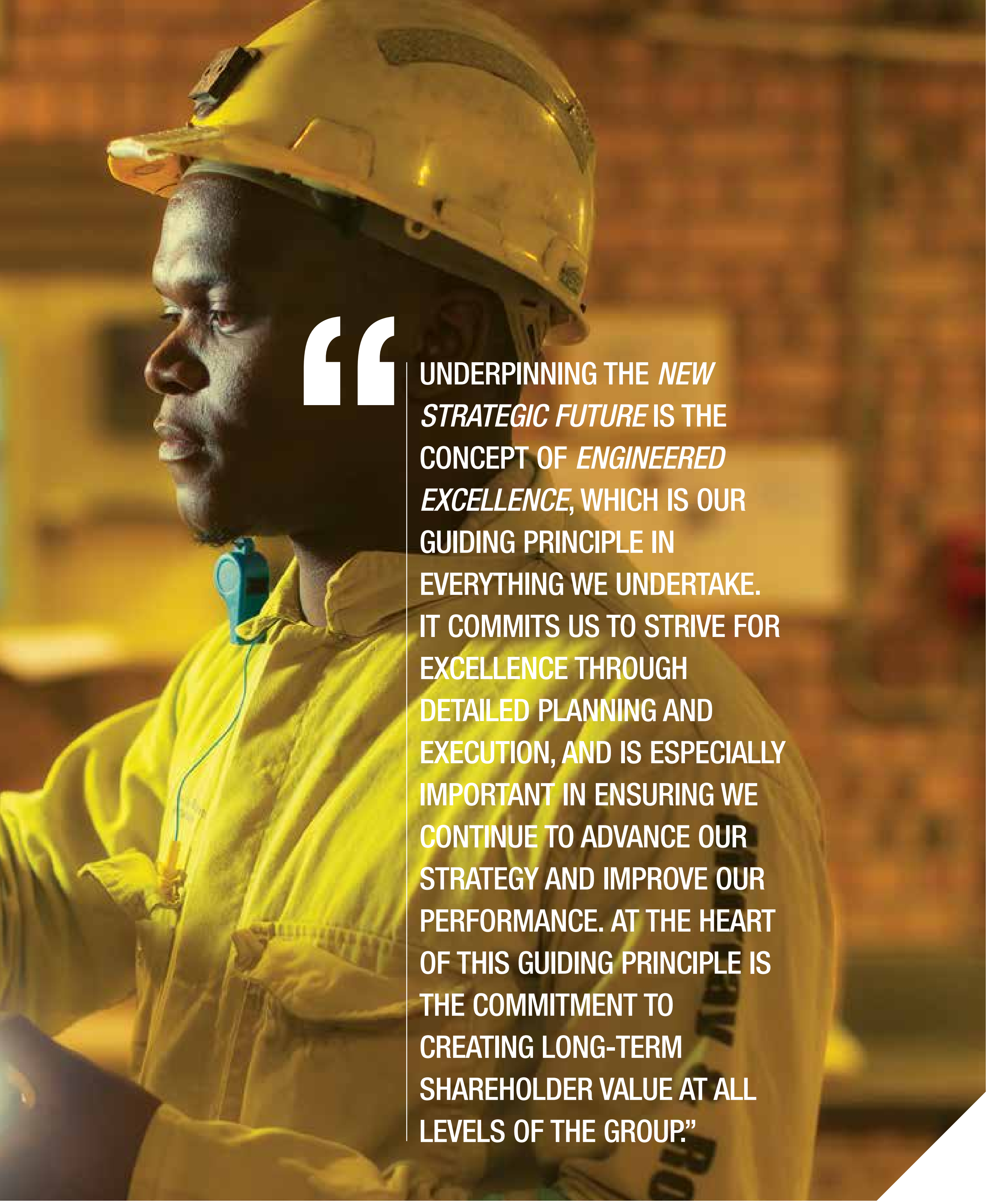
02

LEADERSHIP REVIEW



"UNDERPINNING THE *NEW STRATEGIC FUTURE* IS THE CONCEPT OF *ENGINEERED EXCELLENCE*, WHICH IS OUR GUIDING PRINCIPLE IN EVERYTHING WE UNDERTAKE. IT COMMITS US TO STRIVE FOR EXCELLENCE THROUGH DETAILED PLANNING AND EXECUTION, AND IS ESPECIALLY IMPORTANT IN ENSURING WE CONTINUE TO ADVANCE OUR STRATEGY AND IMPROVE OUR PERFORMANCE. AT THE HEART OF THIS GUIDING PRINCIPLE IS THE COMMITMENT TO CREATING LONG-TERM SHAREHOLDER VALUE AT ALL LEVELS OF THE GROUP."

CHAIRMAN'S STATEMENT

DEAR STAKEHOLDER

Murray & Roberts is an international engineering and construction group and undertakes project work in many regions of the world. The Group continues to implement its growth strategy, the *New Strategic Future*, approved by the Board in June 2014.

The strategy is focused on bringing the Group's competencies of engineering and construction to bear in the natural resources sectors. It is aimed at diversifying the Group's earnings potential and risk profile across three dimensions. The first is to increase its exposure to targeted sectors in the natural resources markets that promise robust long-term demand. The second is to establish a presence in the regions that show the highest growth potential in these chosen markets. The third is to reduce the Group's dependency on classic construction services, by growing its earnings across all segments of the project value chain.

The assumptions that underpin the *New Strategic Future* are global socio-economic fundamentals such as economic growth, population growth and urbanisation, together with environmental imperatives such as the transition to lower-carbon energy and an increasing focus on water preservation. Specifically, the Group aims to grow in the international oil and gas, mining and minerals, and power markets, where it is able to leverage its current capabilities, and in the global industrial water market which it aims to achieve through organic growth from a modest base, as well as through acquisition. To this end and in line with the strategy, the Oil & Gas business platform made two bolt-on acquisitions to expand its specialist engineering capabilities.

The depressed global economic conditions and weak demand for natural resources, together with the slump in commodity prices, specifically oil, weighed heavily on the Group's financial performance in FY2015. However, the Group firmly believes that an upswing in the commodity cycle and improvement in the oil price will occur, as global economic growth and supply/demand dynamics should improve in the medium term. It is not a question of if, but when and at what pace. The long-term picture is thus compelling and the Board firmly supports the Group's strategic direction, which aims to achieve sustainable growth in profitability, cash generation and returns to our shareholders.

