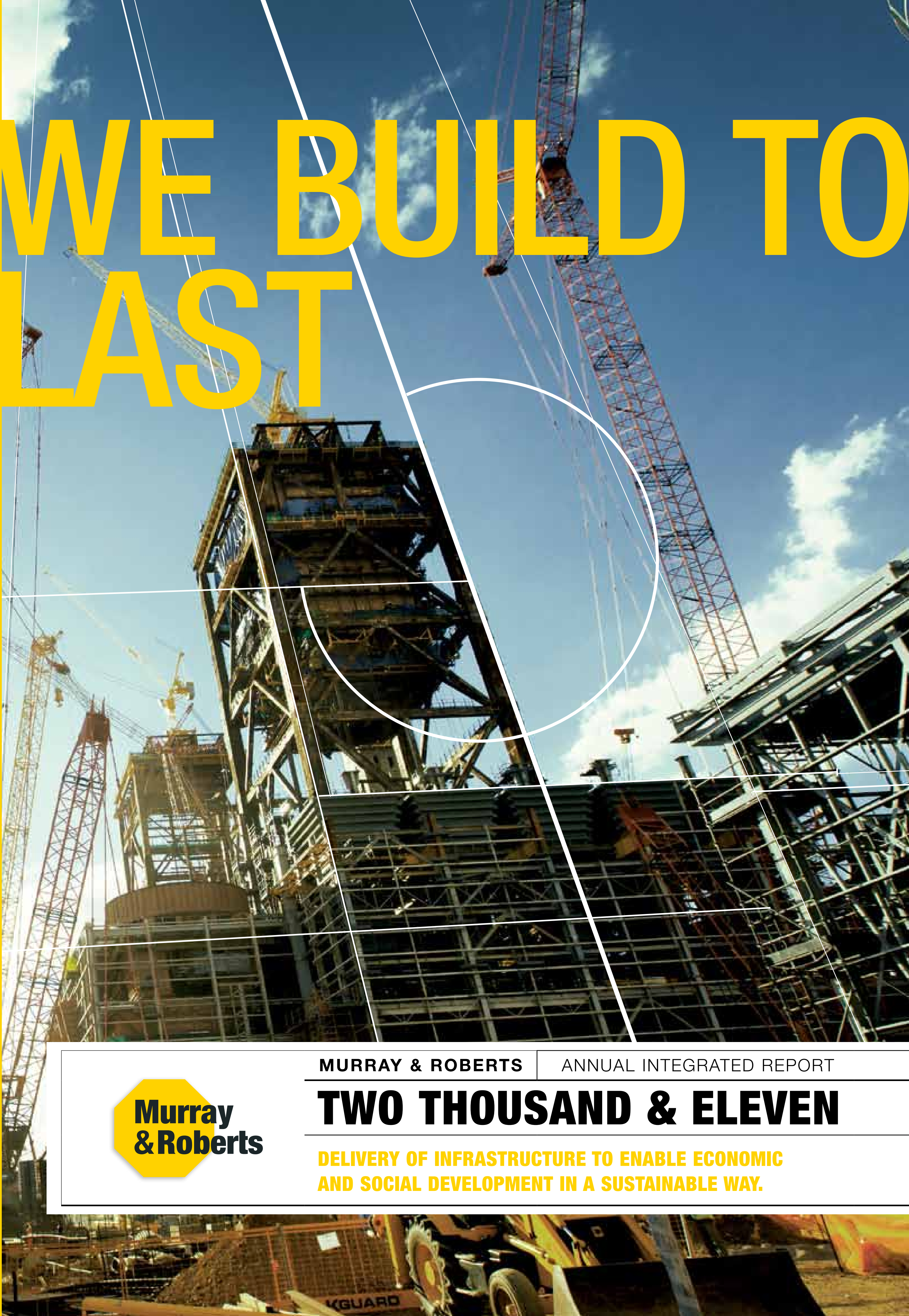


# WE BUILD TO LAST

MURRAY & ROBERTS | ANNUAL INTEGRATED REPORT

Murray & Roberts

# TWO THOUSAND & ELEVEN

**DELIVERY OF INFRASTRUCTURE TO ENABLE ECONOMIC AND SOCIAL DEVELOPMENT IN A SUSTAINABLE WAY.**

# TABLE OF CONTENTS



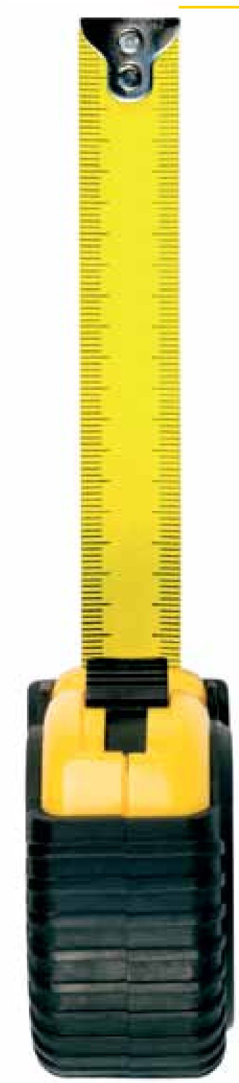
**REVENUES UP**

# 10% to 30,5 BILLION(R)

from continuing operations

**DUE TO LIQUIDITY POSITION**

# NO DIVIDEND DECLARED

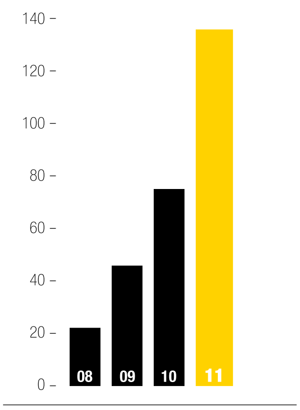


**CORE BUSINESS PROFITABLE WITH NORMALISED EBIT (EXCLUDING UNUSUAL COSTS AND CHARGES) AT OVER**

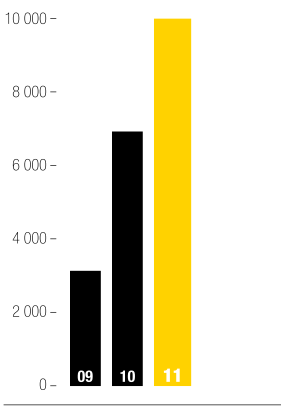
PAGE 37

# 1,3 BILLION(R)

**ENTERPRISE DEVELOPMENT CONTRIBUTIONS (R MILLIONS)**




**PREFERENTIAL PROCUREMENT (R MILLIONS)**

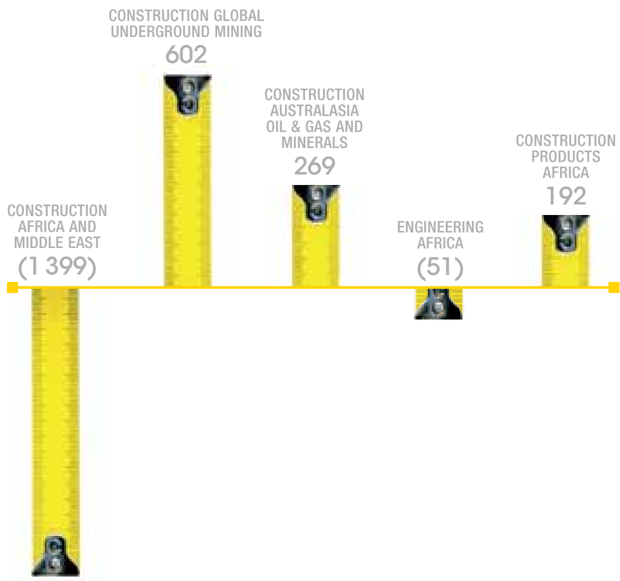



**OPERATING LOSS OF**

**R678 million** after charges and costs of **R1 975 million including:**

- Provision for possible Competition Commission penalties after submission of previously unknown possible transgressions
- Increased cost to complete and delay penalties on Gautrain Rapid Rail Link
- Contract completion costs on Gorgon Pioneer Materials Offloading Facility in Australia
- Impairment of contract receivables in Middle East
- Impairment of assets in Construction Products Africa

**EBIT PER OPERATING PLATFORM FOR THE YEAR ENDED 30 JUNE 2011 (R MILLIONS)**




**INVESTMENT IN TRAINING AND SKILLS DEVELOPMENT DOWN MARGINALLY**

PAGE 53

# 116 MILLION(R)

**CONSOLIDATED BBBEE RATING**

PAGE 56

# LEVEL 4 CONTRIBUTOR

**LEADERSHIP**

## Successful leadership transition with new Group executive team in place

**CLEAR STRATEGY FOR**

PAGE 32

# RECOVERY & GROWTH

**GROUP ORDER BOOK AT YEAR-END**

PAGE 29

# 55 BILLION(R)

**PROGRESS ON**

# RESOLUTION OF MAJOR CLAIMS

**HENRY LAAS /// GROUP CHIEF EXECUTIVE**

PAGE 33

## "OUR STRENGTH LIES IN OUR PEOPLE."

# ABOUT THIS REPORT

## ROY ANDERSEN /// GROUP CHAIRMAN

**"We enthusiastically embrace the 2009 King Code of Governance Principles (King III), effected in March 2010, and take pleasure in releasing our first integrated report. The Board fully subscribes to King III's guiding principles of giving all stakeholders greater insight into the sustainability of our business and the state of the markets in which we operate, as well as frankly and factually reflecting the risks and opportunities we face. As envisaged by King III, the integrated reporting process is a journey, one on which we embark not with trepidation but with enthusiasm. We welcome feedback on our reporting practices and standards."**

## IN PREPARING OUR FIRST ANNUAL INTEGRATED REPORT, WE HAVE SOUGHT TO TELL THE STORY OF THE YEAR ENDED 30 JUNE 2011 COMPREHENSIVELY AND CONCISELY.

We have provided material disclosure on governance, ethics, strategy, risk, opportunity and remuneration in relation to our financial, economic, ethical, social and environmental performance and prospects at Group and operating level. It is our hope that our annual integrated report will set the basis for meaningful engagement with our stakeholders in the year ahead.

We recognise that we have some way to go before we can report against a set of issues material to our stakeholders, which have been confirmed as such through our engagement with them. To this end, we have made a strong start on formulating a stakeholder engagement strategy that will be implemented in the year ahead, both at Group level and within our operating platforms.

The issues reported on in our annual integrated report have been identified through an internal process of engagement with executive management across the business. This aimed to determine what would substantively influence the sustainability of Murray & Roberts, and the assessments and decisions of our stakeholders.

The information included in the annual integrated report has been provided in accordance with International Financial Reporting Standards (IFRS), the South African Companies Act 2008, the JSE Listings Requirements, the King Code of Governance Principles for South Africa 2009 and the guidance provided in the Integrated Reporting Committee of South Africa's Framework for Integrated Reporting and the Integrated Report Discussion Paper (Framework) released on 25 January 2011.

We again used the Global Reporting Initiative (GRI) G3 guidelines in preparing our annual integrated report. This year, our report rates as a self declared B+ level report in terms of the GRI.

**For a full GRI table go to**
http://www.murrob-online.co.za/murrob_ar2011/gri.php

The scope of our annual integrated report covers the financial and non-financial performance of operating subsidiaries over whose operating policies and practices Murray & Roberts exercises control or significant influence, according to the Group structure provided on page 08. The report includes Clough, which has an independent board of directors.

It has been necessary to restate comparative data from prior years due to the operational streamlining undertaken. This entailed some of our operating companies being moved to different operating platforms, or being moved from Corporate and Properties into the relevant operating platforms. These changes are also discussed in the Group chief executive's report. Restatements were also required due to the disposal of non-core assets, which is covered in the Group financial director's report on page 37.

We undertake to continuously improve our reporting systems and measures and to provide useful and accurate information. The data provided is collected from the Group's many operations around the world. In some cases, grouped data is not strictly comparable. Statistics in this report are for the 12-month period ended 30 June 2011, unless otherwise stated.

The Group is moving to a combined assurance model for the annual integrated report. Our external auditors, Deloitte & Touche, audited the annual financial statements and certain information related to sustainability included in this year's report. They were also asked to review a draft of the annual integrated report to assess it against the Framework and the disclosure requirements in King III. The review commended the progress made towards integrated reporting while preserving a structure familiar to those who have followed the Group for many years. Key recommendations made in the assessment were incorporated where possible. In addition, as part of the internal audit engagement, KPMG Climate Change and Sustainability Services (KPMG) were tasked with assessing the quality and integrity of selected sustainability performance indicators in terms of collection and reporting at selected operating companies. Work is required to improve the accuracy, completeness and reliability of sustainability information and recommendations made by KPMG will be addressed. The broad-based black economic empowerment rating and score card has been verified by accredited rating agency, EmpowerLogic.

The audit & sustainability committee had oversight of the preparation of the annual integrated report and recommended it for Board approval, which was obtained on 31 August 2011.

PAGE 130 For the report of the chairman of the audit & sustainability committee.

PAGE 132 For the independent auditor's report.

PAGE 126 For the sustainability assurance statement.

PAGE 29 For important information on the Group's prospects in this report.

**WE RECOGNISE THE INCREASING IMPORTANCE OF THE ONLINE PLATFORM IN COMMUNICATING WITH AND REPORTING TO OUR STAKEHOLDERS.**

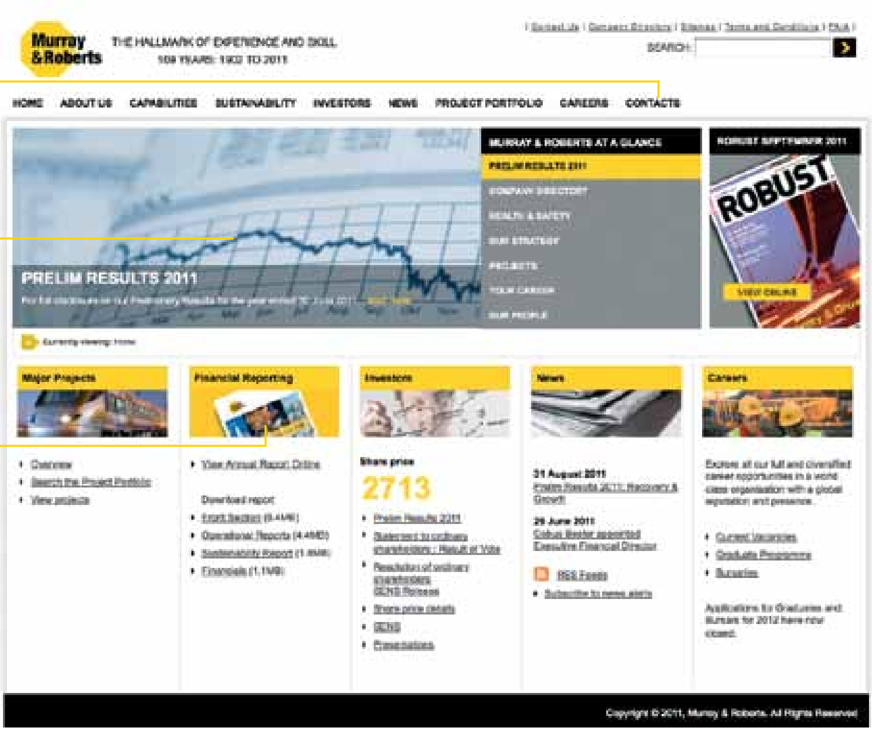
Below we provide an indication of the additional information that can be accessed on our website

**WWW.MURROB.COM**

**A FEEDBACK FORM** and contact details for comments, suggestions and queries from stakeholders can be found **HERE**

**ANNUAL RESULTS,** interim announcements and analyst presentations can be found **HERE**

**OUR PAST ANNUAL** and sustainability reports can be found **HERE**




**HENRY LAAS /// GROUP CHIEF EXECUTIVE**

**"The Board and executive team are of one mind in believing that substantive, integrated reporting in terms of King III and the Integrated Report Discussion Paper will give all our stakeholders an accurate and meaningful understanding of our business, its place in society and its sustainability. Murray & Roberts' first integrated report will, I believe, stand up to scrutiny and will be subject to improvement in the years ahead based on the feedback we receive. But we have made a strong start. We take pride in the steps we have taken this year to build on the effort of past years to assist our stakeholders to assess, in the broader scope, the true economic value of our business."**

# OUR PURPOSE, VALUES & VISION

**THROUGH A CONSULTATIVE PROCESS, THE NEW LEADERSHIP TEAM HAS REDEFINED PRECISELY OUR PRIMARY STATEMENT OF PURPOSE,** the common values that bind the Group and inform our every interaction, and our vision for the future. These tenets of the Murray & Roberts business philosophy are explained in the pages that follow.

## DELIVERY OF INFRASTRUCTURE[1] TO ENABLE ECONOMIC AND SOCIAL DEVELOPMENT[2] IN A SUSTAINABLE WAY[3].

### [1] DELIVERY OF INFRASTRUCTURE MEANS:

- We support infrastructure delivery through our core competency of engineering and construction, and through the provision of selected construction products and operations.
- This is underpinned by growing global demand for transport and logistics, power and energy, water and sanitation, telecommunications, health and education, accommodation and facilities, and mineral extraction and beneficiation infrastructure.
- Infrastructure owners rely on the various stakeholders within the built environment to develop, finance, design, engineer, construct, operate and supply inputs for delivery of infrastructure.

### [2] ECONOMIC AND SOCIAL DEVELOPMENT MEANS:

- The built environment and the infrastructure associated with it is core to quality of life and prosperity.
- The engineering and construction sector and its value chain creates and sustains jobs, contributes to national fiscal revenue and seeks to improve the wellbeing of the many citizens employed by the sector.
- Without infrastructure, sustainable economic and social development is not possible.

### [3] IN A SUSTAINABLE WAY MEANS:

- Murray & Roberts is influenced by society and the environment and through its business activities has an impact on society and the environment.
- We aspire to operate in an ethical and sustainable way by considering the concerns of our stakeholders, understanding our risks and opportunities, and managing our social and environmental impact.
- Our framework for sustainability (below) provides the business model we employ in pursuing our goals and aspirations.

**INTEGRATED REPORT**

| SOCIAL | ENVIRONMENTAL | ETHICAL |
|---|---|---|
| **SOCIAL** // Health & safety // Employees // Transformation and local economic development // Community development | **ENVIRONMENTAL** // Resource efficiency and carbon footprint // Emissions, releases and waste management | **ETHICAL** // Human rights // Unfair discrimination and equality // Fraud, corruption and anti-competitive behaviour // Unfair business practices |

**FINANCIAL AND ECONOMIC SUSTAINABILITY**

**GOVERNANCE STRUCTURE**

**RISKS & OPPORTUNITIES AND STAKEHOLDER ENGAGEMENT**

# OUR VALUES

## THE MURRAY & ROBERTS VALUES ARE THE ULTIMATE GUIDE OF OUR INTENT AND ACTIONS. THEY ALIGN AND UNITE ALL OUR PEOPLE ACROSS OUR DIVERSE OPERATING PLATFORMS.

### CARE

**//** Care for our people by prioritising their safety and wellbeing above all else and ensuring they have the necessary tools and training to carry out their work safely and effectively **//** Care for our customers and stakeholders through striving for delivery excellence, on time and in budget **//** Care for the environment by minimising the potentially negative impacts of our activities.

