2014 saw the platform return to profitability. Revenues increased 11% to R7,2 billion (2013: R6,5 billion) with an operating profit of R196 million (2013: R85 million loss). The order book decreased to R8,1 billion (2013: R8,7 billion) with approximately R6,4 billion secured for FY2015. This is a robust order book, albeit with tight margins. The platform continues to derive value and build a reputation for delivery by focusing on operational excellence.



R MILLIONS	Construction Africa		Marine		Middle East		Total	
	2014	2013 <sup>1</sup>	2014	2013	2014	2013	2014	2013 <sup>1</sup>
Revenue	5 740	5 605	496	288	940	575	7 176	6 468
Operating (loss)/profit	(189)	(89)	302	51	83	(47)	196	(85)
Margin (%)	(3%)	(2%)	61%	18%	9%	(8%)	3%	(1%)
Segment assets	3 172	3 677	432	915	2 001	1 823	5 605	6 415
Segment liabilities	2 542	2 458	198	643	1 988	2 070	4 728	5 171
People	5 581	6 603	152	53	94	106	5 827	6 762
LTIFR (Fatalities)	0.87 (2)	0.9 (0)	0 (0)	0 (0)	0 (0)	0.3 (0)	0.5 (2)	0.7 (0)
Order Book	5 881	7 053	125	269	2 073	1 394	8 079	8 716

<sup>1</sup> Restated for discontinued operations.

## INFRASTRUCTURE & BUILDING *continued*

### LEADERSHIP

Over the past few years, Concor Roads & Earthworks and Concor Civils have partnered successfully on a number of projects. The partnership presents advantages to clients and the rest of platform in offering a more complete service offering and as a result Concor Roads & Earthworks and Concor Civils were merged to form Murray & Roberts Infrastructure. Eric Wisse, former managing director of Concor Roads & Earthworks, was appointed managing director of this business.

During the period under review, Rodger Herne was appointed general manager of Concor Opencast Mining. Roger is an experienced opencast mining executive, who served as project manager on the PT Arutmin Opencast Mining project in South Kalimantan Province, Indonesia.

Talent reviews were conducted to assess the bench strength for leadership and senior management succession. Developmental plans were put in place to ensure the platform's leadership is empowered to deliver the strategy.

The platform is committed to BBBEE and is a Level 3 contributor, although some operations within the platform are Level 2 contributors. The platform invested significantly in training and development of employees. Currently 58% of salaried employees (non-hourly paid employees) are black (African, Indian and Coloured).

More than 200 employees attended a diversity awareness programme. This interactive programme explores the myths and prejudices based on perceived differences. This programme, together with our values of care and respect, create a strong foundation for constructive relationships which are required in a high-performance working environment.

Considering that Murray & Roberts subcontracts between 70% and 80% of its building work, the company's *Enterprise Development* programme holds strong potential to grow small and developing contractors. The extent of this programme spans financial support through direct funding, early payment and preferential credit terms, as well as extensive mentoring and business support assistance and the program currently supports 24 partners. The platform also provides business management and technical support on an ongoing basis to help build the capacity and expertise of these companies.

### OPERATIONAL

Although the Murray & Roberts brand is a household name in the construction industry and clients trust the quality of the product they receive, the platform has experienced a handful of troubled projects in its recent history, which significantly eroded shareholder value. Even with these problems largely behind us the highly competitive, low-margin environment that currently exists is challenging.

A significant amount of time has been invested into developing and embedding a culture of operational excellence throughout the platform, to ensure consistency in project outcomes. The measures that have been put in place range from standardised project management training modules to detailed project reviews, covering all aspects of project delivery.

### RELATIONSHIP

The platform is party to the Bargaining Council for the Civil Engineering Industry ("BCCEI"). Following a sector wage agreement in 2013, the sector has been relatively stable in terms of industrial relations. The sector has however been affected by industry related strikes, such as those in the platinum and metal industry sectors.

The platform also rated well in the *Deloitte Best Company to Work For Survey*. The survey highlighted two issues of concern for our employees, remuneration and career development. Action plans were developed and implemented to address these concerns, ranging from remuneration benchmarking to targeted training and development programmes.

### RISK

We regret the tragic death of two employees who were fatally injured while on duty at two of our project sites during the year. Mr. Prince Khumalo, a subcontractor employee, was electrocuted while working on the roof of the car park at Murray & Roberts Construction's Wonder Park building project. Mr. Zola Chita was struck by a public vehicle, while crossing the road on the N1 Road Project between Bela-Bela and Pretoria. We have extended our condolences and provided assistance to the families of the deceased.

The platform's LTIFR was 0.53 and the platform's overall TRCR was 2.90. These are both commendable achievements and are ahead of the Group targets for FY2014 of 0.9 and 3.20 respectively.

Quarterly safety executive committee meetings, between all operational and safety heads from across the platform, have been implemented during the year under review. This has ensured an ongoing focus on all aspects of health and safety.