The refocusing of the business platforms on these target market sectors was imperative to deliver on the strategy. The Board commends the resolve of management in this regard and the progress made thus far. Specific progress made in the year has included early changes to the Group's business model through successful bolt-on acquisitions. Areas of non-performance are being decisively addressed. Management's strict focus on cost containment,

MAHLAPE SELLO

> "THE LONG-TERM PICTURE IS COMPELLING AND THE BOARD FIRMLY SUPPORTS THE GROUP'S STRATEGIC DIRECTION, WHICH WILL ACHIEVE SUSTAINABLE GROWTH IN PROFITABILITY, CASH GENERATION AND RETURNS TO OUR SHAREHOLDERS."

contractual excellence, risk management and project performance, which seek to achieve improved project margins and minimise project losses, are pivotal to the success of the strategy.

The Group pursues its growth strategy in the context of its purpose – to deliver infrastructure in a sustainable way to facilitate economic and social development. This commits the Board, management and our employees, as well as the many entities with whom we partner in delivering projects, to act responsibly as we strive to achieve a balance between the interests of all stakeholders. Noteworthy in this respect, particularly as the Group grows its international presence, are our values and business principles which provide the framework for assessing and selecting potential employees, partners and clients and mitigating the risk of exposure to unethical business practices.

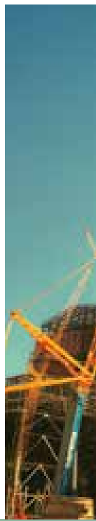
Our aim is to differentiate Murray & Roberts. There are a number of imperatives, which are reviewed in detail throughout this integrated report, that support this objective.

Whereas we have improved our safety performance, the Board is deeply saddened to report four fatalities this year. We extend our sincere condolences to the families, friends and colleagues of the deceased. It is simply unacceptable that our employees are harmed in the Group's service and we are comforted by management's individual personal commitments to making Zero Harm a reality throughout the Group. Similarly, the Group's lost time injury frequency rate, which improved to a record-low of 0.79 (FY14: 0.80). Supporting this rate are industry benchmark performances at some of our businesses and projects.

The Group has maintained an industry-leading health, safety and environment ("HSE") performance, not only as a moral obligation but also a source of competitive advantage. In the past year we continued to entrench our Group Health and Safety Framework, underpinned by our Zero Harm through Effective Leadership programme. The framework sets out the Group's objectives and targets for HSE, and specifies standards relating to management systems, operations and people, which includes Visible Felt Leadership ("VFL") engagements. The framework also encourages the sharing of good practices and lessons learnt and is supported by second and third party reviews, which focus management's attention on areas for improvement.

Management continues to pursue the Group's entitlements on the unresolved Gautrain and Dubai International Airport claims. During the year, two significant arbitration rulings were made in favour of the Bombela Concession Company, which is pursuing the claims on behalf of the Bombela Civil Joint Venture in respect of the Gautrain claim. The arbitration process in respect of the Dubai International Airport final payment dispute is formally underway. Resolution of these claims will increase certainty of past earnings and provide a platform for further growth.

CHAIRMAN'S STATEMENT CONTINUED



The continuous development and improvement of Lessons Learnt and Contracting Principles frameworks, which have to be considered at the time of tendering, are now well embedded in the Group.

The Group is committed to promoting diversity across all our operations. In South Africa, we acknowledge the significant work that still needs to be done to transform our operations as a moral, social and commercial imperative. While we have maintained our Level 2 Broad-based Black Economic Empowerment ("BBBEE") score, our targets for employment equity performance were not all achieved. The key areas for improvement are the priority elements including skills development, enterprise and supplier development, management control and employment equity. Management has committed itself to redoubling its efforts to achieve and improve our performance in these areas.

The alignment of the Construction Sector Charter with the amended Generic BBBEE Codes is currently underway and verification against the new targets will result in a significant drop in the Group's BBBEE rating. While the impact of this alignment is expected to be similar across the industry, our South African businesses have analysed the impact of the new requirements and are reviewing their transformation plans accordingly.

During the year the Group experienced disruptive unprotected strike action, especially at the Medupi power station project. To mitigate against the risk of adversarial relations with organised labour, the Group will continue its efforts to ensure fair and competitive remuneration at all levels, supported by its extensive social development initiatives.

All these imperatives, from the safe and effective delivery of projects to transformation and improving stakeholder relationships, are brought together in the Group's performance management system. This is aligned to the five performance dimensions necessary to realise the Group's vision for 2020, which are incorporated into the performance contracts of Group leadership and cascade into performance contracts across the Group. Key performance indicators for each dimension are shared throughout the Group annually by the Group chief executive to provide clear expectations for performance and behaviour.

Performance contracts and reviews link into our talent management and succession management processes. The Group's ongoing investment in skills development, talent management, organisational transformation and employee relations are aimed at securing and motivating the calibre of human capital we need to achieve our strategy. Given the mobility of skilled employees, these initiatives, alongside our retention initiatives, mitigate against the risk of loss of key skills and institutional knowledge.

At Board level we have also focused on ensuring that we have the requisite skills and experience to support the Group's growth aspirations, and to this end we have made a number of non-executive director appointments. Ralph Havenstein, who has considerable experience in the mining and petrochemical sectors, was appointed to the Board on 1 August 2014, and is chairman of the health, safety & environment committee and is a member of the social & ethics committee. Suresh Kana was appointed to the Board on 1 July 2015 and is a member of the audit & sustainability, remuneration & human resources and risk management committees. He brings deep insight into doing business in the rest of Africa. Xolani Mkhwanazi, who has experience in the power, engineering and mining sectors, joined the Board on 1 August 2015 and is a member of the risk management and health, safety & environment committees. I bid a warm welcome to our new Board members and look forward to their respective contributions to our strategic and oversight responsibilities.

Bill Nairn reached the mandatory retirement age at the end of December 2014 and retired as a non-executive director, as chairman of the health, safety & environment committee and as a member of the social & ethics and the risk management committees. The Board would like to thank Bill for his valuable and incisive contribution to the Group over the past five years and wishes him well in his future endeavours.

> "AT BOARD LEVEL WE HAVE ALSO FOCUSED ON ENSURING THAT WE HAVE THE REQUISITE SKILLS AND EXPERIENCE TO SUPPORT THE GROUP'S GROWTH ASPIRATIONS, AND TO THIS END WE HAVE MADE A NUMBER OF NON-EXECUTIVE DIRECTOR APPOINTMENTS."

In the financial year ahead, management will continue to focus on implementing the objectives and priorities that underpin the Group's *New Strategic Future*. We anticipate no immediate change to the subdued outlook in the Infrastructure & Building business platform. In the Power & Water business platform, we will concentrate on accelerating the replacement of work related to the Medupi and Kusile power projects, which will decline over the next few years. Prospects in the Oil & Gas business platform remain strong, although projects will only come to fruition in the medium term, considering the weakness in the oil price. We are optimistic about the Underground Mining business platform's prospects which, although investment in new mines is almost non-existing, should benefit from anticipated growth in infrastructure replacement opportunities on operating mines. Continued cost containment and operational excellence to preserve margins will remain of critical importance in what will be another difficult year.