### INTEGRITY

**//** Being consistent in our actions and adhering to our core values **//** Conducting our business undertakings honestly, openly, directly and ethically.

### RESPECT

**//** Appreciating the environment in which we operate **//** Acknowledging others' differences **//** Treating each other with trust and dignity.

### ACCOUNTABILITY

**//** Taking responsibility for our actions **//** Being transparent in keeping record of our activities and in our disclosure **//** Being answerable for our actions.

### COMMITMENT

**//** Our belief in what we do **//** Hard work and dedication to the tasks undertaken **//** Ensuring we deliver on what we have promised.

## OUR PURPOSE, VALUES & VISION continued

# BY 2020 WE WILL BE THE LEADING[1] DIVERSIFIED ENGINEERING AND CONSTRUCTION[2] GROUP: IN THE GLOBAL UNDERGROUND MINING MARKET AND IN SELECTED EMERGING MARKET NATURAL RESOURCES AND INFRASTRUCTURE SECTORS[3].

### [1] LEADING MEANS:

FINANCIAL
- Satisfied shareholders through value creation
- Achievement of business objectives

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

RELATIONSHIP
- Stakeholder partnerships leveraged for growth
- Internal and external trusting and open relationships
- Employer of choice

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

RISK
- Recognised for outstanding health, safety and environment results
- Effective risk management

### [3] OUR TARGET MARKETS:

- **GLOBAL** UNDERGROUND MINING We will leverage our existing global footprint and co-operate to share best practice, specialised personnel and equipment.
- **EMERGING MARKETS** NATURAL RESOURCES AND INFRASTRUCTURE A growing global population, urbanisation and ageing infrastructure are driving demand for infrastructure and natural resources, with Africa as a key focus for growth.

### [2] DIVERSIFIED ENGINEERING AND CONSTRUCTION GROUP MEANS:

reduce our risk profile and operate sustainably in a cyclical industry through diversification of geographic footprint, market segment focus and value chain positioning, as shown below:

**ENGINEERING AND CONSTRUCTION**

| MINING & MINERALS | INDUSTRIAL | INFRASTRUCTURE | BUILDING |
|---|---|---|---|
| Extraction // Benefaction | Oil & Gas // Petrochemical | Power // Transportation (road & rail) // Water // Marine | Mixed use // Non-residential |

RAW MATERIALS ▶ CONSTRUCTION PRODUCTS ▶ CONSTRUCTION PARTS ▶ PROJECT DEVELOPMENT AND DESIGN ▶ PLANNING/ ENGINEERING ▶ CONSTRUCTION WORKS ▶ OPERATIONS AND FACILITY MANAGEMENT ▶ MAINTENANCE AND REFURBISHMENT

**MURRAY & ROBERTS** is active in nearly every segment of the engineering and construction value chain.

# IN SUMMARY

## MURRAY & ROBERTS IS A GROUP OF WORLD-CLASS COMPANIES AND BRANDS ALIGNED TO THE SAME PURPOSE AND VISION, AND GUIDED BY THE SAME SET OF VALUES.

**STOP.THINK: SAFETY FIRST IN EVERYTHING WE DO**

WE HAVE ALIGNED OUR STRUCTURE TO SUPPORT OUR STRATEGY FOR *RECOVERY & GROWTH*. WE HAVE MOVED AWAY FROM THE CONCEPT OF BUSINESS CLUSTERS TO FOCUSED OPERATING PLATFORMS THAT GROUP BUSINESSES BY SIMILAR TYPES OF WORK AND CORE COMPETENCIES.

- **CONSTRUCTION AFRICA AND MIDDLE EAST**
- **CONSTRUCTION GLOBAL UNDERGROUND MINING**
- **CONSTRUCTION AUSTRALASIA OIL & GAS AND MINERALS**
- **ENGINEERING AFRICA**
- **CONSTRUCTION PRODUCTS AFRICA**

### OUR VALUES

Care Integrity Respect Accountability Commitment

### OUR PURPOSE

Delivery of infrastructure to enable economic and social development in a sustainable way.

### OUR VISION

By 2020 we will be the leading diversified engineering and construction group:

- in the global underground mining market, and
- in selected emerging market natural resources and infrastructure sectors.

| ZAYED UNIVERSITY /// **UNITED ARAB EMIRATES**

# STRUCTURE & CAPABILITY

## FIVE DIVERSE OPERATING PLATFORMS FOR SUSTAINABLE GROWTH

### ⊖ CONSTRUCTION GLOBAL UNDERGROUND MINING

**COMPANIES**

PAGE 80

MURRAY & ROBERTS CEMENTATION
CEMENTATION CANADA
RUC CEMENTATION
CEMENTATION SUDAMÉRICA

**GEOGRAPHY** AFRICA // AUSTRALIA // AMERICAS

**SEGMENTS** Metals & minerals

**VALUE CHAIN**

- Planning/engineering
- Construction works
- Operations and facility management

### ✦ CONSTRUCTION PRODUCTS AFRICA

**COMPANIES**

PAGE 92

HALL LONGMORE
BUILDING PRODUCTS – OCON AND TECHNICRETE
MUCH ASPHALT
ROCLA
UCW (PREVIOUSLY INCLUDED IN CORPORATE AND PROPERTIES)

**GEOGRAPHY** AFRICA

**SEGMENTS** Metals & minerals // Industrial // Infrastructure // Building

**VALUE CHAIN**

- Construction works

### ◈ ENGINEERING AFRICA

**COMPANIES**

PAGE 88

MURRAY & ROBERTS PROJECTS
WADE WALKER
CONCOR ENGINEERING (PREVIOUSLY INCLUDED IN CONSTRUCTION SADC CLUSTER)
GENREC

**GEOGRAPHY** AFRICA

**SEGMENTS** Industrial // Metals & minerals

**VALUE CHAIN**

- Project development and design
- Planning/engineering
- Construction works
- Maintenance and refurbishment

## ☐ CONSTRUCTION AFRICA AND MIDDLE EAST

**COMPANIES**

PAGE 74

MURRAY & ROBERTS CONSTRUCTION
MURRAY & ROBERTS MARINE (PREVIOUSLY INCLUDED IN ENGINEERING SADC CLUSTER)
MURRAY & ROBERTS MIDDLE EAST (PREVIOUSLY REPORTED SEPARATELY)
MURRAY & ROBERTS CONCESSIONS (PREVIOUSLY INCLUDED IN CORPORATE AND PROPERTIES)
TOLCON (PREVIOUSLY INCLUDED IN CORPORATE AND PROPERTIES)

**GEOGRAPHY** AFRICA // MIDDLE EAST

**SEGMENTS** Metals & minerals // Industrial // Infrastructure // Building

**VALUE CHAIN**

- Project development and design
- Planning/engineering
- Construction works
- Operations and facility management
- Maintenance and refurbishment

## ⊡ CONSTRUCTION AUSTRALASIA OIL & GAS AND MINERALS

**COMPANIES**

PAGE 84

CLOUGH
FORGE

**GEOGRAPHY** AFRICA // SOUTHEAST ASIA // AUSTRALASIA

**SEGMENTS** Industrial (oil & gas) // Metals & minerals

**VALUE CHAIN**

- Planning/engineering
- Construction works
- Maintenance and refurbishment

## OUR STRATEGY

# OUR PRIORITIES FOR THE 2012 FINANCIAL YEAR

## OUR RECOVERY YEAR*

### RE-ORGANISE AND RE-ENERGISE

STRENGTHEN OPERATIONAL LEADERSHIP AND OPERATIONAL FOCUS ........................ 50%

REDUCE OVERHEAD ........................ 70%

CHANGES TO BUSINESS AREAS ........................ 100%

### IMPROVE LIQUIDITY AND RESUME DIVIDEND PAYMENT

CASH FROM OPERATIONS ........................ 25%

CLAIMS ON MAJOR PROJECTS ........................ 20%

SALE OF DISCONTINUED OPERATIONS ........................ 20%

### RE-ALIGN MURRAY & ROBERTS

PURPOSE ........................ 75%

VISION ........................ 75%

VALUES ........................ 75%

### DEVELOP GROWTH STRATEGY

AFRICA ENGAGEMENT STRATEGY ........................ 50%

GROWTH THROUGH ACQUISITION ........................ 20%

CLOUGH STRATEGY ........................ 20%

**WE HAVE DEVELOPED A RECOVERY & GROWTH PLAN FOR MURRAY & ROBERTS, WITH A THREE-YEAR HORIZON.**

In the year ahead, we will concentrate our efforts on a period of recovery that will be focused on improving liquidity and strengthening our financial position. While this will be our priority, we will also seek to actively grow the business.

*We have made progress on our objectives already, as shown alongside.

## HENRY LAAS /// GROUP CHIEF EXECUTIVE

PAGE 32

**"In the year of recovery to which we have committed Murray & Roberts, we shall not pause from actively growing the business. Rather, growth plans for all operating platforms have been defined and will be vigorously pursued by our executive teams. In the succeeding two years, we envisage embarking on a period of growth in which long term strategies and growth targets will be determined. Out of this process will emerge a new, stronger and more dynamic Murray & Roberts . . ."**

## OUR GROWTH STRATEGY /// FOR THE YEARS AHEAD

**DIMENSIONS OF GROWTH**

**GEOGRAPHIC** ▶ Growth with market or establish a market presence in new **geographies**.

**SEGMENT** ▶ Growth with **market segment** or establish market presence in new **segments**.

**VALUE CHAIN** ▶ Leverage current position or participate in new areas of the engineering and construction **value chain**.

**COMPANY** ▶ Focus on existing **companies** to prepare for growth.

**MEANS OF GROWTH**

**ORGANIC GROWTH** ▶ **Grow** with the expansion of existing geographic markets and market segments.

**ACQUISITION & DISPOSAL** ▶ **Acquire** value-adding participants in chosen markets. **Disposals** to enhance value.

**PARTNERING** ▶ **Partner** with local market participants and with solution and technology partners to access markets. **Partner** on major projects.

**OPERATIONAL EXCELLENCE** ▶ Best practice sharing and adoption to ensure **operational excellence** to enable growth, company re-organisation.

## GROWTH THEMES BY OPERATING PLATFORM

| | CONSTRUCTION AFRICA AND MIDDLE EAST | CONSTRUCTION GLOBAL UNDERGROUND MINING | CONSTRUCTION AUSTRALASIA OIL & GAS AND MINERALS | ENGINEERING AFRICA | CONSTRUCTION PRODUCTS AFRICA |
|---|---|---|---|---|---|
| AFRICA ENGAGEMENT STRATEGY | ● | ● | | ● | ● |
| GROWTH THROUGH ACQUISITION | ● | ● | | ● | ● |
| CLOUGH STRATEGY | | | ● | | |

# RISK MANAGEMENT OVERVIEW

## RISK MANAGEMENT PROCESSES ARE BEING ENHANCED IN ALL AREAS OF THE GROUP'S ACTIVITIES,

including acquisitions, capital expenditure, project delivery, the management of health, safety & environment management and brand integrity.

### ENTERPRISE RISK MANAGEMENT

The Murray & Roberts enterprise risk management process is enhanced by the new integrated assurance framework, which will be applied across all operating company boards and executive committees.

## RISK MANAGEMENT PROCESS

**RISK ASSESSMENT**
Establish exposure to threats and opportunities.

**OPPORTUNITY MANAGEMENT**
Take decisions that change the Group's exposure to risk.

**RISK MITIGATION**
Productively reduce the likelihood and impact of threats.
Realise opportunities.

**RISK BASED AUDIT**
Test integrity of internal controls addressing significant areas of risk.

**Risk assessments** are conducted twice a year at Group level, to support interim and year-end financial reporting, annually at an operational level as part of the three-year business planning process, and at project level as part of bid preparation and project implementation. The collective Group experience is shared to better understand and identify potential exposures to threats and opportunities.

**Opportunity management** relates to decision-making on matters which change the Group's risk profile:

- Acquisitions are subject to rigorous due diligence before approval
- Capital expenditure requirements for organic growth are assessed as part of business planning
- Engagement of project opportunities is regulated through the opportunity management system (OMS)
- Significant risk decisions are first reviewed by the executive risk committee before submission to the Board.

**Risk mitigation** promotes proactive management of risk. This involves accountability, planning and resource allocation, ongoing review and communication with affected stakeholders.

**Risk-based audit** reviews form part of a structured programme to test the integrity of internal controls and systems for significant exposures. Business plan risk mitigations are reviewed for relevance and effectiveness. Audits of selected major projects, systems, controls and processes are performed through an integrated assurance model by management and internal audit, and selectively reviewed by experienced corporate executives and external service providers.

# PROJECT PORTFOLIO MANAGEMENT

Murray & Roberts has a long and proud record of major project delivery. It has been responsible for constructing much of the built environment in southern Africa and involved in some of the world's great engineering challenges.

In recent years the Group has entered a new era characterised by major projects with higher risk profiles. The magnitude and complexity of these major projects has demanded a level of project leadership, management and capacity that is not scalable from traditional projects. The required commercial and contract experience to deal with contract administration, change management and control systems are a challenge in the context of the Group's current capacity.

All Murray & Roberts subsidiaries operating in the project markets are required to follow the project approval process in the opportunity management system (OMS):

- A formal decision to bid is taken before any commitment is made to prospective clients or partners, or any costs are incurred in preparing a bid.
- Project opportunities are risk-profiled in terms of the defined operating company's risk mandate. Prior to bid submission, authorisation is secured according to the risk-filter requirements built into OMS.
- The executive risk committee reviews significant bids prior to bid submission. The submission and contract negotiations are conducted within a formal mandate. Any change to this mandate is made by reverting to the committee for a revised mandate.

A number of key centralised initiatives have been developed and will be implemented in the coming year to bolster project management and underlying systems of control, which include:

- The executive project oversight committee will meet twice a year to independently peer review all major projects and projects indicating early signs of distress. The committee, consisting of seasoned project executives, non-executives and specialists, will provide the project teams with guidance and recommend interventions where necessary.
- All projects above a determined threshold will be required to complete the monthly performance management "top sheets" in OMS. This process is designed to identify early signs and warning of project difficulty. The standard key performance indicator reports and dashboards from this process will be included in monthly project review packs, as well as operating company board meetings and executive committee meetings.
- All projects are now required to align with and at least meet the minimum standard set down in the framework for standardised project delivery, a policy document developed and approved by the executive committee. It is based on ongoing project experience and forms the basis for providing Group-wide project assurance.
- Project risk registers will be the subject of a detailed and constructive internal audit review during the forthcoming year to ensure project leadership is identifying key and real risks and taking appropriate, corrective action in good time to properly mitigate the identified risks in their projects. A key focus of this review process will be the extent to which project management has considered the lessons of the past, documented in a formalised lessons learnt register, and has applied them in the set-up and execution of their current projects.
- A close out report, capturing lessons learned, skills availability and performance analysis, will be produced at 90% project completion. A knowledge management process will re-introduce key insights from previous projects into proposal development during the pipeline phase of the project lifecycle.

As an organisation, Murray & Roberts confidently seeks out risk to capitalise on its ability to benefit from the inherent opportunities. The hard lessons learned on major projects has provided the experience and capacity to operate successfully in this challenging, but highly rewarding area.

# GROUP LEVEL RISKS

## 1. GLOBAL ECONOMIC CRISES

| RISK | MITIGATION |
|---|---|
| **a.** Contraction of international growth opportunities, particularly in developing markets, places business growth plans at risk. | The Construction Global Underground Mining and Construction Australasia Oil & Gas and Minerals operating platforms are well positioned to participate in the global commodity boom.<br>Operating platforms have been mandated to build the necessary business development capacity to drive growth. |
| **b.** Reduced international shareholding revenues and earnings may also result in a lowering of the Group's broad-based black economic empowerment (BBBEE) ownership rating, which may impair domestic competitiveness and expose the Group to client sanction. | |
| **c.** International investors withdrawing from emerging markets may cause deterioration in Murray & Roberts' market rating, reducing our market capitalisation and perceived worth. This could affect our options in the capital and project markets. | Group chief executive and Group financial director actively engage with international and potential investors, building confidence in the *Recovery & Growth* strategy, supported by operational delivery. |

## 2. MAJOR PROJECT DELIVERY

| RISK | MITIGATION |
|---|---|
| **a.** Losses suffered during the year have highlighted the risk associated with the delivery of major projects. These complex, high-value projects require a level of project leadership and management that is not scalable from traditional projects. | Retention of core skills and capabilities developed on current major projects to deliver similar future projects.<br>Dedicated steering committees for all major projects now responsible for governance on such projects.<br>OMS and performance monitoring support project portfolio management.<br>Executive risk committee interrogates key bids prior to submission, based more clearly on recent lessons learned.<br>Executive project oversight committee will independently review major project performance.<br>Integrated assurance model will promote project performance through enhanced risk management, regulatory compliance and internal audit. All projects are now required to follow a process no less comprehensive and regimented than that set out in the Group's framework for standardised project delivery. This will support project assurance. |
| **b.** Resource and financial capacity may constrain the Group's ability to take on additional major projects. | Secure advance payments ensure that cash flow remains neutral or better and that project finance has been secured prior to project commencement. |

## 3. DECLINING ORDER BOOK IN SADC/UAE

| RISK | MITIGATION |
|---|---|
| **a.** Declining contracting opportunities lead to declining resources and a loss of skills and experience, which become expensive and difficult to replace. | Build relationships with key clients to negotiate longer-term programmes of work.<br>Although the building markets in SADC and the UAE are highly competitive, there are significant project opportunities in the pipeline. Innovative alternative bids could offer clients better value without compromising performance aspirations.<br>Invest in a core team and in driving skills development. Utilise spare capacity to prepare unsolicited proposals, particularly for the public sector. |
| **b.** Declining contracting opportunities lead to lower employment opportunities, resulting in the Group not being able to attract the talent it requires to sustain its development through growth periods. | |

## 4. LATE ENTRY INTO AFRICA

| RISK | MITIGATION |
|---|---|
| **a.** European and Asian contractors have accessed Africa during its early period of limited development. As a continent of abundant resources, unless Murray & Roberts implements a co-ordinated plan to enter Africa in a measured and concerted manner, in partnership and on its own, a delayed entry may be detrimental to our ability to grow at a desired pace in Africa. | The Group's development of a co-ordinated Africa strategy is at an advanced stage.<br>Key regional hubs from which we will identify, develop and implement opportunities have been identified.<br>Operating companies will also follow strategic clients into Africa, on a ring-fenced project-by-project basis. |
| **b.** Murray & Roberts is considered the leading South African contractor. Our inability to mobilise effectively, efficiently and successfully into Africa could have a negative impact on this reputation. | |

| RISK | MITIGATION |
|---|---|
| **5. HEALTH & SAFETY** | |
| **a.** The Group has a duty to provide employees with a healthy and safe working environment. The nature of the work conducted by companies in the Group is to mobilise a large labour force to work on construction sites and underground mining sites. Prevailing conditions present health & safety risks.<br>**b.** Poor safety performance damages the Group's reputation, which may have an increasing impact on our ability to procure new work. It may also invoke Government reaction and result in industrial action. Penalties and financial sanction may also arise from safety incidents. | The Group has implemented the STOP.THINK campaign, and appointed a Group safety executive.<br>DuPont Sustainable Solutions has been appointed to conduct a health & safety evaluation for the South African operations, and assist with improvement plans.<br>Planned implementation of fatal risk control protocols will address common causes of fatal and serious incidents.<br>Recent bid submissions by Construction Global Underground Mining operating platform in South Africa have included a mechanised shaft sinking methodology, utilised by the operating platform in North and South America. |
| **c.** Societal health risks including HIV/Aids and TB have the potential to negatively impact productivity, absenteeism and costs associated with hiring and training new employees. This is a particular concern in our South African and SADC operations. | An outside service provider has evaluated the wellness programmes at South African operations against best practice and has made recommendations for improvement. Policies, standards and guidelines will be developed for implementation in our operations. |
| **6. HUMAN RESOURCE CAPACITY & CAPABILITY** | |
| **a.** The required commercial and contract experience to deal with contract administration, change management and control systems are a challenge in the context of the Group's current capacity. | All operating platforms to perform a critical assessment of the leadership and critical skills talent within the operating companies.<br>All identified gaps to be filled with skilled and experienced resources.<br>Development programmes to be put in place for high potential and critical skills talent. |
| **b.** A number of the Group's recent project difficulties relate to build-only projects where design is incomplete and to design-build projects in an environment requiring a deep skills pool but suffering from a dearth of project management and engineering capability.<br>**c.** Contracting with state-owned entities places projects at greater risk as variations due to vague and/or incomplete client specifications are seldom agreed and almost never paid outside of a formal dispute process. | Early client engagement to assist with scope definition.<br>Build-only proposals to clearly articulate design assumptions and baselines utilised in compiling bids.<br>Design-build organisational structures fulfil a project management function, including design integration, as opposed to the traditional construction management function for build only projects.<br>An extended focus on commercial experience and contract administration to ensure effective mechanisms for change management. |
| **d.** A healthy and safe working environment is dependent on a unified, clear and consistent leadership drive and commitment to health and safety performance excellence. | Identify critical leadership competencies and design appropriate programmes to develop these.<br>Stratify the leadership competency development by frontline, middle and executive leadership.<br>Incorporate progress into performance contracts and personal development plans.<br>Review performance and provide assistance and coaching. |

# GOVERNANCE & ETHICS OVERVIEW

## THE MURRAY & ROBERTS BOARD PROMOTES AND SUPPORTS THE HIGHEST STANDARDS OF BUSINESS INTEGRITY, ETHICS AND CORPORATE GOVERNANCE.