As part of the Group standard, all operations in the platform (including shared services) are required to be OHSAS 18001, ISO 9000, and ISO 14001 compliant. During the period under review the majority of operations were certified, with the remaining operations (including operations outside of South Africa) expecting certification by December 2014.

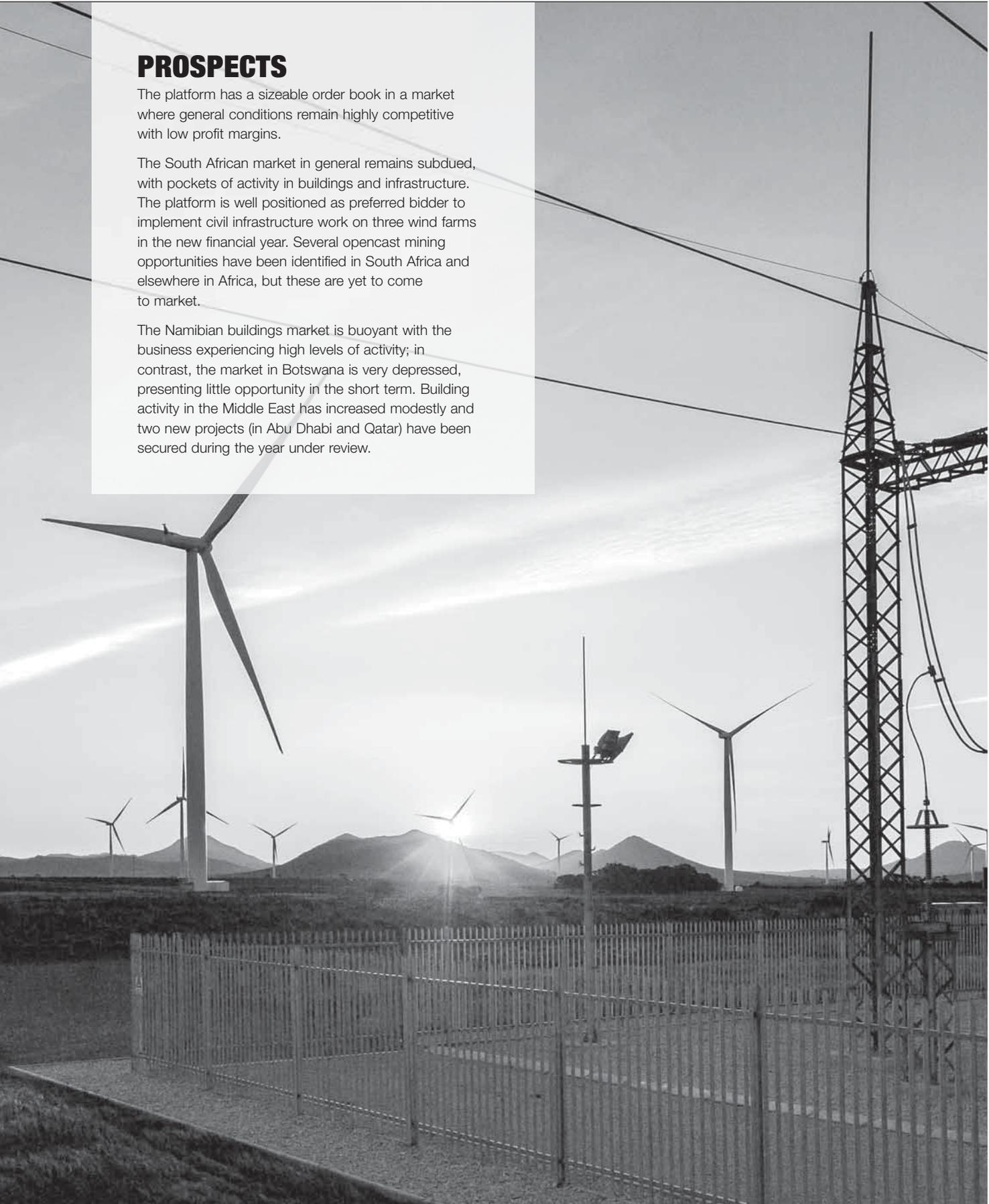
The platform risk committee was established during the year to consider platform-specific risks and mitigation plans. This includes risks associated with tenders for submission and monitoring progress on challenging projects.

# PROSPECTS

The platform has a sizeable order book in a market where general conditions remain highly competitive with low profit margins.

The South African market in general remains subdued, with pockets of activity in buildings and infrastructure. The platform is well positioned as preferred bidder to implement civil infrastructure work on three wind farms in the new financial year. Several opencast mining opportunities have been identified in South Africa and elsewhere in Africa, but these are yet to come to market.

The Namibian buildings market is buoyant with the business experiencing high levels of activity; in contrast, the market in Botswana is very depressed, presenting little opportunity in the short term. Building activity in the Middle East has increased modestly and two new projects (in Abu Dhabi and Qatar) have been secured during the year under review.



MURRAY & ROBERTS INFRASTRUCTURE  
JEFFREYS BAY WINDFARM, EASTERN CAPE, SOUTH AFRICA