Given the macro-economic headwinds the Group is likely to face in the next year or two, a material improvement in earnings in the short term is unlikely, notwithstanding the steady progress management is making in implementing our strategic initiatives. Following the resumption of dividend payments in FY2014, the Group, after taking the current economic climate into consideration, has clarified its dividend policy. The dividend payment is subject to an annual review, as distributions may be influenced by global market conditions, possible merger and acquisition activity and/or relative balance sheet strength. Based on the above, the Board will consider paying an annual dividend of between three and four times earnings cover.

On behalf of the Board, I extend my appreciation to our stakeholders for their continued support during the past year. We recognise that maintaining your trust and support is contingent on continuing to live by our purpose as we seek to pursue our strategy, despite the challenges we may face during these difficult economic times.

MAHLAPE SELLO
GROUP CHAIRMAN

GROUP DIRECTORATE

MAHLAPE SELLO

INDEPENDENT NON-EXECUTIVE DIRECTOR
Master of Arts in Law, LLB

Mahlape was appointed to the Board in 2009 and became chairman in 2013. She is chairman of the nomination committee and a member of the social & ethics, the health, safety & environment and the remuneration & human resources committees. She is also a trustee of The Murray & Roberts Trust.

DAVID (DAVE) DUNCAN BARBER

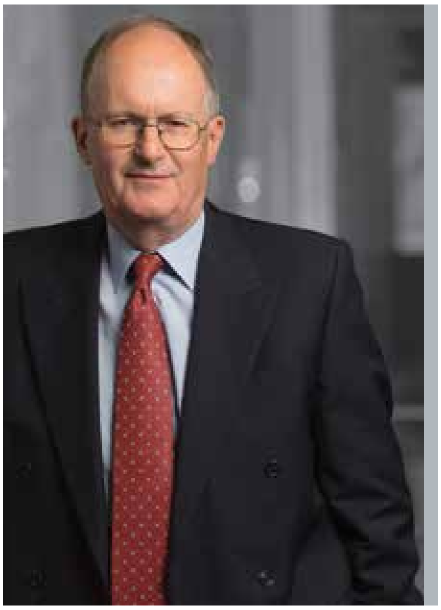
INDEPENDENT NON-EXECUTIVE DIRECTOR
FCA, AMP

Dave was appointed to the Board in 2008. He is chairman of the audit & sustainability committee and a member of the risk management committee.

RALPH HAVENSTEIN

INDEPENDENT NON-EXECUTIVE DIRECTOR
BCom, MSc Chem Eng

Ralph was appointed to the Board in August 2014. He is the chairman of the health, safety & environment committee and a member of the social & ethics committee.



NON-EXECUTIVE DIRECTOR
EXECUTIVE DIRECTOR
GROUP SECRETARY

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JOHN MICHAEL MCMAHON

INDEPENDENT NON-EXECUTIVE DIRECTOR
PrEng BSc Eng

Michael was appointed to the Board in 2004. He is the chairman of the risk management committee, and a member of the nomination and the audit & sustainability committees.

ROYDEN THOMAS VICE

INDEPENDENT NON-EXECUTIVE DIRECTOR
BCom, CA(SA)

Royden was appointed to the Board in 2005. He is chairman of the remuneration & human resources committee and a member of the risk management, the audit & sustainability and the nomination committees. He is also a trustee of The Murray & Roberts Trust.

SURESH PARBHOO KANA

INDEPENDENT NON-EXECUTIVE DIRECTOR

MCom, CA(SA)

Suresh was appointed to the Board in July 2015 and is a member of the audit & sustainability, remuneration & human resources and risk management committees. He is also a trustee of the Murray & Roberts Trust.

XOLANI HUMPHREY MKHWANAZI

INDEPENDENT NON-EXECUTIVE DIRECTOR

MSc PhD (Applied Physics)

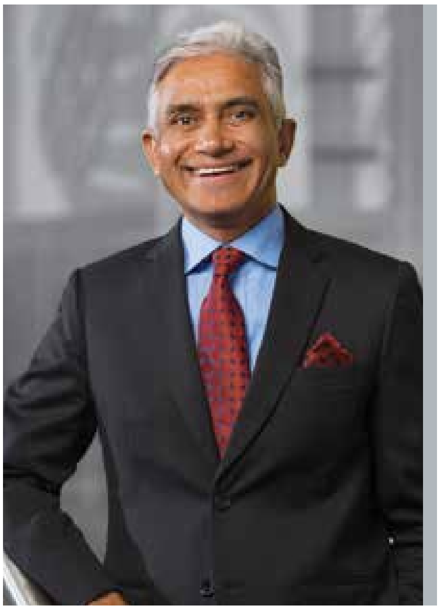
Xolani was appointed to the Board in August 2015 and is a member of the risk management and health, safety & environment committees.

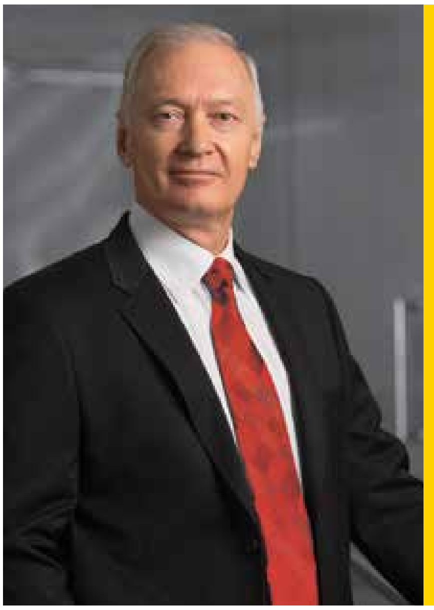
NOMALIZO (NTOMBI) BERYL LANGA-ROYDS

INDEPENDENT NON-EXECUTIVE DIRECTOR

BA (Law), LLB

Ntombi was appointed to the Board in June 2013. She is chairman of the social & ethics committee and a member of the remuneration & human resources committee. She is also a trustee of The Murray & Roberts Trust.





ANDRIES JACOBUS (COBUS) BESTER

GROUP FINANCIAL DIRECTOR

BCom (Acc) (Hons), CA(SA)

Cobus joined Concor in 1998 and following the acquisition of Concor by Murray & Roberts in 2006 was appointed to the Murray & Roberts Limited Board in 2007 and the Murray & Roberts Holdings Board in July 2011.