In line with the 2009 King Code of Governance Principles (King III) the Board recognises the need to conduct the business of the Group with prudence, transparency, integrity and accountability, and to report to stakeholders in an integrated manner.

### KEY DEVELOPMENTS IN THE YEAR

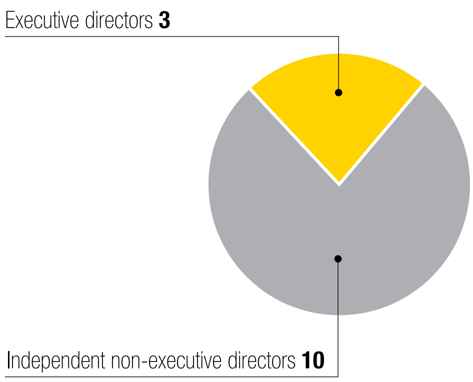
- Most King III principles were incorporated into the Group's internal controls, policies and procedures.
- Additional refinements aimed at full King III compliance included revisions to the Board and committee charters, and an internal risk assessment and gap analysis that highlighted areas of non-compliance, which have been dealt with.
- The development of regulatory and IT governance frameworks have been initiated.
- An internal appraisal of Board effectiveness was conducted and material recommendations are being implemented.
- A Statement of Business Principles was rolled out to assist in managing ethical performance in the Group.

The Board appointed executive directors Henry Laas and Cobus Bester as Group chief executive and Group financial director respectively with effect from 1 July 2011, following the retirement of Brian Bruce and Roger Rees on 30 June 2011.

PAGE 98 For the corporate governance report.

## GOVERNANCE STRUCTURE


### BOARD COMPOSITION




## THE CORPORATE GOVERNANCE FRAMEWORK

that has been in operation in the Group for many years is reviewed from time to time and adapted where necessary to facilitate effective leadership and sustainability, as well as corporate governance and corporate citizenship best practice beyond prevailing minimum requirements.

# STATEMENT OF BUSINESS PRINCIPLES

The Statement of Business Principles was designed to reaffirm Murray & Roberts' enduring values and practices developed over more than a century, and to identify areas of concern to avoid any damage to the Group's reputation, brand and ultimately, market value. It represents the ideals and standards that will differentiate the Group in the market and signals a dedication to core values that form the basis of an ethical approach to business. It is premised on a non-negotiable commitment to a fair and ethical business environment.


**Its purpose is to:**

- Establish standards to which all employees, service providers and business partners of the Murray & Roberts Group are expected to adhere.
- Stipulate acceptable behaviour that will govern the business endeavours of Murray & Roberts employees.
- Articulate principles of business conduct which ensure that Murray & Roberts conforms to the minimum standards required by law.
- Provide guidance in dealing with potential problem situations.

**Its intent is to address the following areas of concern:**

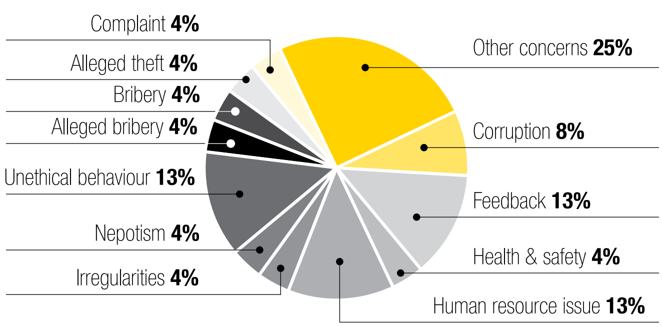
- Fraud
- Corruption
- Bribery
- Collusion
- Unfair business practices
- Ethical conduct
- Sexual harassment
- Workplace safety
- Use of Murray & Roberts assets and property
- Conflict of interest
- Business relationships
- Confidentiality.

## TIP-OFFS ANONYMOUS

To support our commitment to conducting business honestly and with integrity, we subscribe to a service that allows all employees to report anonymously any unethical behaviour or dishonesty in the workplace. The hotline is managed by Deloitte & Touche and is completely independent of Murray & Roberts. All reports are investigated.

In the year under review, the hotline received 59 contacts, of which 24 reports were generated (the breakdown of reports is provided below).

### OFFENCE PROFILE BREAKDOWN



# GROUP DIRECTORATE

## NON-EXECUTIVE DIRECTORS

### ROY CECIL ANDERSEN (63)

*CA(SA) CPA (Texas)*

**INDEPENDENT NON-EXECUTIVE CHAIRMAN**

Roy was appointed to the Board in 2003 and became chairman in 2004. He is chairman of the nomination committee, a member of the remuneration & human resources committee, the health, safety & environment committee and the social & ethics committee, and a trustee of The Murray & Roberts Trust. Roy is a director of Aspen Pharmacare Holdings, Nampak, Sasfin Bank and Virgin Active Group, and a member of the King Committee on Corporate Governance.

### DAVID (DAVE) DUNCAN BARBER (58)

*FCA (England & Wales) AMP (Harvard)*

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

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

### ALAN DE VILLIERS CHARLES KNOTT-CRAIG (59)

*BSc Eng (Elec) MBL DBL(hc) DBA(hc)*

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Alan was appointed to the Board in 2008. He was chairman of the health, safety & environment committee until 30 June 2011 and has remained a member. He became a member of the audit & sustainability committee on 1 July 2011. Alan is a director of Nedbank Group, Nedbank and a board member of CSIR and Right to Care.

### NAMANE MILCAH MAGAU (59)

*BA EdD (Harvard) MEd BEd*

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Namane was appointed to the Board in 2004. She is a member of the remuneration & human resources committee and the health, safety & environment committee, and trustee of The Murray & Roberts Trust. Namane was formerly the president of International Womens' Forum and the Businesswomen's Association. She is a director of companies including Santam and Merrill Lynch South Africa. Namane is a member of the University of Cape Town Business School Advisory Board.

### JOHN MICHAEL (MICHAEL) MCMAHON (64)

*PrEng BSc Eng (Glasgow)*

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Michael was appointed to the Board in 2004. He is a member of the health, safety & environment committee. Michael is a director of Central Rand Gold and Impala Platinum Holdings.

### WILLIAM (BILL) ALAN NAIRN (66)

*PrEng BSc Eng (Mining)*

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Bill was appointed to the Board on 30 August 2010. He was a member of the health, safety & environment committee until 30 June 2011, whereafter he became chairman. He is also a member of the risk management committee. Bill is a non-executive director of AngloGold Ashanti and non-executive chairman of MDM Engineering Group Limited and of the Procurement Committee for MTN Group Limited.

### ANTHONY (TONY) ADRIAN ROUTLEDGE (63)

*BCom CA(SA)*

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Tony was appointed to the Board in 1994. He is a member of the audit & sustainability committee, the remuneration & human resources committee and the social & ethics committee, and a trustee of The Murray & Roberts Trust.

## NON-EXECUTIVE DIRECTORS

### MAHLAPE SELLO (49)

*LLB, Master of Arts and Law (Russia)*

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Mahlape was appointed to the Board in 2009. She is chairperson of the social & ethics committee and member of the audit & sustainability committee. She was appointed to the nomination committee subsequent to the year-end. Mahlape serves on the Johannesburg Bar Council and is a member of the South African Law Reform Commission.

### SIBUSISO PATRICK SIBISI (56)

*BSc Physics (Hons) PhD (Cambridge)*

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Sibusiso was appointed to the Board in 2007. He is chairman of the risk management committee and a member of the nomination committee. He is president and CEO of the CSIR, director of Liberty Group and a member of the Roedean School Board of Governors. Sibusiso was a Fulbright Fellow at the California Institute of Technology in 1988.

### ROYDEN THOMAS VICE (64)

*BCom CA(SA)*

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Royden was appointed to the Board in 2005. He is chairman of the remuneration & human resources committee and a member of the risk management committee and nomination committee. He is also a trustee of The Murray & Roberts Trust. Royden is chairman of Hudaco Industries, a Governor of Rhodes University and previously CE of Waco International.

## EXECUTIVE DIRECTORS

### ANDRIES JACOBUS (COBUS) BESTER (51)

*BCom (Acc) Hons CA(SA)*

**GROUP FINANCIAL DIRECTOR**

Cobus was appointed to the Board and became Group financial director on 1 July 2011. He first joined the Group in 2006 following the acquisition of Concor. Cobus is chairman of Murray & Roberts International and a director of Clough Limited.

### ORRIE FENN (56)

*BSc (Hons) Eng MPhil Eng DEng*

**GROUP EXECUTIVE DIRECTOR**

Orrie joined the Group and was appointed to the Board in 2009. He is the executive director responsible for the Group's Construction Products Africa operating platform.

### HENRY JOHANNES LAAS (51)

*BEng (Mining) MBA*

**GROUP CHIEF EXECUTIVE**

Henry was appointed to the Board on 1 April 2011 and became Group chief executive on 1 July 2011. He first joined the Group in 2001. He became a member of the health, safety & environment committee on 1 July 2011. Henry is a director of Murray & Roberts International and Clough Limited.

## GROUP SECRETARY

### YUNUS KARODIA (39)

*CFA CA(SA)*

**GROUP SECRETARY**

Yunus joined the Group in 1999 and was appointed Group secretary in 2007.

PAGE 120 For additional information on directors.

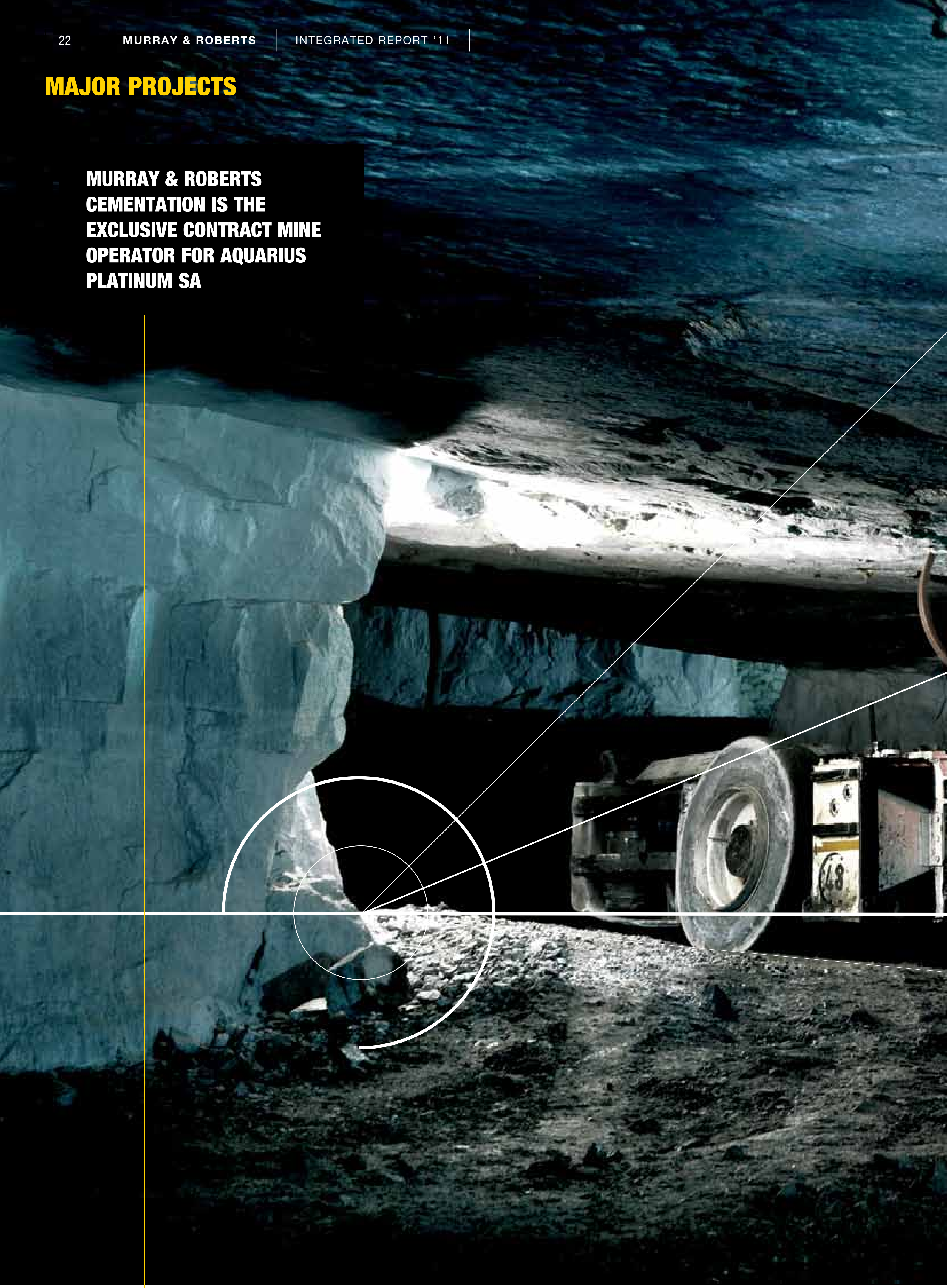
# EXECUTIVE COMMITTEE

| MEMBER | |
|---|---|
| **PETER ADAMS (62)**<br>*Fellow of the Royal Institution of Chartered Surveyors*<br>**Operations executive** | Peter joined the Group in 2004 and was appointed to the executive committee on 1 July 2011. He has over 32 years of experience with a major British contracting company. Peter was initially responsible for Cementation Canada following the Cementation acquisition, together with the construction operations in the Middle East. In 2009 he was appointed executive responsible for Construction Global Underground Mining. He is a director of Murray & Roberts International. |
| **COBUS BESTER (51)**<br>*BCom (Acc) Hons CA(SA)*<br>**Group financial director** | Cobus was appointed to the executive committee in 2007 and became Group financial director on 1 July 2011. He first joined the Group in 2006 following the acquisition of Concor. Cobus is chairman of Murray & Roberts International and a director of Clough Limited. |
| **ORRIE FENN (56)**<br>*BSc (Hons) Eng MPhil Eng DEng*<br>**Group executive director** | Orrie joined the Group and was appointed to the executive committee in 2009. He is the executive director responsible for the Construction Products Africa operating platform. |
| **NIGEL HARVEY (56)**<br>*BSc Building Management*<br>**Operations executive** | Nigel was appointed to the executive committee on 1 July 2011. He is the executive responsible for the Construction Africa and Middle East operating platform effective 1 July 2011. He was previously the managing director of Murray & Roberts Contractors (Middle East). Before moving to Dubai, he was responsible for the building construction activities of Murray & Roberts across South Africa and parts of Africa. During this time he played a pivotal role in merging some of the construction companies in the Group. Nigel is a director of Murray & Roberts International and Clough Limited. |
| **IAN HENSTOCK (56)**<br>*BCompt (Hons) CTA CA(SA) HDip Tax Law MBA*<br>**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. |
| **HENRY LAAS (51)**<br>*BEng (Mining) MBA*<br>**Group chief executive** | Henry was appointed to the executive committee in 2007 and became Group chief executive on 1 July 2011. He first joined the Group in 2001. Henry is a director of Murray & Roberts International and Clough Limited. |
| **FRANK SAIEVA (51)**<br>*BEng (Mech)*<br>**Operations executive** | Frank joined the Group and was appointed to the executive committee on 1 July 2011. He is the executive responsible for the Engineering Africa operating platform, which includes the power programme. |
| **ANDREW SKUDDER (41)**<br>*BSc PDM MBA*<br>**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, including health, safety & environment and talent management. |

| RESPONSIBILITIES | BOARD COMMITTEE PARTICIPATION | |
|---|---|---|
| Cementation Canada // Cementation Sudamérica // Murray & Roberts Cementation // RUC Cementation | ■ Health, safety & environment |  |
| Clough (non-executive director) // Corporate office finance & payroll // Financial control & reporting // Information management & technology // Murray & Roberts Isle of Man // Murray & Roberts Properties // Secretarial // Taxation // Treasury | ■ Audit & sustainability<br>■ Remuneration & human resources<br>■ Risk management |  |
| Hall Longmore // Much Asphalt // Murray & Roberts Building Products // Rocla // UCW | ■ Health, safety & environment |  |
| Clough (non-executive director) // Murray & Roberts Construction Africa // Murray & Roberts Marine // Murray & Roberts Middle East | ■ Health, safety & environment |  |
| Commercial // Forensics // Internal audit // Legal, compliance & ethics // Risk and insurance | ■ Audit & sustainability<br>■ Risk management<br>■ Social & ethics |  |
| Sustainable delivery of Group strategy and Group performance | ■ Audit & sustainability<br>■ Health, safety & environment<br>■ Nomination<br>■ Remuneration & human resources<br>■ Risk management<br>■ Social & ethics |  |
| Concor Engineering // Genrec // Murray & Roberts Projects // Wade Walker | ■ Health, safety & environment |  |
| Corporate office human resources // Corporate Social Investment & Letsema BBBEE // Communications Health, safety & environment // Remuneration, compensation and benefits // Strategy support // Sustainability // Talent management | ■ Audit & sustainability<br>■ Remuneration & human resources<br>■ Health, safety & environment<br>■ Social & ethics |  |

# MAJOR PROJECTS

## MURRAY & ROBERTS CEMENTATION IS THE EXCLUSIVE CONTRACT MINE OPERATOR FOR AQUARIUS PLATINUM SA



MURRAY & ROBERTS CEMENTATION, **AS CONTRACT MINER** TO AQUARIUS PLATINUM SA (AQPSA), PRODUCE SOME **800 000** TONNES **PER MONTH OF ORE.**

- Contract mining is undertaken at AQPSA's Kroondal, Marikana and Everest Mines and the contract with AQPSA is worth **R2,7 billion annually**
- AQPSA **revolutionised the South African platinum mining industry** with the successful implementation of its trackless mining method and is **intrinsically safer** than conventional mining methodologies
- Murray & Roberts Cementation operates and maintains a fleet of trackless machinery totalling **300 units**
- Murray & Roberts Cementation **provides a full service offering** to clients including procurement, business systems and trackless fleet maintenance and refurbishment
- Production at the Everest mine is ramping up and the mine is producing **130 000 tonnes a month**

# CHAIRMAN'S STATEMENT

| ROY ANDERSEN /// GROUP CHAIRMAN

# DEAR STAKEHOLDER

**"MURRAY & ROBERTS EMBARKS ON THE 2012 FINANCIAL YEAR WITH NEW LEADERSHIP, A RENEWED FOCUS** on risk management, health & safety, a sound order book and a determination to grow the business while shrinking the debt."

## OVERVIEW

The 2011 financial year has been one of almost unprecedented challenge for Murray & Roberts.

The Group had to grapple with project profitability and liquidity concerns, an unacceptable number of fatalities and allegations of collusion in our industry. These serious challenges were compounded by a slowdown in South African public sector spending on infrastructure following the 2010 FIFA World Cup™, and the lingering effects of the 2008 global economic crisis.

Aside from the difficult trading conditions, a clear acknowledgement is required that the Group's profitability was impeded largely due to challenges experienced on major projects. The estimated costs to complete, inclusive of penalties, on a number of contracts increased significantly. Furthermore, the decision to dispose of certain business operations resulted in asset impairments. Perhaps most disappointing of all, was raising a provision for possible Competition Commission penalties.

PAGE 37 **These issues are fully discussed in the Group financial director's report.**

The net result of the charges and costs, which totalled R1 975 million, was that the Group recorded a substantial deterioration in earnings. For the year to 30 June 2011, a diluted headline loss per share of 394 cents (2010: diluted headline earnings per share of 314 cents) and a diluted loss per share of 387 cents (2010: diluted earnings per share of 318 cents), both from continuing operations, was recorded.

However, these challenges are being tackled head-on by a new, invigorated management team. Our new Group chief executive, Henry Laas, and his team have already begun taking decisive action to return Murray & Roberts to profitability and earnings growth, to regain the Group's position as South Africa's leading construction and engineering contractor while building our expertise and portfolio in selected markets around the world, and to ensure the sustainability of the Group.

From an operational perspective, with the notable exception of those that are active in the resources sector, most of our businesses experienced depressed markets, with acute competition and intense margin pressure. Work on major projects, notably the Gautrain Rapid Rail Link (Gautrain) and the National Multi-Products Pipeline, was substantially completed and there was an absence of similar large orders in South Africa while Government paused to take stock of its infrastructural spending during the run-up to the 2010 FIFA World Cup™.

The productive capacity of our engineering and steel fabrication operations was almost entirely absorbed by Eskom's power programme, and is likely to remain so for the next three to four years. Executing our contractual obligations at Medupi and Kusile was burdened with unforeseen obstacles and delays. However, a renegotiation of our contract agreements with main contractor, Hitachi, has cleared the way for Murray & Roberts to unlock value from this work.

As with the power programme, the ongoing Gautrain delay and disruption claims process underscores the risks inherent in major projects. Although not on the same scale, Murray & Roberts Marine's unforeseen difficulties and ballooning costs relating to the Gorgon Pioneer Materials Offloading Facility (GPMOF) project in Western Australia provides yet another case in point.

However, despite the problems we encountered, the Group's achievements on project execution in recent years stand testament to our ability to deliver infrastructure from which society can derive value for decades to come. Major projects will continue to be an important part of our business and, with a renewed focus on identifying and evaluating risk on a project-by-project basis, they will be subject to more effective risk management processes.

The Group's liquidity position remains a concern. However, a concerted and structured recovery programme has been put in place and there are already encouraging signs of improvement. The Group financial director's report provides further detail on the specific initiatives we are implementing to restore the strength of the statement of financial position and return the Group to a firm financial footing.

# CHAIRMAN'S STATEMENT continued

## HEALTH & SAFETY

We experienced a distressing and unacceptable number of fatalities (12) in the year, up from nine in 2010. The Board extends its condolences to the families, friends and colleagues of the men who lost their lives.

While there is little comfort to be found in the face of these workplace tragedies, the Lost Time Injury Frequency Rate (LTIFR) for the Group reduced this year from 2,2 to 1,6, a pleasing improvement.

The safety of all who work for and with Murray & Roberts is of paramount importance to the Board. The health, safety & environment committee worked tirelessly with management throughout the year, to sharpen the focus on workplace safety and to chart new and improved principles, standards, protocols and guidelines. The appointment of consultants DuPont Sustainable Solutions to assess our South African operations against international best practice underscores the importance that Murray & Roberts attaches to safety.

A framework policy on HIV/Aids for the Group is currently under development but it is encouraging to note that a record number – some 12 400 employees – were voluntarily tested in the year under review.

## RISK MANAGEMENT

Managing risk effectively is at the heart of our sustainability and this reality has been brought into sharp focus in recent years. Unforeseen setbacks on major projects cost the Group dearly and 2011 was a year of too many unpleasant surprises.

While it is in the nature of our operations that risk cannot be entirely negated and, in the past year, invaluable technical, commercial and legal lessons were learned, it has to be said that these lessons must not be acquired at too great a cost.

As a result of the problems encountered on major projects, the Board has set about improving management reporting and risk assessment systems even further. The audit & sustainability committee, in particular, spent a considerable amount of time on understanding the risks inherent in each business and working with executives and external advisors on the means to mitigate them.

Furthermore, recruiting staff into our legal and commercial teams is in progress, the Group's bespoke opportunity management system is being upgraded and improved project processes and systems are being implemented.

## HUMAN CAPITAL

At the time of publishing last year's report, the lives of 33 Chilean miners hung in the balance with only a slim chance of them being rescued. Subsequently it was celebrated around the world that these men were indeed rescued. This feat was especially meaningful for the people of Murray & Roberts in that the pilot hole used to supply food and assist with communications was drilled by us, and was the first to reach the trapped miners.

Our people – their can-do attitude, expertise and skills – are what give Murray & Roberts its competitive edge. We dare not underestimate the importance of human capital development, particularly in South Africa where the gap between employment and skills levels is so apparent.

Given that capacity is a major risk factor for the Group, we continue to invest in leadership and skills development. Our investment in training and skills development declined marginally this year and there was a decline in the number of bursaries awarded, something we will strive to improve in the new financial year. We will also continue to invest in artisan training.

At senior executive level, apart from the appointments of the Group chief executive and Group financial director, there was an unusually high number of position changes and appointments between operating platforms, companies and from outside the Group. This has been a response to the much-needed restructuring of the business. The Board is satisfied that the correct choices have been made and that the new executive team will continue to be strengthened in the new financial year.

## SUCCESSION

At the end of the year, Group chief executive Brian Bruce and Group financial director Roger Rees retired from Murray & Roberts having served the Group over many years. It is appropriate that we acknowledge their contributions to Murray & Roberts and wish them well for the future.

In anticipation of a changing of the guard, two executive recruitment companies were engaged to conduct a worldwide search for successors to Brian and Roger. I am extremely pleased that, such is the quality of our talent pool, the best candidates identified for both of these pivotal positions were found within the Group.

Henry Laas brings a rare mix of engineering and contractual expertise and top-level leadership to the chief executive's chair, while Cobus Bester is an exceptionally experienced financial professional who intimately understands our business and its diverse operating environments.

## TRANSFORMATION

While there was no major change to our broad-based black economic empowerment (BBBEE) shareholding this year, 14 108 Murray & Roberts employees who participated as shareholders through the Letsema Bokamoso General Staff Trust, established in December 2005, elected to either take transfer of their 300 shares or to sell them from December 2010. Nearly all of the participants elected to sell their shares and a total of approximately R173 million in value was created for the participants, about R12 200 per beneficiary. This will marginally reduce our BBBEE shareholding. Murray & Roberts remains committed to the principles of equitable, affirmative access to economic and employment rights.

We retained the level 4 BBBEE contributor status achieved in 2010 and it was notable that we achieved 61% preferential procurement (an amount of R9,9 billion) of our total South African spend of R16,3 billion. Our enterprise development outlay has risen from R75 million in 2010 to R136 million in 2011. A new enterprise development project planned for 2012 is to arrange a forum at which enterprise development suppliers (and potential suppliers) can interact with each other and purchasing managers from the Group.

On BBBEE our key challenges remain employment equity and management control. These are both areas in which we must acknowledge limited success in attracting skilled black artisans, engineers and executives, and an organisational culture that is not effective enough in retaining them. This is certainly an area that will receive serious focus in the years ahead. It is however pleasing that Murray & Roberts won the Top Graduate Employer in the Engineering/Industrial sector this year in a survey conducted by the South African Graduate Recruiters Association.

Our Letsema BBBEE scheme has created almost R800 million in wealth for 20 000 employees and community participants. However, we recognise that the continuing wealth creation of this scheme will be impacted, in the short term, by not declaring a dividend this year.

## COMPETITION ISSUES

Allegations of collusion in the South African construction industry, allegedly involving some former executives of subsidiary companies Murray & Roberts, came as a most unwelcome surprise this year. While these alleged practices occurred in the past, I need to reiterate the Board's total intolerance of collusion and any anti-competitive practices.

The Group has committed to full co-operation with the Competition Commission (Commission) to eradicate anti-competitive behaviour within the construction industry.

In February 2011, the Commission announced a fast-track settlement process aimed at providing a transparent, cost effective and swift resolution to its investigations into the industry. Regrettably, and due mainly to late notifications by former executives of subsidiary companies, a limited number of projects were identified where possible transgressions may have occurred. As a consequence, the Group lodged its applications for these projects on 15 April 2011. A provision has now been made for potential penalties for these identified possible transgressions.

However, notwithstanding the Group's efforts to disclose all anti-competitive matters to the Commission, there may be certain residual matters which have not yet come to the Group's attention and that may potentially give rise to additional penalties.

The Board has instructed senior management to take whatever measures are required to guard against any similar incidents in future and to act decisively against such practices. Shortly after assuming the position, our new Group chief executive issued an updated Statement of Business Principles, a detailed exposition of ethical standards and practices Murray & Roberts expects from all its employees, service providers and business partners. The statement leaves no room for unacceptable practices such as collusion or corruption.

## STRATEGIC POSITION

With a buoyant order book in most sectors, the Group intends to diversify its exposure beyond a few large projects, to identify and exploit its competitive advantage in mining, construction and engineering, and to optimally position itself for new opportunities as they present themselves.

This year we moved to dispose of certain investments that were deemed non-core and that had limited prospects of adding significant value to the Group's performance. Opportunities to dispose of other non-core, underperforming assets, such as the steel reinforcing bar manufacture and trading business, are being evaluated on a case-by-case basis. While the Group's liquidity position is likely to prevent acquisitions in the short term, a few selected opportunities are under investigation.

A strong strategic focus in the past year was on cementing relationships with clients and embedding our people and expertise in their operations. In the Middle East we are shifting our focus from Dubai to Abu Dhabi and Qatar, and expect a good return on the investments we are making in these emirates although these markets are expected to remain challenging for the foreseeable future. In moving into new geographies, including several in Asia and elsewhere in Africa, we will seek wherever possible to do so with strong partners whom we know and trust.

## ENVIRONMENT

Murray & Roberts builds long term value for societies and communities by creating infrastructure that services progress. In doing so, we are committed to limit the harm inflicted on the environment and society.

Our operations have a mostly low environmental impact but we still have much work to do in this important aspect of our business. By disposing of our steel manufacturing business, notably the Cape Town Iron and Steel Company (CISCO) in the Western Cape, the Group will reduce its greenhouse-gas footprint. However, further actions to limit our carbon emissions will be required, particularly in our clay brick and asphalt production processes.

In South Africa we have participated in the Carbon Disclosure Project since its introduction to this country in 2008. According to the latest available data (disclosure lags financial reporting by a year), our scope 1 carbon emissions showed a 41% decline. While this was, to some extent, the result of switching from diesel-powered generators to electricity on a Namibian project, the reduction was largely driven by reductions in the scope of specific projects and a decline in output from our clay brick operation.

A portion of the Gautrain has not yet been opened due to water ingress in the Rosebank to Park Station tunnel. The current rate of water ingress into the tunnel is above the specifications agreed in the concession agreement. As a consequence, Bombela Civils Joint Venture will complete additional engineering works that will be implemented to reduce the volume of ground water seeping into this section of the tunnel. The water entering the tunnel drains is being appropriately handled and discharged.

## DIVIDEND

The Board has reluctantly concluded that, given the Group's liquidity position, it would not be prudent to declare a dividend for the full year. This is regrettable as it is Murray & Roberts' policy to reward shareholders with dividends wherever possible. It is envisaged, however, that remedial steps already being implemented will result in the reinstatement of a dividend payment programme.

## CHAIRMAN'S STATEMENT continued

| INSPECTION OF FABRICATED STEEL COLUMNS /// GENREC, JOHANNESBURG, GAUTENG

## BOARD OF DIRECTORS

I wish to extend my thanks to all the members of the Board for their wise counsel in an exceptionally difficult year for the Group, and their additional effort in taking the necessary action to limit a repeat of the compounding effect of the challenges as we move forward.

Non-executive director Bill Nairn was appointed to the Board on 30 August 2010 and Imogen Mkhize retired as a non-executive director on 27 October 2010. Executive directors Malose Chaba and Trevor Fowler resigned on 14 February 2011 and 30 June 2011, respectively.

## ANNUAL GENERAL MEETING

Shareholders are reminded that the annual general meeting of the Company will be held on 26 October 2011. The order of business is set out on pages 213 to 215 of this report.

## PROSPECTS

The Group's fortunes are set to improve in the new financial year, led by an anticipated strong performance from the Construction Global Underground Mining operating platform both within SADC and the other territories in which it operates, coupled with stronger results from Engineering Africa. At the end of the year the Group order book stood at R55 billion – an improvement on the figure at the end of the 2010 year. This new business has been written with good, mostly improved, margins.

The restructuring of the commercial arrangement on the power programme augurs well for our Construction Africa and Middle East, and Engineering Africa operating platforms. In the medium to longer term, the outlook for both is positive given the major – and growing – infrastructural backlog in South Africa. This backlog extends to transport, ports, power generation, public sector buildings and even correctional facilities. While Government's temporary detachment from such spending is understandable, it is inconceivable that there will not, in time, be a renewed focus on fixed capital formation given the social and political imperatives facing the authorities. The only uncertainty lies in predicting what precisely Government's timing in this regard will be.

Further afield, the growth of oil & gas and minerals exploration and extraction in Australia and Southeast Asia spurs optimism and we expect to continue reaping the benefits of the investments, relationships and local knowledge that Clough and Murray & Roberts have built up in these areas.

Restructuring undertaken at each of the businesses in our Construction Products Africa operating platform is expected to pay dividends in future, with several companies already boosting market share in extremely competitive environments.

The most significant focus for the Group in 2012 will be addressing liquidity, to trade out of our debt position without raising new shareholder capital and to prepare to resume dividend payments.

The Group expects to return to an acceptable level of profitability in the year ahead and all operating platforms other than Construction Africa and Middle East are forecast to experience improved trading conditions. The level of this profitability will depend on economic conditions, order book development and conversion, particularly in South Africa, and a reduction in working capital.

Murray & Roberts embarks on the 2012 financial year with new leadership, a renewed focus on risk management, health & safety, a sound order book and a determination to grow the business while shrinking the debt.

I am confident of the Group's recovery.

*(The financial information on which this prospects statement is based has not been audited or reviewed by the Group's external auditors)*

**ROY ANDERSEN**

**GROUP CHAIRMAN**

# GROUP CHIEF EXECUTIVE'S REPORT

| HENRY LAAS /// GROUP CHIEF EXECUTIVE

# DEAR STAKEHOLDER

## "WE ARE WORKING HARD TO CREATE A SUSTAINABLE, THRIVING COMPANY

that is the preferred partner for the delivery of infrastructure that enables economic and social development in a sustainable way – a purpose we embrace with new energy and clear focus."

### INTEGRATED, INVIGORATED AND INCLUSIVE LEADERSHIP

This is a defining time for the Murray & Roberts Group. At the end of the year under review, a new management team took over, a team which I have the privilege of leading.

Cobus Bester was appointed as Group financial director with effect from 1 July 2011 and will partner with me in taking the Group forward. Cobus was the group financial director of Basil Read and Concor for three and six years respectively, and managing director of Concor from 2005. Another key appointment was Frank Saieva as the new managing director of Murray & Roberts Projects. Frank joins Murray & Roberts from the Aveng Group, where he held the position of managing director of their Engineering and Projects Company. Frank joined us on 1 July 2011 and has executive responsibility for our Engineering businesses. Also, Nigel Harvey, previously managing director of Murray & Roberts Contractors Middle East, has assumed executive responsibility for the Murray & Roberts construction businesses within Africa and the Middle East, as well as Murray & Roberts Marine.

It is pleasing that the new leadership team was identified almost exclusively from within the ranks of Murray & Roberts. Importantly, after the difficulties of the last year, the team understands the seriousness of the challenges facing the business and how best to deal with them.

This has reassured staff that the Group has the talent and skills to take our business into the future.

I am confident that the re-energised executive team at the helm of Murray & Roberts will lead the business into a future that, while challenging, promises to be an exciting and rewarding new chapter in our history.

We have good reason to be proud of what Murray & Roberts has achieved for over a century. We add permanent value to people and society; we build infrastructure, monuments to collective skill, ingenuity and ability that will mostly outlive ourselves. I firmly believe that our Group will add even more permanent value in the years to come than it has in the past.

How we engage with our stakeholders will define Murray & Roberts. The new executive team is committed to a leadership style that affords sound relationships with all our stakeholders the highest priority. We are committed to building partnerships with our employees, with subcontractors, suppliers and partners, and importantly, with our clients. By becoming the best partners we can possibly be we intend to cement long term relationships with stakeholders and avoid much of the acrimony and dispute that has, in recent years, cost the Group dearly.