HENRY JOHANNES LAAS

GROUP CHIEF EXECUTIVE

BEng (Mining), MBA

Henry joined the Group in 2001 and was appointed to the Board and as Group chief executive in July 2011. He is a member of the health, safety & environment committee.

LAMBERTUS (BERT) KOK

GROUP SECRETARY

FCIS, FCIBM

Bert joined the Group in 2011 and was appointed Group secretary in February 2014.

GROUP CHIEF EXECUTIVE'S AND FINANCIAL DIRECTOR'S REPORT

A NEW STRATEGIC FUTURE

In our *New Strategic Future* plan, we defined specific objectives and priorities to give clear expression to the Group's strategic direction, which align with the performance dimensions against which executive management is measured. These objectives and priorities are being interpreted and executed at corporate and business platform level to realise our vision for 2020.

The organisational structure we adopted to support our strategy is four specialist client-centric business platforms focused on their chosen natural resources market sectors, as opposed to several generalist engineering and construction businesses with a geographic focus. This enables each business platform, within the Group's core ambit of engineering and construction, to develop a differentiated service offering based on the specific requirements of clients in that market sector. The four business platforms are Oil & Gas, Underground Mining, Power & Water and Infrastructure & Building. The business platforms deliver services across the project value chain to their respective clients, giving each of them regional as well as international exposure in the opportunities they pursue.

Following on from the consolidation and renaming of the business platforms last year, a further refinement during the year was to rename the Energy & Industrial platform as Power & Water, narrowing its focus accordingly. This followed the extensive restructuring of the platform to improve its operational performance in the face of subdued market conditions. While the business platforms are named after their primary markets, they also have the flexibility to respond to opportunities in complementary markets, based on their client relationships, existing capabilities and geographic presence.

We also refined the executive management business platform roles, with chief executive officer and chief financial officer positions taking effect on 1 July 2015 for each business platform. This more accurately reflects the responsibility the platform executives have for formulating and executing business strategy, within the framework set by the Group's vision and strategic direction, as opposed to them having only operational responsibility. Further structural refinement is underway, aimed at strengthening and streamlining the Group's governance framework in relation to the business platforms, to ensure effective Group oversight.

Underpinning the *New Strategic Future* is the concept of *Engineered Excellence*, which is our guiding principle in everything we undertake. It commits us to strive for excellence through detailed planning and execution, and is especially important in ensuring we continue to advance our strategy and improve our performance. At the heart of this guiding principle is the commitment to creating long-term shareholder value at all levels of the Group.

HENRY LAAS (left)
& COBUS BESTER

"DESPITE THE CHALLENGES WE WILL NO DOUBT FACE IN THE YEARS AHEAD, THE GROUP IS WELL PLACED TO REALISE OUR VISION FOR 2020, GIVEN THE COMMITMENT TO DRIVING *ENGINEERED EXCELLENCE* AND ENHANCING SHAREHOLDER VALUE ACROSS THE GROUP."

FINANCIAL UPDATE

Revenue from continuing operations decreased by 15% to R30,6 billion (FY14: R36 billion) and attributable profit of R881 million was recorded (FY14: R1 261 million). Diluted headline profit per share from continuing operations decreased by 2% to 201 cents (FY14: 205 cents).

The Oil & Gas business platform delivered an operating profit of R838 million (FY14: R1 026 million), a good performance considering the oil price decline during the financial year. The platform's operating margin improved to 7% (FY14: 6%).

The Underground Mining business platform delivered an operating profit of R411 million (FY14: R258 million), improving its performance significantly compared to last year, lifting the platform's margins from 4% to 5%. The increased activity in the USA and Australian markets, supported by a buoyant Zambian market, drove the increase in revenue and operating profit.

The Power & Water business platform recorded an operating loss of R134 million (FY14: profit R144 million). This was as a result of loss-making engineering projects in South Africa and Namibia which together with subdued market conditions gave rise to a major restructuring of the platform. The loss for the year includes the restructuring costs incurred. The power programme generated an operating profit of R189 million (FY14: R238 million).

The Infrastructure & Building business platform posted an operating profit of R205 million (FY14: R196 million). The platform's South African operations remained profitable, although this was at low operating margins. The prior year included R323 million of additional income from the financial settlement of the GPMOF claim. The platform's results include positive fair value adjustments on the Bombela Concession investment of R172 million (FY14: R234 million).

Net financing costs increased to R72 million (FY14: R58 million) as a result of servicing the debt raised in Australia and utilisation of cash in December 2013, to fund the acquisition of the non-controlling interests in Clough.

REVENUE FROM CONTINUING OPERATIONS

R30,6 billion
(FY14: **R36** billion)

ATTRIBUTABLE PROFIT

R881 million
(FY14: **R1 261** million)

GROUP CHIEF EXECUTIVE'S AND FINANCIAL DIRECTOR'S REPORT CONTINUED

The effective taxation rate decreased to 18.4% (FY14: 33.8%), due to the utilisation of tax losses. Deferred taxation assets were not raised on all taxation losses within the Group. Income from associates are insignificant and increased to R3 million (FY14: R1 million), largely made up of the Group's investment in the Bombela Operating Company.

Profit from discontinued operations was R32 million (FY14: R423 million) and includes profit before taxation totalling R11 million on the disposal of the Tolcon businesses, which were sold for R186 million. The prior year profit from discontinued operations included the trading profits of the construction materials businesses for four months, as well as profit on sale of R379 million. The sale agreements for the remaining Tolcon businesses (Cape Point Partnership and Entilini Operations) have been signed and are awaiting the fulfilment of final conditions. This is expected to occur within the first quarter of FY2016. Profit attributable to non-controlling interests reduced to R13 million (FY14: R139 million) due to the acquisition of the non-controlling interests in Clough on 11 December 2013, with six months of non-controlling expense reflected in FY2014.

Capital expenditure for the year was R425 million (FY14: R961 million) of which R290 million (FY14: R671 million) was for expansion and R135 million (FY14: R290 million) for replacement. The Underground Mining platform incurred the bulk of the capital expenditure.

The Group generated cash from operations of R1,1 billion (FY14: R1,8 billion generated). The movement was mainly due to the decrease in continuing earnings of R400 million and discontinued earnings of R560 million which includes profit on sale of businesses, lower depreciation, repayment of advances and cash required to fund the loss-making projects in the Power & Water platform. The Group ended the financial year with a net cash position (after the deduction of interest bearing debt) of R1,4 billion (FY14: R1,8 billion).

The Group acquired three businesses in the financial year. The total purchase consideration was R164 million and the transactions generated goodwill of R148 million. The goodwill represents the value attributed to the workforce of the respective businesses. The Oil & Gas platform acquired Booth Welsh and CH-IV, which provide engineering services mainly to the European and American markets respectively. Power & Water acquired Aquamarine, a Cape Town-based firm that designs and manufactures scalable mobile water treatment plants.

The Group's order book at year end was R38,3 billion (FY14: R40,9 billion). The reduction was mainly due to a decrease in the order book of the Oil & Gas platform as orders on large capital projects are being replaced by smaller or shorter duration engineering and commissioning contracts. This negative movement in the Oil & Gas platform order book was partly offset by an increase in the Underground Mining platform order book, primarily due to the awards of the R4,8 billion Kalagadi and R3 billion Booysendal projects to Murray & Roberts Cementation.

STRATEGY UPDATE

To achieve our vision for 2020 we set six key objectives, each with specific priorities, with the ultimate aim of enhancing shareholder value. Below we review the progress we have made in the year and our expectations for the coming year, against these objectives.

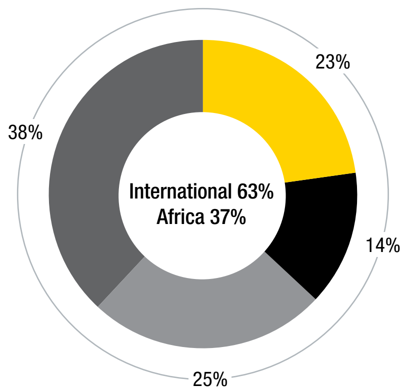
GROW PROFITABILITY AND CASH FLOWS

The lower profitability in the year was due to a subdued market, primarily in the oil and gas sector, as well as poor project performances mainly in the Power & Water platform. Growing profitability and cash flow in the years ahead will be a function of normal business trading.

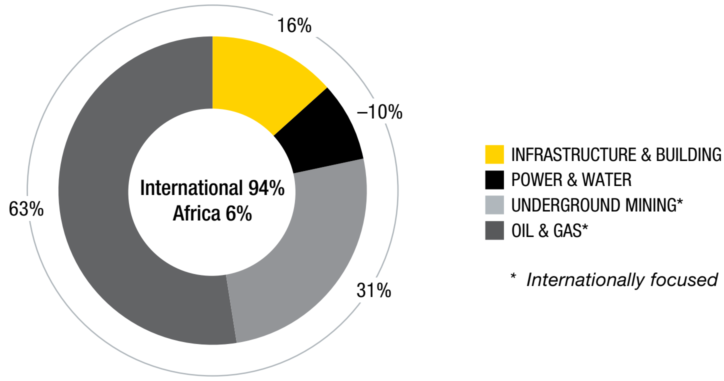
We also anticipate that substantial value and cash will be unlocked in the settlement of the Dubai International Airport and Gautrain claims. A conservative claims value has been accounted for in previous financial years as part of uncertified revenues. During the year a favourable arbitration ruling was received on the merits of the Sandton Cavern claim, for which no value was recognised as uncertified revenue, and the arbitration ruling on the claim quantum is expected before the end of calendar year 2015.

In respect of the Gautrain tunnel water ingress matter, any further work that may be required is yet to be determined. It is unlikely that the stringent required water specification will be achieved through any other means other than the installation of a concrete lining between Park and Rosebank stations, which will require this section of the tunnel to be closed for about two years. This matter remains under consideration as the current level of water ingress has no impact on the functionality or safety of the tunnel. No additional provision,

REVENUE



EBIT (BEFORE CORPORATE COST)



besides the R300 million we recorded last year for our 45% share of the potential cost to be incurred by the Bombela Civil Joint Venture, has been raised. The amount of any other potential financial liability related to this matter cannot be determined at this stage.

The multi-billion rand delay and disruption claim against the Gauteng Provincial Government, which is by far the largest element of the Gautrain claims, is progressing. In the year, two significant arbitration rulings were made in favour of the Bombela Concession Company, which is pursuing the claims on behalf of the Bombela Civil Joint Venture. The legal basis of the claim has now been established, in respect of the additional costs incurred on two cantilever bridges, and the late handover of land, which was determined to be a project event giving rise to an entitlement to an extension of time and compensation for additional costs incurred.

The merits and quantum hearings will only be heard from the first quarter of calendar year 2016 with financial conclusion only likely the following year. Any award will attract interest dating from 2009 to the date of award.

In respect of the Dubai International Airport final payment dispute, we appointed a new international law firm, Freshfields, to lead the legal process in this claim resolution process. We submitted a notice of dispute and a first meeting was held with the respondent to explore a settlement. We filed the formal request for arbitration on 26 May 2015 and expect completion by December 2016. In the meantime, a parallel process of engagement continues with the Dubai Government, to try and resolve the dispute outside of the ongoing legal proceedings.

FOCUS ON INTERNATIONAL RESOURCES MARKET SEGMENTS

To support our focus on the international natural resources sectors, we have assessed where the greatest opportunities in our chosen sectors will be and have established a presence in those regions. Our offices in the USA, Canada, Australia and South Africa place us in the centres of global mining and liquefied natural gas ("LNG") activity. The "hub and spoke" approach remains our model for the continent of Africa, with Zambia, Ghana and Mozambique the regional hubs. Mozambique remains a specific target country based on the significant opportunity associated with medium-term LNG developments. Outside of the regions where we are established, our business platforms follow their clients on a project-by-project basis.

This exposure to different market sectors and regions gives the Group some measure of protection against economic cyclicality. However, the Group's order book at the end of FY2015 decreased to R38,3 billion from R40,9 billion in FY2014, which reflects the impact of weak commodity markets and challenging global economic conditions.

The drop off in project activity and value of work being undertaken in the Australian LNG sector, as construction work on several large greenfields projects reaches completion, was anticipated. However, this came a year earlier than expected and was more pronounced due to the collapse in the oil price, which constrained the capital and operational expenditure of LNG producers. This resulted in reduced margins on current projects, project scope reductions and project deferrals. Following the LNG construction boom of the last few years, the market in Australia is transitioning to smaller commissioning, maintenance and brownfields opportunities to support the LNG facilities that have been constructed. The Oil & Gas platform's future work stream has now returned to a more conventional order book profile, representing orders with lower project values, although buffered by its market-leading share of the commissioning market in Australia.

To counter its reduction in earnings from the Australasia region, the Oil & Gas platform is diversifying and building critical mass in the international oil and gas market, which provides significant opportunity given that the Australasian LNG market currently accounts for less than 10% of the world market. Strong relationships established with major global LNG clients during the boom period in Australasia position it well to win work in other high-growth regions, specifically the USA, Canada and Africa. This platform is also focused on establishing a track record of successful delivery of major marine projects across the globe, which include facilities for LNG and metals and minerals imports and exports.