This approach is not about compromise but about finding mechanisms that maximise mutual benefit. Above all, it is about clear communication, transparency and understanding. The ultimate goal of this reshaping of relationships is a more robust and sustainable business – one that can deliver value to all its stakeholders over the long term.

This year we researched and re-evaluated our engagement with stakeholders. Our executive team analysed who we engage with, how we do so and about which issues. The result of this process was a commitment to sincere, open communication that emphasises one-on-one interaction wherever practical with all of our diverse stakeholders. As part of this commitment, we aim to ensure that their views and concerns inform our decision-making at the highest levels of our business.

In engaging with our stakeholders we will be guided by Murray & Roberts' newly articulated purpose, values and vision. In the coming months and years we will work hard to inculcate our business philosophy, so that it forms the basis for every interaction with our stakeholders.

# GROUP CHIEF EXECUTIVE'S REPORT continued

## A STRATEGY FOR *RECOVERY & GROWTH*

Given the significant charges and impairments taken in the year under review that dragged the Group into a loss-making position, a clearly mapped out strategy for *Recovery & Growth* is critical at this time in the Group's development.

It is appropriate that we prioritise recovery because of the extremely trying circumstances through which Murray & Roberts – and the construction and engineering sectors in general – have come in recent years, and which have left our Group exposed with a weak statement of financial position.

In the short term we will concentrate on a 12-month period of recovery primarily aimed at returning the Group to profitability and improving liquidity. In tandem with these foundational objectives, we will also be focusing on positioning the Group for growth in the years ahead. I can already say with confidence that due to the decisive actions taken since the end of the financial year, the Group is headed in the right direction. Returning the Group to a financial position that enables us to resume dividend payments is important in regaining the confidence of our shareholders and the investment community.

The plan to improve our liquidity is based on four key initiatives: driving cash generation from operations, the sale of non-core operations and assets, the restructuring of banking facilities, and the resolution of project claims.

Good progress has been made on all these initiatives. Arbitration proceedings have been initiated on a number of the Group's contract claims, but final outcomes from these hearings are unlikely before the end of the 2012 financial year.

While financial recovery is the foundation for the Group's sustainability and provides the capital needed to invest in all other areas of our business, it must be noted that we have adopted a safety first approach in everything we do. Notwithstanding the Group's disappointing financial performance, the tragic deaths of 12 of our colleagues were the lowlights of a very challenging year. We must do everything possible to make sure this unacceptable safety record is not repeated.

Specifically, as a growing proportion of our work is generated within the resources sector, we are determined to redouble our efforts to keep our people safe and to weave safety considerations into the very fabric of our business. I am satisfied that our approach to occupational safety this year, the decisive steps we have taken and our financial investment in this area will begin to bear fruit during our recovery year.

We strive to reduce injuries and fatalities within each business platform and operation, and salute those who achieve safety improvements. We benchmark our safety records against our peers and in many instances these are considerably better than industry or sectoral averages. However, what underpins our safety strategy is the conviction that safety is a moral imperative; that we must do absolutely everything within our power to safeguard our employees. The fervent belief that must accompany this commitment is that zero harm is in fact achievable and it is this ideal, and no less, that we will continue to strive for.

During the year, DuPont Sustainable Solutions was tasked with assessing our South African operations against best international practice. An outcome of the DuPont process, which is still underway, is the formulation of a new Group health & safety plan to support our vision of "Together to Zero Harm" for health, safety & the environment. This is being incorporated into everything we do. Print, SMS and video were all utilised to drive home safety messages, most of them delivered under our STOP.THINK slogan. Perhaps illustrating that our aspiration for zero harm is possible, between April and June 2011 no fatalities were recorded.

Aside from the fatalities we suffered, allegations of anti-competitive behaviour that touched the South African construction industry and the Group, was another distressing development. This has been amply covered by the chairman. Suffice for me to add that we have responded vigorously to the Board's instruction to implement the necessary precautionary measures and, following in-depth online education (completed by 1 058 employees), we implemented a consequence matrix in an attempt to prevent and deal with any past or future collusive behaviour.

I give all of our stakeholders the categorical assurance that, on my watch, we will constantly be on the lookout for anti-competitive actions and that any infringements will be severely dealt with. Our integrity is non-negotiable and must be restored as a hallmark of the Murray & Roberts brand.

From an organisational perspective, we believe that our federal operating model remains an effective way to manage our business. This model provides the required flexibility to deal with the diversity in our business. As we embark on this important period of Recovery & Growth, we will retain the philosophy of a federal system but will implement new Group-wide initiatives that will make Murray & Roberts a more effective organisation.

Guided by our Group purpose, values and vision, we have revisited our structure and realigned it to best support our strategy. This has entailed moving away from the concept of business clusters, which imply loosely associated businesses, to focused operating platforms that group businesses by similar types of work and core competencies. This will allow for better co-ordination and decision-making, as well as risk and cost management.

Five operating platforms have been established: Construction Africa and Middle East; Construction Global Underground Mining; Construction Australasia Oil & Gas and Minerals; Engineering Africa; and Construction Products Africa. To this end, Concor Engineering has been moved from the previous Construction SADC cluster to the Engineering Africa operating platform, UCW has moved from Corporate and Properties to Construction Products Africa, and Murray & Roberts Marine has moved to the Construction Africa and Middle East operating platform. Concessions and Tolcon have also moved into the latter operating platform, having previously been housed in Corporate and Properties.

Our operating platforms are the custodians of some of the strongest brands in their fields. They are reinforced by the abiding strength of the Murray & Roberts brand and the positive associations that stakeholders, both internally and externally, attach to it. It is part of our strategy going forward to ensure that these strong brands continue to reinforce each other.

In the year of recovery to which we have committed Murray & Roberts, we shall not pause from actively growing the business. Rather, growth plans for all operating platforms have been defined and will be vigorously pursued by our executive teams. In the succeeding two years, we envisage embarking on a period of growth in which long term strategies and growth targets will be determined. Out of this process will emerge a new, stronger and more dynamic Murray & Roberts able to fulfil its core purpose, over the long term, of delivering infrastructure that enables economic and social development in a sustainable way.

Another focus area during our recovery phase will be human capital. Our strength lies in our people and we understand the need to retain and develop talent across all of our operations. We also acknowledge that we have a long and difficult journey ahead of us in transforming at management levels.

In South Africa, competition for the most capable, most skilled top managers is intense. We are working hard to create a culture that reinforces the inclusive meritocracy we value at Murray & Roberts and that we are striving to become known for. Empowering all of our people will be a key driver of success and we are acutely aware of the need to create an environment in which transformation can take place – so that we become a preferred employer among talented black graduates, artisans and managers, and that we retain their skills in the Group.

## COMING THROUGH A CHALLENGING YEAR

When the world went into economic meltdown in 2008, South African construction and engineering companies, including Murray & Roberts, were partly shielded from the almost immediate consequences of the financial crisis by the ongoing work required to deliver a successful World Cup.

In the last year, as activity in the South African construction sector declined, the Group faced the full consequences of severely constrained infrastructure markets both in South Africa and internationally. In Dubai, opportunities virtually vanished, while in South Africa there was little public sector appetite for new investment in fixed infrastructure. Following a period when South Africa's gross fixed capital formation approached 25% of GDP for the first time in more than three decades, the effects of slowing business throughput were sobering, to say the least.

However, the Group has remained resilient in the face of tough conditions due to the diversity of our operations and markets.

Our Construction Africa and Middle East operating platform suffered the most from an overall decline in business opportunity, although several business units – notably Civils, Roads, Botswana and Namibia – returned reasonable profits under these circumstances. Building work, in particular, slowed to a crawl and there were few opportunities to tender for sizeable infrastructural projects in South Africa.

Within Construction Products Africa, headcount was reduced and non-core, underperforming assets were identified for disposal, most significantly our steel business. The closure and imminent sale of the CISCO (Cape Town Iron and Steel Company) steel smelter will reduce our carbon footprint. This operating platform primarily serves the local construction sector and was strongly impacted by the depressed construction economy.

Both Construction Africa and Middle East, as well as Engineering Africa, experienced delays and project scope changes that hampered our work on Eskom's Medupi and Kusile power stations. However, new contractual arrangements entered into with Hitachi have significantly de-risked our commercial position on these projects. With the remaining contract value at about R17 billion, the power programme represents some 31% of the Group's total order book, ensuring a profitable and steady work flow for the next three years at least.

During this period, output capacity at Genrec will be largely dedicated to fabricating steel for the power programme, while other businesses in the Construction Africa and Middle East, as well as in the Engineering Africa business platforms, will continue to explore and exploit new opportunities, also in Africa.

Notwithstanding the substantial completion of the world-class Gautrain Rapid Rail Link Project (Gautrain), our participation in this project has translated into losses, penalties and delays. The Group has substantial claims on the project, which are still subject to legal processes. This is discussed in detail in the Group financial director's report.

Nevertheless, it bears stating that Gautrain is a major construction and engineering accomplishment that will stand the Group in good stead across the world. As a member of the Bombela consortium at concession and operational levels, Murray & Roberts can realistically look forward to substantial income throughout the fifteen-year lifespan of the concession or until this investment is sold.

A major and most unwelcome shock during the year under review concerned the difficulties encountered by Murray & Roberts at its loss-making Gorgon Pioneer Materials Offloading Facility (GPMOF) marine project in Western Australia. The liquidation of its joint-venture partner resulted in Murray & Roberts Marine having to take a 100% share (instead of 50%) of this project and incur punitive losses that have now been accounted for. The anticipated completion date of this project is January 2012.

In the past year we improved our bespoke opportunity management system and put in place processes that will go a long way towards mitigating our risk exposure on future projects, particularly as it pertains to the major projects that are the Group's calling card.

The losses associated with the GPMOF and Gautrain will not, however, deter Murray & Roberts from taking on projects of this size and complexity. In many instances we are the only Company in South Africa that has the capability and capacity to execute these projects, which will continue to form a substantial part of our business and differentiate us from our competitors. But this requires that we continue to strengthen our risk management, legal and commercial expertise and project systems so as to significantly reduce our risk exposure on such projects.

The Construction Global Underground Mining operating platform, which comprises our Cementation businesses, continued to perform exceptionally well, thanks to the sustained worldwide demand for commodities. Murray & Roberts is sinking 21 vertical shafts around the world – confirmation of our unrivalled standing in the mine development sector. Results were solid from all businesses, local and international.

# GROUP CHIEF EXECUTIVE'S REPORT continued

Another strong performer this year was Clough, which reported a fourth consecutive year of earnings growth.

Murray & Roberts ended the year with a record R55 billion order book. This is testimony not only to the hard work that many executives put in over the past 12 months, but also to the continuing strength of the Murray & Roberts brand and the high esteem we enjoy among many valued clients.

This year our investment in training and skills development declined marginally, from R117 million in 2010 to R116 million. Also disappointingly, the number of graduates declined sharply – from 53 the previous year (and 88 in 2009) to just 18 in the year under review.

However, there were notable successes. Cementation's Bentley Park training facility introduced a "License to Supervise" programme that will equip our supervisors with the necessary knowledge and skills to perform the technical work required of them, as well as the interpersonal skills to manage subordinates to achieve company objectives safely. Our leadership in construction training was recognised by the SA National Defence Force, which requested that Murray & Roberts provide construction supervision training for an envisaged in-sourced construction drive. Meanwhile, at Medupi and Kusile, we continue to transfer skills to our targeted 700 new artisans who will be able to develop careers either at Murray & Roberts or elsewhere.

During the year we embarked on an extensive talent assessment programme, where 177 senior executives underwent a battery of psychometric evaluations and participated in panel interviews, with the intent to identify talent for mentoring and fast tracking. We allocated R3,6 million to our leadership development programmes in which 185 delegates took part.

## LOOKING FORWARD TO A BETTER YEAR

Only 20% of planned EBIT for the new financial year derives from our construction activities in the traditional civil construction and building markets in southern Africa and Middle East. While these markets are expected to remain depressed for at least the next 12 months, we are not overly dependent on them. The Group's strength is increasingly in our diversity, in terms of the breadth of services and products we offer across the engineering and construction value chain, as well as our geographic spread and exposure to different economic cycles. This has helped the Group to weather severe economic headwinds and to end the year with a substantial order book.

All operating platforms, other than Construction Africa and Middle East, are expecting to experience improved trading conditions in the new financial year. Growth opportunities for the Group exist primarily outside southern Africa. Growth in the past decade has largely been driven by businesses the Group bought into and, while the current statement of financial position presents little room for an expansive acquisitions strategy, we will continue to evaluate selected acquisition opportunities in the medium term. These exist notably in the Construction Global Underground Mining operating platform, where there are opportunities that promise to enhance our value proposition and market shares.

Clough in Australia, with its 33% investment in Forge Group Ltd, presents strong growth potential and our long term strategy with regard to Clough will be further developed in the following year.

We have clarity on the way forward and are well equipped to realise the opportunities that come our way – as well as those we are actively working on.

## APPRECIATION AND CLOSING

In closing, I thank my predecessor, Brian Bruce, as well as Roger Rees for their leadership since the year 2000.

My thanks are also due to our Board of directors and chairman, Roy Andersen, for the invaluable guidance and support they have provided during the changing of the guard. The continued involvement of our strong and proactive Board will be a key ingredient in our success going forward.

I thank all our stakeholders, especially our colleagues, shareholders and clients. I look forward to your ongoing support and reporting back to you next year on significant, positive change and resounding recovery.

We are working hard to create a sustainable, thriving Company that is the preferred partner for the delivery of infrastructure that enables economic and social development in a sustainable way – a purpose we embrace with new energy and clear focus.

**HENRY LAAS**

**GROUP CHIEF EXECUTIVE**

| WESSELS MINE HEADGEAR /// HOTAZEL, NORTHERN CAPE

# GROUP FINANCIAL DIRECTOR'S REPORT

| COBUS BESTER /// **GROUP FINANCIAL DIRECTOR**

# DEAR STAKEHOLDER

## "MURRAY & ROBERTS EXPERIENCED TOUGH TRADING CONDITIONS AND FORMIDABLE CHALLENGES ON MAJOR PROJECTS IN THE YEAR TO 30 JUNE 2011.

Revenues from continuing operations increased by 10% to R30,5 billion (2010: R27,9 billion). However, an operating loss of R678 million (2010: profit R1 535 million) was recorded after accounting for charges and costs totaling R1 975 million."

The charges and costs comprised the following:

- SADC Construction – R1 150 million, made up of contract finalisation costs on the Gautrain Civils Joint Venture and provision made for potential Competition Commission penalties on identified possible transgressions on other projects.
- Marine Construction – R582 million of estimated contract completion costs on the Gorgon Pioneer Materials Offloading Facility (GPMOF) in Australia.
- Middle East Construction – R164 million impairment of contract receivables in respect of legacy contracts.
- Construction Products Africa – R79 million impairment of assets.

These charges and costs increased significantly from the R795 million of exceptional charges recorded to 31 December 2010, due to the following reasons:

- A provision for potential Competition Commission penalties following the submission of previously unknown possible transgressions to the Commissioner in April 2011.
- A provision against Rapid Rail Link project (Gautrain) uncertified revenue as a result of a new legal opinion received in respect of one component of the total claim.
- A Dispute Resolution Board ruling received in June 2011 requiring rectification work in respect of water ingress on the Rosebank to Park Station section of the Gautrain tunnel, resulting in increased cost to complete and further delay penalties.
- A provision for increased arbitration legal costs in relation to the Gautrain delay and disruption claim, which is only expected to be heard in 2013.
- Losses on the GPMOF contract due to further delayed access post 31 December 2010, adverse weather conditions that hindered construction activities and allowed claims recognition in terms of *IAS 11 Construction Contracts*.
- A change in outlook on a market sector in the Construction Products Africa platform requiring an impairment of related assets.

Excluding the charges detailed above, the Group's normalised earnings before interest and tax for the year amounted to R1,3 billion. Normalised earnings were weaker in the second half of the financial year, primarily as a result of lower than estimated contract final accounts achieved in the Middle East and delays in orders received primarily within the Construction Products Africa businesses.

On discontinued operations, R326 million in respect of impairment of assets held in businesses to be sold or closed was recorded, which is in addition to trading losses of R384 million for the year under review. Trading losses continued to be incurred in the second half of the financial year and additional provisions were made against assets to be sold, based upon indicative disposal values.

As a consequence, the Group recorded a diluted headline loss per share of 394 cents and diluted loss per share of 387 cents from continuing operations for the financial year to 30 June 2011. This compared to the previous comparable period of diluted headline earnings per share of 314 cents and diluted earnings per share of 318 cents. After accounting for the loss on discontinued operations, the Group recorded a diluted headline loss per share of 503 cents and diluted loss per share of 585 cents respectively for the financial year to 30 June 2011, compared to the previous comparable period of diluted headline earnings per share of 340 cents and diluted earnings per share of 371 cents.

Notwithstanding the deterioration in earnings in the past financial year, the Group is well positioned for a return to profitability and growth in earnings.

# GROUP FINANCIAL DIRECTOR'S REPORT continued

## LIQUIDITY

The Group's liquidity position improved substantially from the net debt position at 31 December 2010 of R1 billion to a net cash position at 30 June 2011 of R759 million, excluding cash and interest bearing liabilities within discontinued operations. While future revenue flows are anticipated, funding required to complete the Gautrain and GPMOF projects over the next six months is likely to again place the Group in a net debt position by 31 December 2011.

The Group's restricted liquidity position is being resolved through a structured approach involving four initiatives, in which good progress has already been made:

- Ensuring profitable and cash generative financial results from all operations
- The disposal of non-core operations and assets
- The restructuring of banking facilities, by spreading the term of the facilities and reducing the reliance on "on-demand" facilities
- Resolution of project claims – in this regard, arbitration proceedings have been initiated on a number of the Group's contract claims, but final outcomes from these hearings are unlikely prior to 30 June 2012.

No interim or final dividend was declared for the year ended 30 June 2011 due to the Group's current liquidity position.

## MAJOR PROJECTS

Despite substantial completion of the Gautrain project, the Group has suffered a material loss on its participation in construction activities on this project. During the year additional charges were taken on the construction contract relating to the impairment of contract receivables, estimated costs associated with water ingress rectification work, delay penalties as well as increased costs to complete the project by January 2012. Bombela Concession Company has submitted its Statement of Case in connection with the delay and disruption and related disputes on the Gautrain project.

The Group encountered late site access, bad weather conditions and material scope changes at its GPMOF project in Western Australia. A significant charge was taken during the year in respect of the estimated costs to complete the project. The anticipated completion date of the project is January 2012.

During the year the Group's construction business in the Middle East participated in several major projects in Abu Dhabi. The Zayed University was completed while Saadiyat-St Regis resort complex will be completed during the course of financial year 2012. An arbitration proceeding on the Dubai International Airport Concourse 2 (Dubai Airport) is in progress and the Group expects to resolve the final account settlement in the second half of the 2012 calendar year.

Clough is undertaking, in a joint-venture, two major and profitable LNG (liquefied natural gas) projects, the PNG-C1 contract in Papua New Guinea and the Gorgon Downstream LNG contract in Western Australia.