After an extended super-cycle, the downturn in commodities demand and prices has been swift and the commodities markets have remained weak in the last few years. But with the Underground Mining platform showing order book growth in FY2015, there was some evidence of a rebound of project activity in this sector, especially for infrastructure replacement work on operating mines. Significant additions to the Underground Mining platform order book included the R3 billion Booysendal and the R4,8 billion Kalagadi Manganese contract mining awards in South Africa, and the R1,3 billion Goderich shaft refurbishment project in Canada.

Although low commodity prices are likely to constrain investment in new mines, most of the work undertaken by the Underground Mining platform is infrastructure replacement work, which is required by operating mines to maintain competitive production. We are starting to see increasing demand for infrastructure replacement work.

Looking further ahead, the pipeline of mining projects is considerable as and when the commodities cycle begins to turn. The Underground Mining platform is strongly positioned, with established relationships with top-tier mining clients active in all key commodities. The platform is also well entrenched in the regions where a recovery in project activity is expected and operational risks are lower, specifically in Canada and Australia. It has also strengthened its presence in Zambia which is providing an effective springboard into other sub-Saharan Africa countries.

In the Power & Water platform, the importance of replacing the Medupi and Kusile power station work remains front of mind. These projects will continue to provide baseload work until 2018 and we intend to leverage the competencies we have developed into other African markets. In this regard it is worth noting that Medupi and Kusile are two of the largest coal-fired power stations constructed anywhere in the world. We are also focusing on growing our track record in renewable energy, including solar and wind, and the recent developments in the nuclear power sector in South Africa, with the selection of country and technology partners expected by the end of calendar year 2015, may present further opportunities in the long term.

GROUP CHIEF EXECUTIVE'S AND FINANCIAL DIRECTOR'S REPORT CONTINUED

After further research undertaken during the year, we remain convinced that the industrial water sector presents an attractive growth opportunity for the Power & Water platform and the Group. Due to the technical demands of succeeding in this sector, an acquisition presents the best entry option. As such, we acquired a niche company, Aquamarine, to test our thinking in respect of this sector's potential. Aquamarine has capabilities in water treatment processes ranging from conventional water treatment to specialised reverse osmosis, desalination and ultra-filtration systems, all of which are designed and manufactured by in-house engineers. This acquisition did not only achieve a modest entry into the water sector, but also enables the Power & Water platform to offer services across the project value chain.

DIVERSIFY THE GROUP'S BUSINESS MODEL

We are diversifying our business model by enhancing our specialist engineering, commissioning and asset support capabilities to complement our construction capabilities. These services yield higher margins and carry lower risk than services provided in the construction segment of the project value chain. They will also enable us to extract more value from a single project by providing a comprehensive range of services during the development and life of that project. These capabilities will be strengthened through the bolt-on acquisition of small specialist companies.

Importantly, the ability to offer more complete project solutions is key in securing repeat business with global clients in the different regions in which they are active. It also provides greater visibility and control over more of the project delivery process, allowing for better risk identification and mitigation and ultimately more effective project outcomes. This corresponds with the emphasis that our business platforms are placing on becoming more client focused.

"AN IMPORTANT ASPECT OF OUR COMMITMENT TO *ENGINEERED EXCELLENCE* IS TO CONTINUE IMPROVING OUR PROJECT MANAGEMENT, RISK AND COMMERCIAL MANAGEMENT CAPABILITIES, AND TO ENSURE A CONSISTENT STANDARD OF EXCELLENCE ACROSS OUR BUSINESS PLATFORMS IN THIS REGARD."

During the year the Oil & Gas platform made two bolt-on acquisitions to expand their specialist engineering capabilities, CH-IV (USA-based) and Booth Welsh (UK-based), which are performing to expectations. Both are highly competent companies whose niche products and services add value to the platform's existing capabilities. In turn, they will benefit from the platform's shared services, robust balance sheet and global footprint in transforming their growth prospects.

The Oil & Gas platform is planning to grow its commissioning and maintenance business based in Australia, which was established through the acquisition of e_2o in 2013, into every geographical region in which it operates. e_2o is a leading multi-disciplinary technical service provider in completions, commissioning and operational support for the oil and gas, mining and heavy industry sectors.

The Underground Mining platform grew its complement of engineering staff during the year, strengthening its capability to provide services across the full "life-of-mine" value chain, encompassing upstream engineering (design), construction of the mine (build), downstream contract mining (operate) and infrastructure replacement work. Furthermore, it established a new services business in the USA to provide engineering, procurement and construction ("EPC") services for bulk material handling systems to the mining and minerals sectors, and made further inroads into the European market with its engineering-led project service offering.

The Infrastructure & Building platform is extending its business model by re-entering the development segment of the project value chain. It will focus on commercial, retail, industrial and residential markets in major urban centres, primarily in South Africa but also elsewhere in sub-Saharan Africa, in partnership with selected property developers. During the year it made an investment in a residential property development project alongside one of the top investment managers in South Africa, and is targeting similar opportunities to leverage its existing skills for better margins. It is also investigating opportunities to move into asset management services for large property owners, thereby securing an additional annuity-type income stream.

DELIVER PROJECT AND COMMERCIAL EXCELLENCE

An important aspect of our commitment to *Engineered Excellence* is to continue improving our project management, risk and commercial management capabilities, and to ensure a consistent standard of excellence across our business platforms.

We recognise that having the right people in place is paramount to project performance. Even the best business systems cannot replicate the value of hands-on management, who are able to accurately assess the potential impact of risks and the difficulties that arise over the course of a project and implement immediate and effective remedies. As such, we continue to support the development of our people to achieve best practices in project management.

GROUP CHIEF EXECUTIVE'S AND FINANCIAL DIRECTOR'S REPORT CONTINUED

The Group has developed and implemented a project management framework for project delivery, which describes the minimum requirements that each of the businesses in the Group must meet, and this framework is integrated into the Group's risk management approach. In our South African operations, we offer two project management training programmes certified by the Project Management Institute, and during the year the Oil & Gas platform launched the Clough Project Academy, with the programme being certified by Stanford University.

We recognise that these project management requirements need to be more rigorously applied in some of our South African operations, which is receiving specific attention. Whereas our project losses have declined substantially over the past four years, we believe they are still unacceptably high. Besides the negative impact on the Group's profitability and on our client relationships, distressed projects cause significant internal disruption and divert a disproportionate amount of management's attention away from strategic execution. This is besides the considerable time and money that is required to pursue claims that arise from contractual disputes.