The value of still to be agreed Group contract claims and variation orders included in the statement of financial position at 30 June 2011 was R1 968 million (2010: R1 966 million), net of on-account payments of R334 million. These claims have been taken to book in terms of IAS 11 (Construction Contracts) and following advice from independent legal, commercial and claims consultants. The majority of this balance relates to claims in respect of Gautrain, Medupi Civils Works, GPMOF and Dubai Airport.

The Board and management remain committed to the resolution of all contractual disputes and collection of resultant claims. As previously disclosed to shareholders, adjudication of these legally complex financial claims and variation orders within major projects has yet to be finalised, and is subject to arbitration and/or negotiation. Potential exists for a materially higher or lower amount being finally awarded compared to that recognised in the statement of financial position at 30 June 2011.

## STATEMENT OF FINANCIAL PERFORMANCE

Construction Africa and Middle East revenue of R9,1 billion decreased by R2,1 billion compared to the prior year, with an operating loss of R1,4 billion down R1,9 billion on the prior year. The declines were a result of a low order book and a poor performance in Murray & Roberts Construction due to the slowdown in infrastructure spending in southern Africa. The Gautrain charge mentioned above represents the Group's share of the increase in estimated cost to complete the project.

Middle East revenues and operating profit declined primarily due to delays in projects and the total collapse of the market in Dubai. Contracts in Saudi Arabia have been written down to break-even and provisions have been made for receivables on legacy contracts.

Murray & Roberts Marine's revenues increased on the prior year. However, the tough trading conditions specifically related to the GPMOF project in Western Australia, which contributed to the operating loss of R582 million, a R659 million decline on the prior year.

The R4,1 billion of Engineering Africa revenue increased by R2,4 billion compared to the prior year. The increase was due to the Eskom power programme projects gaining momentum after initial delays at Kusile. An operating loss of R51 million showed a R119 million decrease on the prior year. The new agreement signed with Hitachi shortly before year-end will ensure that the power programme will be profitable.

Construction Products Africa revenues decreased by R1,6 billion on the prior year, to R4,2 billion. This was largely due to Hall Longmore, which completed the New Multi-Product Pipeline Project (NMPP) in the prior year. Operating profit of R192 million showed a R426 million decrease on the prior year. Volume and margin pressures are being experienced in Rocla and Technicrete while Hall Longmore experienced the delayed awarding of tenders. Much Asphalt again performed very well, although slightly down against the prior year, but better than budget.

Revenue of R7,8 billion in the Construction Global Underground Mining increased by R2,4 billion on the prior year due to improved activity in all three regions – Africa, the Americas and Australia. Revenues in Cementation were driven by the high demand for resources worldwide. Operating profit of R602 million showed a R155 million increase on the prior year.

Clough reported a revenue increase over the prior year of R1,5 billion, underpinned by a growing order book and activities on the Gorgon gas field and Papua New Guinea. Clough's operating profit increased by R65 million on the prior year, after the reclassification of their Marine Construction business to discontinuing.

The Group recorded net interest expense of R194 million compared to R122 million in the prior year. Higher working capital funding primarily for major projects and utilisation of advance payments increased working capital demand in the first half of the year. The Group's international cash holdings generated relatively lower interest income as global interest rates remained low.

Although the Group realised greater losses in GPMOF and Gautrain where no taxation assets are recognised, taxation decreased as a result of improved utilisation of the losses in UCW and Medupi Fabrication. Despite a net overall Group loss, tax is still payable where the Group has profitable businesses in separate companies, namely Cementation, Concor and foreign jurisdictions. With the benefit of a tax loss brought forward, Clough reported an effective tax rate of 11,3% (2010: 12,7%). Clough has a A$99,3 million tax loss carried forward.

## STATEMENT OF FINANCIAL POSITION

The Group invested R832 million in capital expenditure for continuing operations during the year (2010: R1,1 billion). Capital expenditure in excess of depreciation has been incurred for the Power Mechanicals contracts and in Cementation operations. Some R367 million was spent on expansion and R465 million on replacement.

Capital expenditure in mining of R356 million was primarily project related and R64 million was invested in Construction Products Africa to ensure ongoing efficiencies in production facilities. Concor invested R116 million primarily to support the opencast mining and roads and earthworks divisions, while Engineering Africa invested R174 million to support the power programme projects.

Cash generated by operations was R872 million (2010: R1,4 billion), while operating cash flow was R334 million (2010: R691 million). The working capital inflow of R232 million was due to a stronger focus on cash collection during the latter part of the year. A further advance payment was received on the Medupi Civils contract, the Medupi and Kusile Mechanical contracts were renegotiated with Hitachi, resulting in a cash inflow and the sales proceeds of the investment in the N3 Toll Concession were received just before year-end.

The Group reported a net cash position of R759 million at 30 June 2011 with R3,1 billion cash on hand, a R47 million bank overdraft, R1,1 billion in short term loans and R1,2 billion in long term loans. This was a R322 million net improvement compared to 30 June 2010.

Total goodwill in the Group's statement of financial position at 30 June 2011 was R435 million (2010: R554 million) with Clough's goodwill accounting for 68% of the total.

## CLOUGH

The Group holds a shareholding in Clough of approximately 62% and there was no change in shareholding during the year.

Clough's net assets have increased to A$311 million (2010: A$305 million). At year-end, Clough held A$65 million cash on hand.

During the year under review, Clough increased its equity interest in Forge from 31% to 33%. The fair value of our percentage holding is R1,1 billion.

On 8 August 2011, Clough announced the disposal of its Marine Construction business for a cash consideration of A$127 million. The results of the Marine Construction business have been recorded as being a discontinued operation and the assets and liabilities have been recorded as held for sale.

At 30 June 2011, Clough, which is listed on the Australian Stock Exchange, traded at a closing price of 71 Australian cents per share. This compares to the Group's average holding cost of 41 Australian cents per share. The Group holds approximately 479 million ordinary shares in Clough.

## DISPOSALS OF NON-CORE ASSETS

During the year, the Group entered into agreements to dispose of interests in non-core businesses, which are detailed below.

An unsolicited offer for the Group's 14% shareholding in N3 Toll Concession has been accepted and reflects fair value.

An offer for the Group's 49% shareholding in Johnson Arabia was accepted prior to June 2011. Conclusion of the transaction is subject to conditions precedent.

On 27 October 2010 the Board approved the sale of the Group's interest in CISCO (Cape Town Iron and Steel Company). In February 2011 the Board further approved the sale of all the Group's interests in the trading and manufacturing of steel reinforcing products.

An offer for the sale of the mining roof bolts manufacturing division was accepted prior to 30 June 2011 and was approved by the Competition Commission in August 2011.

## ACQUISITIONS

The Group acquired an additional 33% equity interest in PT Operational Services, who provide toll operations, maintenance and routine road maintenance services to Bakwena Platinum Corridor Concessionaire, thereby increasing its interest to 67%.

The Group also acquired an additional 8% equity interest in Bombela Concession Company, increasing its interest to 33%.

## OUTLOOK

The Group's order book at 30 June 2011 was R55 billion (2010: R44 billion). The operating margin contained in the order book is within the Group's strategic range of 5,0% to 7,5%. We expect all operating platforms other than Construction Africa and Middle East to experience improved trading conditions.

Underpinned by a robust order book, the new management team is determined to grow the business while reducing debt. We look to the 2012 financial year confident that the Group will return to profitability.

**COBUS BESTER**
**GROUP FINANCIAL DIRECTOR**

# MAJOR PROJECTS

## THE GAUTRAIN IS A STATE-OF-THE-ART RAPID RAIL LINK SERVING GAUTENG'S MAJOR COMMERCIAL HUBS. THE R25 BILLION PROJECT IS ONE OF THE LARGEST PUBLIC PRIVATE PARTNERSHIPS IN THE WORLD AND HAS BEEN A MAJOR CREATOR OF JOBS, STIMULATING THE CONSTRUCTION AND INFRASTRUCTURE SECTORS DURING THE RECESSION.

"Gautrain stands out as a flagship public transport project of the provincial Government. It has developed a reputation for offering passengers a safe, convenient and affordable travel experience. On the airport link passenger support has exceeded expectations with almost three million passengers having already used the system. By April 2011, over 110 000 direct, indirect and induced jobs had been created through the Gautrain project."

**ISMAIL VADI**
**MEC, ROADS & TRANSPORT, GAUTENG**

"Murray & Roberts believes in sustainability, and in being involved in a project long enough to see it through. In the case of the Gautrain, this is not just about building a project at a point in time, but about investing in the result and remaining involved for the long term."

**JEROME GOVENDER**
**CHIEF EXECUTIVE, BOMBELA CONCESSION COMPANY**

## WHAT DO THE PASSENGERS THINK?

A selection of tweets posted on Twitter:

"Petrol costs me R3 000 a month; the Gautrain works out to R1 200, and that doesn't include savings on wear and tear!" **MELANIE BALA**

"The best thing about the Gautrain is not necessarily the speed but being free of traffic stress at the destination. It's such a relaxed ride." **APHILE MOLEFE**

"One cannot help but swell with pride when you experience the Gautrain. Finally we have a quick and easy link between Joburg and Pretoria. Let's use it." **ANDREW SORRIL**

"On the Gautrain ... what a jol ... if I didn't know better I would have thought I was in London ... other provinces: sorry for you!" **WARREN ROUX**


## MURRAY & ROBERTS PARTICIPATION

- Bombela Concession Company 33%
- Turnkey Contractor 25%
- Bombela Operating Company 24%
- Bombela Civils Joint Venture 45%

THE TRAIN TRAVELS AT **160 KM/H** HAS ALREADY CARRIED & OVER THREE MILLION PASSENGERS

- The system covers some **80 km of track** linking Pretoria, Johannesburg, Sandton and OR Tambo International Airport
- It takes approximately **15 minutes** to travel between Sandton and OR Tambo International Airport, and **less than 40 minutes** to travel from Johannesburg to Pretoria.

# GROUP PERFORMANCE REVIEW

| MUCH ASPHALT /// BENONI, GAUTENG

# SUSTAINABLE

ANDREW SKUDDER
SUSTAINABILITY EXECUTIVE

## "THE SUSTAINABILITY OF MURRAY & ROBERTS IS DEPENDENT ON OUR ABILITY TO FULFIL OUR CORE PURPOSE

of delivering infrastructure that enables economic and social development in a sustainable way. To secure access to the capital resources we require to maximise our contribution to the built environment – financial, manufactured, human, social and environmental capital – we need to maintain the trust of our stakeholders and thereby our licence to trade, and to conduct our operations in an ethical way while minimising our impact on the societies and the natural environment within which we operate. The ability to apply the appropriate resources to achieve all this is dependent on our ability to remain sustainably profitable."

## OUR SUSTAINABILITY FRAMEWORK

Murray & Roberts has adopted a sustainability framework to guide our approach to sustainable performance, shown below.

The framework sets out our aspiration to operate in an ethical and sustainable way by:

- Considering the views and concerns of our stakeholders in our strategic and operational decision-making
- Understanding and mitigating our risks in relation to our opportunities
- Applying best practice corporate governance beyond minimum requirements
- Running world-class operations able to create and sustain value for clients, employees, shareholders, partners and suppliers, as well as the countries and communities in which we operate
- Managing all our impacts, according to the principle of zero harm and the precautionary principle.

The outcome of these inter-related objectives is integrated reporting and the integrated report, which links back to our stakeholders and completes the cycle of accountability and inclusivity that ultimately underpins our sustainability.

**INTEGRATED REPORT**

| **SOCIAL** // Health & safety // Employees // Transformation and local economic development // Community development | **ENVIRONMENTAL** // Resource efficiency and carbon footprint // Emissions, releases and waste management | **ETHICAL** // Human rights // Unfair discrimination and equality // Fraud, corruption and anti-competitive behaviour // Unfair business practices |
|---|---|---|

**FINANCIAL AND ECONOMIC SUSTAINABILITY**

**GOVERNANCE STRUCTURE**

**RISKS & OPPORTUNITIES AND STAKEHOLDER ENGAGEMENT**

# STAKEHOLDER ENGAGEMENT

## CEMENTING SUSTAINABLE RELATIONSHIPS WITH STAKEHOLDERS

Murray & Roberts communicates constantly with its stakeholders and engages in a constructive and transparent manner. Key stakeholders are generally identified as groups or individuals impacted by our operations, with an interest in what we do or the ability to influence our activities, in proximity to our operations or dependent on Murray & Roberts. Mutual trust and understanding with our stakeholders is imperative and we use specific means of communication for each stakeholder group.

Murray & Roberts this year embarked on a process aimed at communicating and engaging more openly, more effectively and more inclusively with all stakeholder groups. This engagement process seeks to ensure that interaction with stakeholders in all our markets is continuous, effective and ongoing. We believe that this new process of engagement will underpin the Group's sustainability across all our operating platforms.

With the assistance of professional third-party advisors, we developed a stakeholder engagement framework for use by all Murray & Roberts companies. It is a framework which the various operations can customise to meet the unique concerns of their stakeholders. It is anticipated that the framework will be extensively adjusted, based on input from our stakeholders.

Various stakeholder engagement methods were researched and the most appropriate recommended for each stakeholder group.

These methods were then grouped into the following categories:

- Face-to-face engagement (one-on-one meetings, citizen panel/public meetings, including "town hall" meetings)
- Technological engagement (website, intranet, email and SMS)
- Social engagement (Facebook and Twitter)
- Printed engagement (media releases, leaflets, internal magazines, annual integrated report).

## CLIENTS

The Group's client base includes corporate institutions, Government departments, state-owned enterprises, mining houses, large businesses, other contractors and private developers. Our stated objective is to gain preferred status through world-class implementation of projects, and supply of products and services that fulfil client requirements. Specific initiatives to enhance our client relationships include:

- Identification of customer/client needs through one-on-one and workshops
- Strategic alliances
- Market engagement
- Innovation and education
- Focus on quality, cost and performance delivery.

The Group also engages with Government entities at national, provincial and local levels as clients and regulators. Relationships are maintained at corporate and operational levels, as appropriate. Any engagement must be undertaken in a manner that adheres to high standards of ethics and complies with the law.

The top 10 concerns for our key stakeholder groups, as currently identified, are shown in the table below.

| Rank | Clients | Employees | Murray & Roberts operating companies | Shareholders and investment community |
|---|---|---|---|---|
| 1 | Quality of work/product (Including timeous delivery) | Remuneration | Financial performance | Financial performance |
| 2 | Cost of services/products | Health & safety | Leadership and strategic direction | Leadership and strategic direction |
| 3 | Health & safety | Continued supply and demand for work and products | Health & safety | Continued supply and demand for work and products |
| 4 | Reputation/brand/credibility | Leadership and strategic direction | Reputation/brand/credibility | Risk management |
| 5 | Capacity/capability | Human and labour rights issues | Continued supply and demand for work and products | Corporate governance/ethics |
| 6 | Compliance with laws/regulations/industry standards | Skills, training and education | Compliance with laws/regulations/industry standards | Market environment |
| 7 | Transformation and BBBEE | Financial performance | Quality of work/product (including timeous delivery) | Health & safety |
| 8 | Risk management | Transformation and broad-based black economic empowerment (BBBEE) | Risk management | Compliance with laws/regulations/industry standards |
| 9 | Environmental impact | Reputation/brand/credibility | Remuneration | Reputation/brand/credibility |
| 10 | Corporate governance/ethics | Compliance with laws/regulations/industry standards | Market environment | Corporate Social Investment |

Measures are in place to monitor client satisfaction. A Group client service centre assists to bridge the knowledge gap between Murray & Roberts and its people, potential clients, existing clients and the general public. This facility processes about 2 500 calls and email queries per month.

## EMPLOYEES

Our workforce is large and diverse, with employees and limited duration contractors in more than 25 countries. Our employees are concerned about their own health and safety and that of their fellow workers. They also have an interest in decent working conditions, fair remuneration and career development opportunities.

We engage with our employees by a variety of means, including:

- One-on-one and open space meetings
- Direct communication through immediate supervisors and management
- Performance and development discussions
- Group and operations newsletters and general communications
- Staff training programmes
- Monthly safety SMSs and illustrated brochures
- The Murray & Roberts website and intranet
- The Murray & Roberts client service centre
- Participation in various forums and initiatives.

Feedback is obtained from our employees through:

- Direct communication with immediate supervisors and management
- Performance and development discussions
- Non-attributable information is provided by "Tip-Offs Anonymous", a confidential call centre to report unethical conduct
- Employee surveys conducted by some operations
- Facebook and Twitter initiatives will be added in the new financial year.

## MURRAY & ROBERTS OPERATING COMPANIES

Murray & Roberts operates 19 operating companies and participates in project joint-ventures with other companies in the construction, engineering and mining sector. We engage with our operating companies by a variety of means, including:

- Operating platform board meetings
- Quarterly CE Forum meetings
- One-on-one meetings with the respective managing directors
- Site visits and project meetings.

Feedback is obtained from operating divisions through:

- Operating platform board meetings
- Quarterly CE Forum meetings
- Participation in various forums and initiatives
- The Murray & Roberts website and intranet.

| Financial institutions | JV partners, service providers/ suppliers/subcontractors | Unions | Communities |
|---|---|---|---|
| Financial performance | Continued supply and demand for work and products | Human and labour rights issues | Skills, training and education |
| Leadership and strategic direction | Cost of services/ products | Transformation and BBBEE | Corporate social investment |
| Reputation/brand/credibility | Financial performance | Remuneration | Transformation and BBBEE |
| Risk management | Capacity/capability | Health & safety | Human and labour rights issues |
| Continued supply and demand for work and products | Quality of work/product (Including timeous delivery) | Continued supply and demand for work and products | Environmental impact |
| Corporate governance/ethics | Reputation/brand/credibility | Skills, training and education | Health & safety |
| Market environment | Health & safety | Compliance with laws/regulations/ industry standards | Continued supply and demand for work and products |
| Compliance with laws/regulations/ industry standards | Leadership and strategic direction | Financial performance | Compliance with laws/regulations/ industry standards |
| Cost of services/products | Transformation and BBBEE | Corporate Social Investment | Remuneration |
| Capacity/capability | Compliance with laws/regulations/ industry standards | Leadership and strategic direction | Corporate governance/ethics |

# STAKEHOLDER ENGAGEMENT continued

## SHAREHOLDERS, INVESTMENT COMMUNITY AND FINANCIAL INSTITUTIONS

Murray & Roberts has a diverse shareholding; 43% of our shareholders are international investors, and over 75% of our shares are held by institutional investors. General communication with shareholders is facilitated by:

- The annual integrated report
- The Group's annual and interim announcements and presentations in February and August every year
- The annual general meeting
- Stock Exchange News Service (SENS)
- Media releases and operational news
- The Murray & Roberts client service centre
- The Murray & Roberts website.

Additional information is provided to the investment community through:

- One-on-one meetings with the Group chief executive and Group financial director
- Investor conferences
- Subject-specific presentations.

Feedback from the market is obtained through:

- Broker reports
- One-on-one contact
- Facebook and Twitter initiatives will be added in the new financial year.

## JV PARTNERS/SERVICE PROVIDERS/SUPPLIERS/SUBCONTRACTORS

There are policies and procedures in our operations for the selection of suppliers. The following performance deliverables are important:

- Pricing
- Reliability
- Quality
- BBBEE.