Difficult market circumstances and poor project execution during the year in the Power & Water business platform, which was not aligned with the concept of *Engineered Excellence*, ultimately led to a substantial restructuring of this platform. After the refocusing of its scope, changing its executive leadership and rationalising its cost structure, the restructured Power & Water platform will provide a more stable basis from which to pursue growth opportunities.

ENHANCE THE SAFETY, PERFORMANCE AND DIVERSITY OF OUR PEOPLE

Safety performance is of specific importance to the Group and to our clients. Good safety outcomes are not only a moral obligation, but position us as a contractor of choice. Our consistent focus on safety has maintained the Group's lost time injury frequency rate ("LTIFR") at an industry-leading level of 0.79 against our target of 0.80 at 30 June 2015, compared to 0.80 in FY2014. A specific focus was on improving lead indicators, which saw an increase in VFL engagements across the Group compared with the previous financial year.

However, it is with deep regret that we recorded four fatalities in the year. Without exception, the leaders of Murray & Roberts consider fatalities to be the most distressing feature of their roles within our Group. We continue to believe that Zero Harm is possible notwithstanding the challenging environments in which our employees operate, a belief galvanised by some exceptional safety performances across the Group. These included two LTI-free years at Murray & Roberts Botswana, RUC Cementation and Murray & Roberts Plant, and one LTI-free year at Murray & Roberts Infrastructure and Genrec Engineering.

To intensify our efforts to eliminate fatalities and ensure that our safety performance does not plateau, the first Group safety conference was held in May 2015, which gave more than 60 of our leaders from across the Group the opportunity to share ideas and best practices. The conference identified key focus areas for FY2016, which included every leader in the Group making a personal commitment to improving safety. A Safety Stand Down was held across all Murray & Roberts operations during July 2015 to support the rollout of these initiatives. The most significant intervention during FY2016 will be the implementation of our Major Accident Prevention ("MAP") programme aimed at improving the management of fatal risks.

The Group has standards in place to manage occupational health risks within all our businesses. Following the launch last year of our comprehensive employee health and wellness programme, Philisa Care, in our South African operations, we implemented the second phase of the programme with a focus on medical surveillance, executive medicals, alcohol and drug testing and screening for HIV and TB. Similar programmes, which integrate the various elements of occupational health and wellness management to proactively manage associated risks, are in place at operations across the Group.

More broadly, we continue to improve our employee value proposition and strive to create an environment that attracts and retains the people with the skills and values required to embrace the concept of *Engineered Excellence* and to achieve our strategic objectives. A pleasing corroboration of our people management practices in South Africa was provided by the Deloitte Best Company to Work For Survey, in which we achieved the standard of excellence recognition, with our employees rating us as an employer of choice.

Training and development remains a key focus for the Group to ensure our employees are able to perform their duties effectively and safely, and to help them achieve their individual potential. Each business' managing director, supported by the human resources function, is accountable for ensuring that appropriate training is provided to employees to enable them to effectively perform their duties. We spent a total of R93 million in FY2015 on training and development, equating to 1% of payroll. In South Africa alone R78 million was spent on training and development equating to 2% of payroll.

In the South African businesses the Group has implemented an Employee Relations Framework, providing guidelines to assist them in establishing meaningful relationships with employees and stakeholders. This aims to reduce the risk of labour disruptions and ensure optimal organisational performance. The goals of the framework are engaged employees, capable leaders and being an equitable employer. Implementation of this framework achieved encouraging results at the Kusile power station project where it was first rolled out.

The Group maintained its consolidated BBBEE rating at Level 2 measured against the Construction Sector Charter, despite the low economic growth in South Africa which is not conducive to accelerating our employment equity performance. Whereas we did not meet our stringent transformation targets of appointments and promotions of 60% at senior management, 70% at middle and 80% at junior management being historically disadvantaged South Africans, we made good progress at middle management level with a 4% increase overall in our headcount when compared to FY2014.

Ultimately, it is the calibre of our leaders that will ensure we achieve our strategic objectives. We therefore continue to develop our leadership capability at all levels, with specific focus on sufficient bench strength and succession planning, especially at business platform level. Our Leadership Development Framework assists us in building strong individual leaders, and articulates the leadership characteristics required to fulfil our purpose and vision, and to live our values. We also have a well-developed system in place to identify talent and develop young leaders from within the Group. This is important given the difficulty we are experiencing in recruiting suitable talent in several of our South African businesses. We spent R4.2 million on our various leadership development programmes across the Group in FY2015, down slightly from last year.

ENHANCE SHAREHOLDER VALUE

The Group will continue to pursue opportunities in the global natural resources market sectors, active in all the segments of the engineering and construction project value chain. This requires that we reposition the Group in the minds of our stakeholders. The contribution to Group revenue and earnings from our international businesses has grown steadily over the last few years, and this trend is set to continue given the growth opportunities in international markets, relative to opportunities in South Africa.

In terms of organic growth, we have outlined the opportunities each of our business platforms have identified and their plans to pursue them. Supporting these efforts will be a concerted drive to ensure operational excellence. Importantly, we will focus on reducing project losses through improved commercial and project management.

We do expect a more challenging FY2016 and the Group's declining order book over the past few years reflects the reality of a subdued global economy and weak demand for commodities, coupled with low investment in fixed capital formation in South Africa.

Order book: near orders and pipeline (R billion)

		Pipeline			
	ORDER BOOK	NEAR ORDERS	CATEGORY 1	CATEGORY 2	CATEGORY 3
INFRASTRUCTURE & BUILDING	7,1	2,0	12,0	61,6	40,0
POWER & WATER	6,0	–	14,0	12,7	21,2
UNDERGROUND MINING	16,8	5,2	29,2	11,8	22,5
OIL & GAS	8,4	0,7	20,1	7,6	163,9
	38,3	**7,9**	**75,3**	**93,7**	**247,6**

Pipeline definition

NEAR ORDERS
Tenders where the Group is the preferred bidder and final award is subject to financial/commercial close. There is more than a 95% chance that these orders will be secured.

CATEGORY 1
Tenders the Group is currently working on (excluding near orders). Projects developed by clients to the stage where firm bids are being obtained. Chance of being secured as firm orders a function of final client approval as well as bid strike rate.

CATEGORY 2
Budgets, feasibilities and prequalifications the Group is currently working on. Although project planning is underway, projects are not at a stage yet where they are ready for tender.

CATEGORY 3
Opportunities which are being tracked and are expected to come to the market in the next 36 months. Identified opportunities that are likely to be implemented, but still in pre-feasibility stage.

Our organic growth potential is reflected in the table below, where order book value represents secured work, near orders the value of projects where preferred bidder status has been achieved, and the pipeline captures the value of projects for which tenders, budgets or feasibility work have been undertaken, as well as projects being tracked and that are anticipated to come to market within the next three years.

Our relative balance sheet strength will enable us to extend the success of our bolt-on acquisition strategy, as we grow our capability to provide services in all segments of the project value chain. Given the limitations of organic growth in the short to medium term, we will also consider larger strategic growth acquisitions that fit the Group strategy. This balance sheet strength and greater business stability, achieved through the Group's earlier *Recovery & Growth* strategy, enabled the Board to approve a new dividend policy. In terms of this policy the Board will consider paying an annual dividend, of between three and four times earnings cover.

Despite the challenges we will no doubt face in the years ahead, the Group is well placed to realise our vision for 2020, given the commitment to driving *Engineered Excellence* and enhancing shareholder value across the Group.

We thank our executive team and all of our employees for their contribution to the progress made in the year in pursuit of a *New Strategic Future* for the Group. In particular, we thank the Board for its valued counsel and leadership as we focus our efforts on becoming a leading international diversified engineering and construction Group.

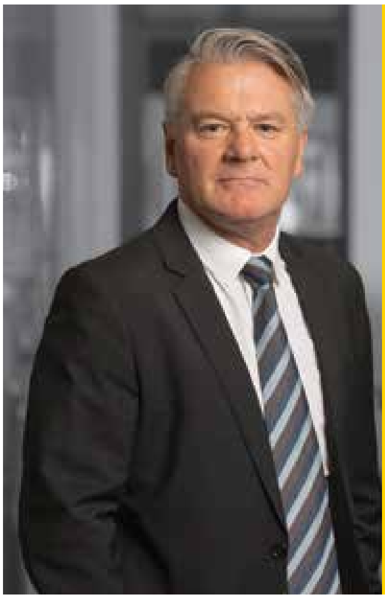
HENRY LAAS
GROUP CHIEF EXECUTIVE

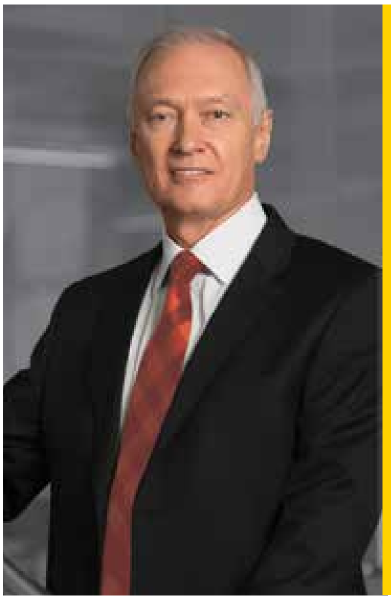
COBUS BESTER
GROUP FINANCIAL DIRECTOR

GROUP EXECUTIVE









COBUS BESTER

GROUP FINANCIAL DIRECTOR

Cobus joined the Group in 2006 following the acquisition of Concor and was appointed to the Board and as Group financial director in July 2011. Cobus is a director of Murray & Roberts Limited, the chairman of Murray & Roberts International Holdings, and a director of Clough Limited. Cobus is the chairman of the Bombela Operating Company and has overall management responsibility for Murray & Roberts Concessions.

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

COMMITTEE PARTICIPATION
Audit & sustainability
Remuneration & human resources
Risk management
Social & ethics

JEROME GOVENDER

BUSINESS PLATFORM CHIEF EXECUTIVE OFFICER

Jerome joined the Group in 2002 and was appointed to the executive committee on 1 August 2012. He is responsible for the Infrastructure & Building business platform.

- Murray & Roberts Construction
- Murray & Roberts Concessions
- Murray & Roberts Middle East

COMMITTEE PARTICIPATION
Health, safety & environment

HENRY LAAS

GROUP CHIEF EXECUTIVE

Henry joined the Group in 2001 and was appointed to the Board and as Group chief executive in July 2011. Henry is a director of Murray & Roberts Limited, Murray & Roberts International Holdings and of Clough Limited.

- Sustainable delivery of Group strategy and performance

COMMITTEE PARTICIPATION
Audit & sustainability
Health, safety & environment
Nomination
Remuneration & human resources
Risk management
Social & ethics

ORRIE FENN

BUSINESS PLATFORM CHIEF EXECUTIVE OFFICER

Orrie joined the Group and was appointed to the executive committee in 2009. He is the executive director responsible for the Underground Mining business platform.

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

COMMITTEE PARTICIPATION
Health, safety & environment

STEVE HARRISON

BUSINESS PLATFORM CHIEF EXECUTIVE OFFICER

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

- Aquamarine
- Genrec Engineering
- Murray & Roberts Power & Energy
- Murray & Roberts Water

COMMITTEE PARTICIPATION
Health, safety & environment

THOKOZANI MDLULI

HEALTH, SAFETY & ENVIRONMENT EXECUTIVE

Thokozani joined the Group in 2010 and was appointed to the executive committee in 2013. He is responsible for health, wellness, safety and environment. Thokozani oversees the Group's BBBEE verification and transformation plans.

- Health, safety and environment
- Wellness
- BBBEE

COMMITTEE PARTICIPATION
Health, safety & environment
Social & ethics

KEVIN GALLAGHER

BUSINESS PLATFORM CHIEF EXECUTIVE OFFICER

Kevin joined the Group in 2011 and was appointed to the executive committee on 11 December 2013. He is responsible for the Oil & Gas business platform.

- Booth Welsh
- CH-IV
- Clough
- CMR Marine
- e_2o

COMMITTEE PARTICIPATION
Health, safety & environment

IAN HENSTOCK

COMMERCIAL EXECUTIVE

Ian joined the Group and was appointed to the executive committee in 2008. He is the corporate executive responsible for the assurance, commercial, legal and risk portfolios. Ian is a director of Murray & Roberts International Holdings, a director of Clough Limited and chairman of Genrec Engineering.

- Commercial
- Forensics
- Internal audit, legal, compliance and ethics
- Risk and insurance

COMMITTEE PARTICIPATION
Audit & sustainability
Risk management
Social & ethics

ANDREW SKUDDER

SUSTAINABILITY EXECUTIVE

Andrew joined the Group in 2004 and was appointed to the executive committee in 2008. He is responsible for the Group's sustainability strategy. Andrew is a director of the Underground Mining business platform companies and trustee of the Murray & Roberts Retirement Fund.

- Branding and communications
- Community development
- Remuneration and benefits
- Strategy
- Sustainability
- Talent management

COMMITTEE PARTICIPATION
Remuneration & human resources
Social & ethics