The creditworthiness, and safety and environmental records of joint-venture (JV) partners or subcontractors are also considered. The performance of our JV partners and suppliers is monitored regularly, and supplier audits are conducted from time to time within our operations.

Feedback is obtained from service providers/suppliers/subcontractors through:

- One-on-one and site meetings
- "Tip-Offs Anonymous", a confidential call centre to report unethical conduct
- The Murray & Roberts website.

## SPECIAL AND OTHER INTEREST GROUPS

Murray & Roberts engages several other stakeholders, including NGOs, industry associations, trade unions and the media, which represent a broad range of interests groups. We engage NGOs as partners in our corporate social investment process and as opinion leaders or advocates of particular issues of importance to Murray & Roberts. Industry associations are, among others, professional bodies (associations) in the mining, engineering, construction and related industries. We engage trade unions as part of our collective bargaining arrangements with our employees to address some of our employee needs. The media represents a broad range of issues reflecting all stakeholder interests and we engage them through media releases, presentations and interviews.

We engage special interest groups by a variety of means, including:

- One-on-one meetings
- Conferences and workshops
- Strategic alliances
- Market engagement.

Feedback is obtained from operating divisions through:

- One-on-one and participation in conferences and workshops
- "Tip-Offs Anonymous", a confidential call centre to report unethical conduct
- The Murray & Roberts website.

## COMMUNITIES

Murray & Roberts has more than 200 project and fixed sites across the globe. As a consequence, the Group operates in many communities and has the potential to influence these communities within which it operates both positively and negatively. Murray & Roberts encourages constructive and transparent engagement with these communities through its operations which are best placed to understand the impact and concerns of communities.

We welcome the feedback of all stakeholders on the following contact details:

- Murray & Roberts Client Service:
  +27 11 456 1144
  clientservice@murrob.com

# ETHICAL PERFORMANCE

## MANAGEMENT FRAMEWORKS

At Murray & Roberts we acknowledge that the "tone at the top" sets the foundation for an ethical culture within an organisation. A company builds an ethical culture in formal and informal ways. Formally, this entails articulating and aligning behaviour to the Group's redefined purpose, values and vision; compiling an ethics, risk and opportunity profile; developing and communicating a Statement of Business Principles (commonly referred to as a code of ethics); and integrating ethical standards into the Group's business activities and reporting on and disclosing its ethics performance. Informally, an ethical culture is determined by the manner in which Board members and Group executives conduct themselves in carrying out the business of the Group.

We undertake to conduct our business within the framework set by the regulatory requirements applicable to our industry, as well as our respective operating companies and geographies. We strive to conduct our business in compliance with both the letter and the spirit of the law, our internal policies, and our recently released Statement of Business Principles. To facilitate regulatory compliance the Group has developed a compliance plan and framework that includes the Group regulatory universe (covering non-statutory and statutory requirements) and risk management plans for the high risk regulations in the South African market, which include:

- Prevention and Combating of Corrupt Activities Act No. 12 of 2004
- Competition Act No. 89 of 1998
- Companies Act No. 71 of 2008
- Occupational Health and Safety Act No. 85 Of 1993
- Mine Health and Safety Act No. 29 Of 1996.

Each operating company is required to develop risk management plans that identify and implement the controls required to comply with all applicable laws and regulations. Monitoring procedures are also in place to assess and ensure compliance.

Directors are bound by a Board-mandated Code of Conduct that contains standards of accepted behaviour.

## FRAUD, CORRUPTION, ANTI-COMPETITIVE BEHAVIOUR AND UNFAIR BUSINESS PRACTICES

Murray & Roberts subscribes to good corporate governance, good corporate citizenship and ethical business practices. The Group is a signatory to the World Economic Forum Partnering Against Corruption Initiative (PACI). The Group is also a member of Business Leadership South Africa and supports their Code of Good Corporate Citizenship.

According to Transparency International, the construction industry is perceived to be one of the industries most prone to corruption. This is of great concern to the Board and management of Murray & Roberts. We do not condone anti-competitive or collusive conduct in any shape or form by our employees in every jurisdiction in which we operate, whether or not there are anti-competitive or anti-collusive laws in place, and we are committed to compliance with the South African Competition Act, No 89 of 1998.

In 2000 the management of Murray & Roberts at the time took action to end collusive industry practices, followed in 2006 by a further initiative to root out any remaining collusive practices within our South African operations. All improper conduct that was identified and which, based on legal advice, was considered a contravention of the Competition Act was proactively brought to the Competition Commission`s attention. Several leniency applications, in terms of the Commission's Corporate Leniency Policy (CLP), have been submitted to the Commission. Where a firm is first to come forward to the Commission with a particular contravention of the Competition Act then, under the CLP, no penalty will apply. We have co-operated fully with the Commission in all of its investigations.

We have conducted a dedicated series of educational campaigns comprising of seminars, workshop discussions and online training, among others, aimed at instilling a culture of compliance within the Group, and raising the awareness and understanding of the requirements of and obligations imposed by the Competition Act. The majority of Murray & Roberts senior managers and individuals considered to be at risk (those who may have exposure to anti-competitive or collusive conduct due to their role), a total of 1 058 individuals, had completed the online training by the end of July 2010.

Aware that the industry was struggling with a collusive culture that was proving difficult to eradicate, the Commission announced in February 2011 a fast-track settlement process aimed at providing a transparent, cost effective and swift resolution to its investigations into the construction industry. In terms of the process, firms that believed they were still afflicted by a legacy of collusive conduct were invited to apply to the Commission to engage it in full and final settlement proceedings on less punitive terms.

The Group conducted further extensive internal legal and forensic investigations in terms of the specific provisions of the fast-track process. This included extensive interviews with both current and former executives of the Group, including those who had signed declarations of compliance in terms of the Competition Act. A large number of past and present project tenders were subjected to audit. Regrettably we identified a limited number of projects, primarily in a designated sector in which Concor Holdings is active, where the Competition Act may have been transgressed and for which no CLP applications had previously been lodged. As a consequence, on 15 April 2011, Murray & Roberts participated in the Commission's fast-track settlement process. We have now lodged CLP applications for these projects, but may well be exposed to the application of a penalty in terms of the rules of the fast-track process. We have made provision for potential penalties for these identified possible transgressions. The transgressions appear to have extended from an indeterminate period prior to the acquisition of Concor by Murray & Roberts in 2006, and have ceased after Concor was operationally integrated into the Group. It is possible, however, that the fast-track process may identify further projects where Concor and/or Murray & Roberts may have transgressed the provisions of the Competition Act and that may potentially give rise to additional penalties.

# ETHICAL PERFORMANCE continued

As reported in our 2010 Annual Report, the Commission initiated an investigation into the South African ferrous and non-ferrous scrap metal industry in August 2006. The investigation included Cape Town Iron and Steel Company (CISCO) on the basis of allegations of market allocation, price fixing and fixing of trading conditions as well as restrictive vertical practices. The investigation also included National Scrap Metal (Cape Town) (NSM), a scrap-steel processing joint-venture between Murray & Roberts and The New Reclamation Group. Murray & Roberts and The New Reclamation Group each have a 42% effective shareholding in NSM. On 23 August 2010 the Commission referred its complaint in this matter to the Competition Tribunal citing a total of thirteen respondents, including CISCO. Although no relief was claimed against CISCO, the Commission found that NSM had contravened the Competition Act. On 1 December 2010, the Competition Tribunal confirmed a settlement agreement concluded between NSM and the Competition Commission, where NSM agreed to pay a fine of R17,7 million (an amount equal to 5% of NSM's total turnover for the 2006 financial year). This matter remains under review by Murray & Roberts.

Murray & Roberts has introduced an anti-competitive and collusive conduct consequence matrix, to provide guidance to directors, senior executives and all employees of the Group.

Murray & Roberts will continue to work with the Competition Commission in the best interests of the Group and the industry and to eliminate all forms of anti-competitive behaviour from the construction industry.

## STATEMENT OF BUSINESS PRINCIPLES

Murray & Roberts has adopted a comprehensive Statement of Business Principles, which represents the ideals and standards that we believe differentiate the Group and signals a dedication to core values as the basis of an ethical approach to business. The Statement of Business Principles is intended to focus the Board, each director, officer and employee on areas of ethical risk, provide guidance to help them recognise and deal with ethical issues, provide mechanisms to report unethical conduct and help foster honest and ethical conduct. Each director, officer and employee must comply with the letter and spirit of the Statement of Business Principles.

Booklets containing the Statement of Business Principles are available to all our employees, who have been made aware of the Statement of Business Principles and the core principles it contains through *Impilo Yethu*, a monthly cartoon strip internal magazine.

**The Statement of Business Principles is available on**
www.murrob.com/sus_bus_principles.asp

## TRANSPARENCY

Employees have a responsibility to conduct themselves in good faith and in the best interest of the Group and each of its companies and as such employees are encouraged to disclose any anti-competitive or unethical conduct of others. The Group chief executive is the direct point of contact for "Tip-Offs Anonymous", an independent hotline service that supports reporting of workplace dishonesty and unethical behaviour, including discrimination, theft, fraud and corruption.

The Group engages a professional firm of forensic consultants and investigators to investigate all reported cases. Appropriate disciplinary and legal action is taken for any form of dishonest conduct.

## HUMAN RIGHTS

Murray & Roberts endorses the employee rights enshrined in the Constitution of the Republic of South Africa 1996, including the right to collective bargaining and other labour rights under constitutional laws, wherever we operate. Murray & Roberts acknowledges the right of individuals to freedom of association and rejects child and forced labour. Approximately 50% of the Group's employees, particularly those in the South African mining activities, are represented by trade unions and some 60% of our total workforce is covered by collective bargaining agreements.

**For more information on our approach to human rights go to**
http://www.murrob-online.co.za/murrob_ar2011/human_rights.php

## UNFAIR DISCRIMINATION AND EQUALITY

Discrimination of any form is viewed in a very serious light by Murray & Roberts and appropriate disciplinary action is taken against offenders. We do not condone unfair discrimination and expect everyone who works for or acts on our behalf to adhere to the highest ethical standards. We expect all employees and service providers to treat those with whom they come in contact with dignity and respect. As a South African domiciled company, we believe that it is not unfair discrimination to promote affirmative action consistent with the Employment Equity Act or to prefer any person on the basis of an inherent job requirement.

**For more information on our approach to unfair discrimination and equality go to**
http://www.murrob-online.co.za/murrob_ar2011/equality.php

# SOCIAL PERFORMANCE

| KEY INDICATORS<br>PERFORMANCE DIMENSION | Performance<br>2011 | 2010 | 2009 | Movement |
|---|---|---|---|---|
| **Social** | | | | |
| **Safety** | | | | |
| Fatalities | **12** | 9 | 9 | ▼ |
| FIFR* – fatality incident frequency rate | **0,06** | 0,05 | 0,05 | ▼ |
| RIFR* – reportable injury frequency rate | **0,4** | 0,6 | 0,8 | ▲ |
| LTIFR* – lost time injury frequency rate | **1,6** | 2,2 | 2,9 | ▲ |
| TRCR – total recordable case rate | **4,0** | N/A | N/A | |
| OHSAS – 18001 Management System implementation (% coverage) | **75%** | ± 67% | ± 69% | ▲ |
| * *Per million hours worked for the year* | | | | |
| **Health** | | | | |
| Voluntary HIV/Aids tests | **12 404** | 8 063 | >3 500 | ▲ |
| HIV/Aids prevalence of employees tested | **About 14%** | About 14% | About 17% | ◀ |
| New cases of tuberculosis | **37** | 82 | 58 | ▲ |
| Noise induced hearing loss (NIHL) | **104** | 103 | 65 | ◀ |
| Alcohol random tests | **83 041** | 271 460 | 4 445 | ▼ |
| % positive alcohol random tests | **0,7%** | 0,2% | 5,6% | ▼ |
| Drug random tests | **9 998** | 7 012 | 3 396 | ▲ |
| % positive drug random tests | **2,2%** | 3,0% | 3,9% | ▲ |
| **Employees** | | | | |
| Spending on formal employee training and development (Rm) | **116** | 117 | 96 | ◀ |
| Skills development on black employees | **78%** | 71% | 76% | ▲ |
| Total number of bursars | **133** | 167 | 193 | ▼ |
| % of bursars who are black | **62%** | 57% | 55% | ▲ |
| % of bursars who are female | **32%** | 32% | 31% | ◀ |
| Graduate recruitment | **18** | 53 | 88 | ▼ |
| % of graduates who are black | **61%** | 62% | 68% | ◀ |
| % of graduates who are female | **17%** | 23% | 25% | ▼ |
| Leadership Development Programme | **185** | 220 | 269 | ▼ |
| % of participants who are black | **40%** | 45% | 46% | ▼ |
| % of participants who are female | **16%** | 16% | 26% | ◀ |
| **Transformation & Local Economic Development** | | | | |
| BBBEE rating based on the dti Codes of Good Practice | **Level 4** | Level 4 | Level 5 | ◀ |
| Wealth created through Letsema BBBEE share ownership transaction (Rm) | **799** | 988 | 1 227 | ▼ |
| Bursaries awarded by the Letsema Employee Benefits Trust (Rm) | **8,0** | 12,0 | 5,4 | ▼ |
| Dividends distributed to 14 125 employee shareholders through the Letsema employee share ownership scheme (Rm) | **0** | 4,5 | 9,2 | ▼ |
| % of South African based employees who are female | **15,6** | 13,9 | 10,8 | ▲ |
| % of South African based employees who are black | **84,1** | 82,8 | 85,5 | ▲ |
| % of South African based employees designated as management who are female | **11,5** | 11,1 | 10,4 | ◀ |
| % of South African based employees designated as management who are black | **49,4** | 44,3 | 47,8 | ▲ |
| Capital expenditure (three-year cumulative amount (Rm) | **4 295** | 5 201 | | ▼ |
| % Preferential procurement spend South Africa | **61,2%** | 45,7% | 27,3% | ▲ |
| **Community Development** | | | | |
| Corporate social investment in community programmes (Rm) | **15,5** | 22,2 | 21,1 | ▼ |
| Letsema broad-based community commitments (Rm) | **16,3** | 22,0 | 20,4 | ▼ |

# SOCIAL PERFORMANCE continued

## HEALTH & SAFETY

Murray & Roberts seeks to create an environment that fosters the belief and mindset among our people that it is possible to work injury free, regardless of where they are in the world, their role or in which operating entity they work. In 2011, the Group's disappointing safety performance overshadowed the significant strides we made in advancing our health and safety programme. This indicates that we still have a long way to go to reach our goal of zero harm.

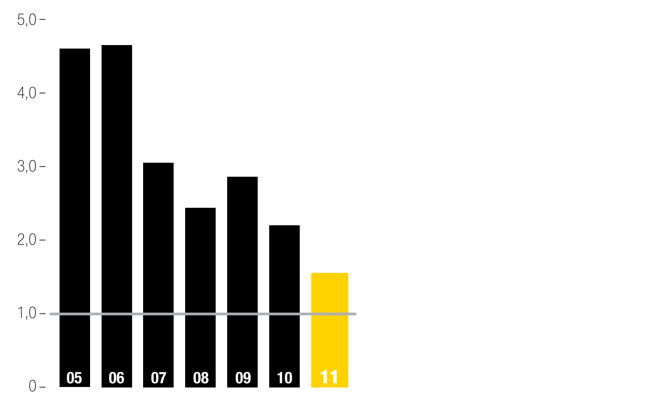
### SAFETY PERFORMANCE

Regrettably, the Group recorded 12 fatal incidents (11 permanent staff and a subcontractor) in financial year 2011 (2010: 9 fatalities). Five of these resulted from a fall of ground (FOG) incident at Aquarius Marikana shaft number 4 on 6 July 2011. Comprehensive investigations were conducted in each case to determine root causes and corrective measures were implemented to prevent re-occurrence.

Our commitment to provide a workplace free of harm to employees, contractors and visitors remains unshaken despite this disappointing performance. We will do everything possible to make this a reality.

The Group's consolidated lost time injury frequency rate (LTIFR), measured over a million man hours, improved to 1,6 a 27% improvement on the previous year. The Group's LTIFR is based on the Group classification standard, where LTIFR excludes modified work cases, which are injuries that do not result in lost time. However our South African mining operation includes modified work cases in line with South African mine industry practice. Excluding lost time injuries that could have been classified as modified work cases, the Group LTIFR was 1,3. Through our internal assurance process, we identified inconsistent calculation of hours worked, which will be addressed. Our target is to achieve zero fatalities and an LTIFR of less than 1,0 by the end of the 2012 financial year. The graph below illustrates the Group's historic performance against this target.

**ANNUAL LTIFR (PER 1 MILLION MAN HOURS)**




During the year we introduced the total recordable case rate (TRCR) as one of our key indicators of safety performance. This is a broader indicator as it includes all injuries, except those requiring first aid treatment. Our TRCR was 4,0 at the end of the financial year.

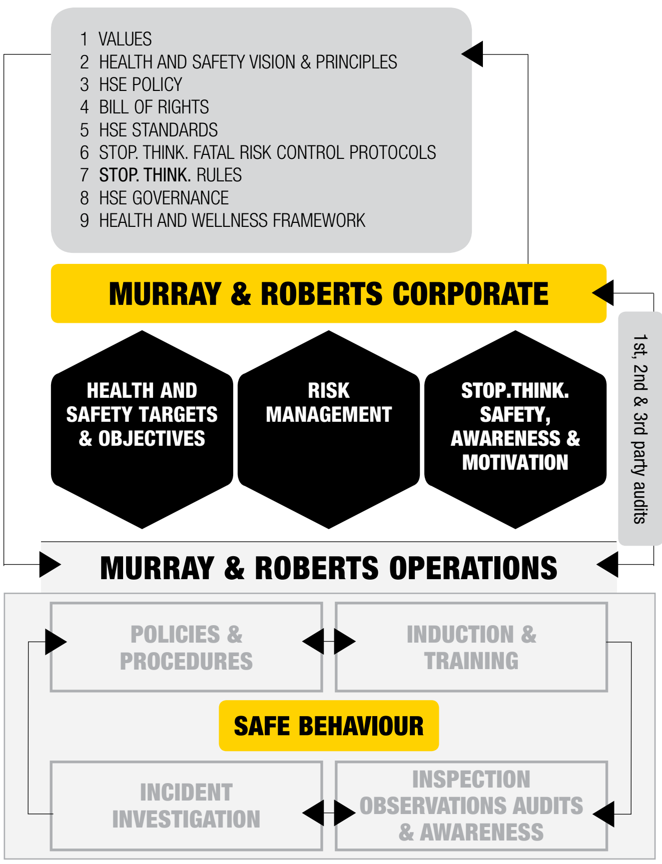
### OUR HEALTH AND SAFETY APPROACH

In pursuit of our health and safety vision of "Together to Zero Harm" we recognise that the participation and contribution of all our stakeholders are essential. The rights of our employees to a safe and healthy work environment are enshrined in our STOP.THINK Bill of Rights, copies of which are provided to all employees. The Bill of Rights empowers employees to question instructions that put their lives or the environment at risk. It also spells out their health and safety responsibilities.

The Group health, safety and environment (HSE) policy outlines Murray & Roberts's aspiration of zero harm to the health and safety of its employees, subcontractors and suppliers, visitors and others in its managerial control. We have committed ourselves to adopt highest HSE standards everywhere we operate.

Our health and safety framework, depicted below, clearly articulates the roles, responsibility and accountability of the corporate office versus our operations in delivering this commitment. The framework seeks to implement a risk-based approach to better understanding and treating the exposures facing Murray & Roberts, and continually improving in this regard. We benchmark our approach against international best practices to ensure we stay up to date with the latest developments in health and safety.

## MURRAY & ROBERTS HEALTH AND SAFETY FRAMEWORK




### RESPONDING TO HEALTH AND SAFETY CHALLENGES

During the year we continued to enhance our efforts to improve health and safety performance, particularly at our South African operations where we experience significant challenges. Early in the financial year we engaged DuPont Sustainable Solutions to undertake a comprehensive evaluation of the Group's South African operations against best practice safety management standards and to develop a set of recommendations for improvement.

The DuPont assessment is nearing completion and has so far provided valuable insight into current best practice within our operations, the safety challenges facing the Group as well as opportunities for improvement. The assessment indicates a health and safety culture in which our employees still require high levels of supervision and guidance. Other key areas requiring improvement include leadership commitment and accountability, upholding and enforcing safety standards, effective contractor and client management, and employee engagement and coaching. DuPont's findings and recommendations will be incorporated into our improvement plans going forward.

The following are some of the good practices highlighted by the assessment:

- A strong STOP.THINK brand which is recognised at all operations and has been effective in raising health and safety awareness
- Zero harm goal widely communicated and known by employees
- Presence of good leaders with potential to take the organisation to another level of health and safety performance
- Safety is receiving management attention and resources are allocated to improve performance
- Invocoms, an effective communications platform to raise daily issues regarding health, safety and operations
- Existence of world-class health and safety systems in certain areas
- Implementation of good quality awareness programmes, such as "Hunt for Hazards" and STOP.THINK messages.

During the year we engaged two companies to conduct legal compliance audits of health and safety at our South African operations. Audits were conducted at 34 sites and management has since compiled action plans to close the gaps identified.

Our main aim is to implement actions that will ensure sustainable improvement in health and safety. To this end, we have identified the following key focus areas:

- Clear goals and targets
- Committed leadership
- Adoption of internationally recognised risk management systems and practices
- Client and contractor engagement
- Competent and engaged workforce
- Establishment of a culture of learning and sharing
- Continuous review and improvement of our health and safety programme.

## GOALS AND TARGETS

Our goal of zero harm is premised on our belief that all workplace injuries and illnesses can be prevented. We have set ourselves the following progressive targets on our journey to zero harm:

- Zero fatalities and disablement
- Achieve LTIFR of less than 1 by June 2012.

Work continued to introduce proactive indicators to measure our health and safety performance, including near misses and the number of safety interactions versus behaviour observations. We will report our performance on these indicators on an ongoing basis.

## COMMITTED LEADERSHIP

We believe that management is ultimately responsible for providing a safe and healthy workplace. The Murray & Roberts leadership succession and development model provides guidelines on the characteristics required of a Murray & Roberts leader. We have also included health and safety as one of the key performance measures in managers' performance contracts.

The role of leadership in establishing a positive health and safety culture is central to the DuPont culture assessment. Prior to the assessment, DuPont held workshops with the top 100 leaders in the organisation to establish a common appreciation and understanding of best practices in health and safety. The workshops also served to challenge existing beliefs and practices, and create an understanding of the role of leadership in establishing a health and safety culture. This resulted in the formulation of a shared health and safety vision and guiding principles for Murray & Roberts.

Coming out of the DuPont assessment is the realisation that while senior leadership is committed to health and safety, more work is needed to make this commitment visible and felt at all levels. There is a need to develop leadership knowledge in health safety management and clarify their role in building a culture of health and safety excellence, emphasising the integration of safety and production. This includes development of skills for leaders to coach employees and model desired behaviours.

## RISK MANAGEMENT

Risk management is the foundation of our health and safety improvement drive. It seeks to focus the attention of line management and employees on incident prevention through effective anticipation of potential failures and adoption of preventative measures. The focus is on all types of risks, including major risks, risks associated with changes as well as daily activities. This requires the involvement of employees at all levels of the organisation.

Our major safety risks arise from underground operations, working at elevated heights, lifting operations, energy sources and other hazardous materials. These risks have been associated with the majority of our fatal and serious incidents. To this end, a set of fatal risk control protocols (FRCP) has been developed to help operations in maintaining close focus in managing these risks. These guidelines were rolled out at some of our major operations and the plan is to extend this to all businesses during the 2012 financial year.

Various procedures and guidelines are implemented at operations to manage risks on a daily basis. A variety of workplace interactions, observations and audits are implemented to encourage all employees to STOP.THINK and proceed with a task only if it is safe to do so.

Evidence from incident investigations and subsequently the DuPont assessment indicate that more work is needed to equip operational employees with knowledge and skills to recognise and manage risks effectively, particularly where changes are introduced. This is an area receiving focus, including reviewing and streamlining risk management guidelines and training relevant employees to improve understanding and compliance.

We have approached the University of Queensland in Australia to help us launch the Global Minerals Industry Risk Management (G-MIRM) course at Murray & Roberts Cementation. G-MIRM is an internationally recognised integrated risk management programme based on best practices in the mining industry and has been adopted by some of the major mining companies in South Africa and abroad. Experience and lessons from this programme will be extended to other businesses.

# SOCIAL PERFORMANCE continued

Work continued to have all our operations certified under OHSAS 18001 by June 2012. Some 75% of our operations have achieved this milestone based on the number of employees covered by the system.

## CULTURE OF LEARNING AND SHARING

Significant effort is being made to encourage the sharing of good practices and lessons learned across the Group. Corporate guidelines have been implemented to guide operations on reporting and investigating incidents.

Where we experience incidents of a serious nature we require operations to conduct thorough investigations to determine root causes and implement corrective measures. The executive committee and the health, safety & environment committee of the Board review reports on these incidents. Lessons learnt are shared to close gaps and prevent re-occurrence.

A Group health and safety forum meets on a regular basis, allowing participants from various operations to share their ideas and experiences in improving health and safety. These forums are held at operations on a rotational basis to expose participants to different practices and also to bring new perspectives to the hosting operation.

Plans are in place to implement a "cross site" audit programme where different sites will audit one another, thus facilitating sharing and learning.

## CLIENT AND CONTRACTOR MANAGEMENT

Murray & Roberts works for clients with varying health and safety maturity and standards. This presents a potential health and safety risk to our employees and we have therefore committed to apply the highest standards wherever we operate. Our experience indicates that some of the workplace failures in projects are due to systematic deficiencies overlooked during project planning and design phases.

We have emphasised the importance of conducting proper internal risk assessments to identify these deficiencies and engaging clients in the early stages of projects. Work is in progress to put together a client engagement protocol to ensure a proper on-boarding process and continuous alignment between our clients' health and safety standards and requirements, and those of the Group.

Subcontractors are a key contributor to our health and safety statistics. While programmes aligned with the construction regulations have been put in place to manage subcontractors, the DuPont assessment identified deficiencies in pre-contract screening and post contract review processes. Work is in progress to ensure that all aspects of the contractor management process are covered.

## INVOLVED AND COMPETENT WORKFORCE

Our STOP.THINK programme introduced in 2006 is a recognised health and safety brand aimed at educating and motivating employees to take responsibility for their own safety, colleagues and the work environment. It consists of an extensive collection of collateral that is used on work sites, including:

- STOP.THINK awareness videos
- STOP.THINK safety clothing
- STOP.THINK decals
- STOP.THINK industrial theatre
- STOP.THINK change room.

As part of the continuous effort to entrench the STOP.THINK principle, we implemented a Group-wide safety stand down in August 2010 where we stopped operations to allow everyone to reflect on health and safety. The stand down included a "hunt for hazards" by management, engagement of employees on hazards identified and corrective actions taken as well as discussions on STOP.THINK awareness messages. The STOP.THINK stand down was a great success and has since become a regular event at most of our operations.

An extension of our STOP.THINK brand is the *Impilo Yethu* print medium comic strip. *Impilo Yethu* was originally created with a predominant focus on safety related issues at work, but has since broadened its mandate to safety at home, protecting the environment, employee wellness and business conduct. *Impilo Yethu* is used in the mornings in toolbox talks to brief and educate employees on site.

SMS is another key medium of communication, used to establish membership of an *Impilo Yethu* club and communicate HSE messages. The Group has created a database of more than 10 000 mobile telephone numbers from club membership and previous entries into *Impilo Yethu* competitions. Early morning SMS messages to employees seek to reinforce key safety messages and remind them to stay alert.

Safety interactions are one of the tools we introduced to engage employees on health and safety matters. These are face-to-face discussions between leaders and employees carrying out work on the shop floor with an intention to increase commitment to safer ways of working. They are focused on recognising and reinforcing safer behaviours as well as getting commitment from employees to change less safe behaviours.

We are reviewing and streamlining our health and safety recognition programme to ensure that all operations recognise the positive contribution by employees in the health and safety programme. Training and motivation remain the key elements of our future health and safety improvement plans.

## OCCUPATIONAL AND SOCIAL HEALTH

We have implemented medical surveillance and industrial hygiene programmes to identify and manage potential health risks in the workplace. Occupational noise induced hearing loss (NIHL) remains the major prevalent disease at most of our operations. 104 (2010:103) new NIHL cases were recorded in the year. Remedial measures implemented include engineering solutions to eliminate or manage the noise sources, issuing employees with hearing protection and providing them with knowledge and skills to protect themselves against noise exposure.

Other potential health risks identified by the occupational hygiene programme include lung function disorders from dust exposure, fatigue, heat stress, repetitive strain and other ergonomic injuries. Occupational tuberculosis remains a health risk to employees working in dust environments and is often compounded by HIV. HIV-positive employees are susceptible to TB infections due to a compromised immune system.

## EMPLOYEE WELLNESS

We regard employee wellness as a business imperative given that unwell employees are likely to suffer illnesses or injuries that result in more occupational lost time. We aspire to create a caring and supportive work environment that encourages employees to take proactive steps in managing their health.

The majority of our operations have implemented social health programmes, including random substance abuse tests and voluntary HIV/Aids tests. The Group's risk-based HIV/Aids policy promotes voluntary testing, non-discrimination and awareness about preventing the spread of the disease and mitigating its effects.

Employees are encouraged to know their HIV status by going through a voluntary counselling and testing programme provided free of charge. The HIV/Aids prevalence among our employees who have been tested is estimated at 13,6%. The HIV prevalence of our SADC workforce is probably higher and in line with regional prevelance ratio of between 16% and 25%.

During the year we engaged an outside service provider to evaluate wellness programmes at South African operations against best practice and make recommendations on improvement. This assessment will be completed during the first quarter of the 2012 financial year.

## OUR EMPLOYEES

The capacity and capability of our employees is a cornerstone of Murray & Roberts' sustainability. The Group aims to be an employer of choice in the engineering and construction sectors within which it operates and its world-class delivery of products and services is a reflection of the capability of its diverse and experienced workforce.

The Murray & Roberts employment value proposition is aligned to global practices of high-performing employers of choice. It focuses on issues that enable our people to achieve the Group's strategic objectives by:

- Attracting competent suitable employees
- Retaining employees
- Supporting employee performance
- Transitioning and developing employees
- Communicating with employees.

Due to the diversity of Murray & Roberts, individual business entities are encouraged to tailor their human capital plans to their specific needs, but they are required to align their plans with the Group's employment value proposition.

The Murray & Roberts leadership teams are a key source of competitive advantage and the Group has implemented a rigorous process to prepare them for a period of sustainable growth.

Many of the human capital challenges facing the Group are industry-wide, requiring an holistic approach aimed at both supply side initiatives (growing the talent pool, diversifying the source and being more effective than our competition at attracting employees) and demand side activities (retention plans, accelerated development and reconsidering job designs). This approach aims to ensure that the Group attracts, develops and retains the talent it requires to meet its transformation and growth objectives.

In the longer term, sustainable growth depends on the organic development of leadership talent. We have adopted the leadership pipeline process to develop and retain our own talent with a comprehensive succession and development programme, based on a common understanding of the roles of leadership at every level of the organisation. This defines a long term succession planning process ensuring a full and flowing pipeline of leadership talent.

We continuously strengthen our human capital development with formal management of our leadership pipeline. The Group is aiming to award more bursaries (after a drop in the year under review), as well as to facilitate more leadership development and provide more learnerships and artisan training.

We also continuously seek to attract talent from the external market to meet our talent and growth needs. The Murray & Roberts career website (www.careers.murrob.com) is used to communicate with potential candidates for advertised vacancies and for bursary and graduate development opportunities.

Murray & Roberts endorses employee rights contained within the Constitution of South Africa of 1996, including the right to freedom of association. The Group's policies and procedures are aligned with the constitution and the laws of South Africa and where appropriate, other countries in which we operate. Human resource policies and procedures, including procedures for the management of grievances, disputes and disciplinary measures, are in place in all Group operations.

### CAPACITY DEVELOPMENT

Building world-class leadership, as well as individual and organisational capability and capacity, is crucial to our Recovery and Growth strategy in the years ahead. The Group complies with prevailing skills development legislation and provides a range of training, learning and career development opportunities for its people. In 2011, investment in formal employee training and development was approximately R116 million (2010: R117 million), including wages and salaries of participants and capital expenditure in upgrading training facilities. Approximately 10 000 employees undertook formal skills enhancement and training development during the year.

We play a leading role in addressing the skills deficit in South Africa through public sector initiatives, including the requirements of the Accelerated and Shared Growth Initiative for South Africa (ASGISA) that govern our involvement in the power generation projects, particularly the Eskom power programme. Enhancement of academic knowledge in power-related subjects and establishment of large-scale skills development capability is prioritised within communities surrounding major power stations and selected other developments.

Murray & Roberts is committed to the development of artisan training and supervisory training through initiatives like the National Business Initiative's Education College Industry Partnerships (CIP) partnership with South Africa's Department of Education, continued investment in artisan training through the Tlhahlong artisan training centre in partnership with the Lephalale Further Education and Training (FET) College. Murray & Roberts Construction runs a construction skills and supervisory training centre and has been recognised by the Construction Education and Training Authority as a Construction Centre of Excellence and was this year accredited as a FET facility. Murray & Roberts Cementation has a significant skills development programme run through its world-class Bentley Park facility in the heart of the gold mining area of South Africa, where employees are trained in various underground mining skills, safety practices and supervisory competencies.

Murray & Roberts actively attracts and develops young talented people to fulfil its human capital and transformation needs. The Group has established an integrated graduate pipeline to supplement the learnerships and traineeships offered by many of our operations.

# SOCIAL PERFORMANCE continued

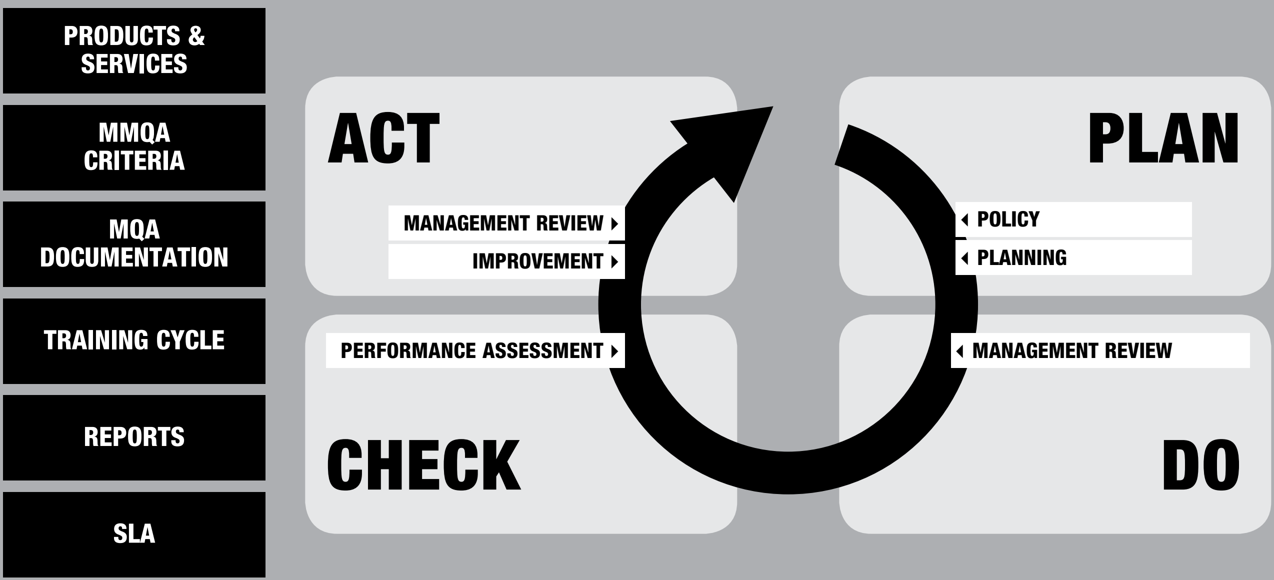
## STRIVING FOR CONTINUOUS IMPROVEMENT IN TRAINING

The Murray & Roberts Cementation Training Academy introduced a number of training initiatives in the 2011 financial year.

One of these was to design and develop an electronic Training Management System (TMS), a single system that takes cognisance of our ISO 9001: 2008, 14001:2004 & OHSAS 18001:1999 management systems as well as the requirements of the Mining Qualifications Authority (MQA).

The TMS provides access to information such as the structure, qualifications and roles and responsibilities of Training Academy staff, and the products and services offered. Other important information is made available on relevant MQA systems and processes, provider service level agreements and safety, health, environment and quality systems and processes.

### WELCOME TO THE TRAINING ACADEMY




Some unique products and services offered by the Training Academy include e-learning and supervisory training portfolios.

The e-learning portfolio was established to develop or acquire electronic training material with the objective of accelerating the foundational training process without jeopardising the quality of training. A number of electronic assessments and training programmes have been designed, which include:

Electronic assessments (e-assessment)

- Fatal risk control protocols
- Trade certificate (refresher)
- Blasting certificate (refresher)
- Master engineering procedures
- Electronic learning (e-learning)
- Company induction
- Standards and procedures (conventional mining and development)
- Supervisory soft skills training.

A suite of virtual simulated type training modules was also procured which include:

- 17 Triggers of fall-of-ground
- Basic PC literacy
- Conveyors
- Interactive plant safety
- Vehicle checklists
- Trackless mining machinery (driver and pedestrian).

To improve safety and performance across our operations, we have developed a set of programmes that equip our supervisors with the necessary knowledge and skills to perform the technical work required of them, as well as the interpersonal skills to manage subordinates to achieve company objectives safely. All supervisors undergo the revised mining supervisory training programme to obtain a "Licence to Supervise".

This pipeline comprises a tertiary education bursary scheme, a graduate development programme and a campus engagement initiative.

The Murray & Roberts bursary scheme provides financial assistance to full-time students, enabling them to obtain a degree or national diploma at a recognised South African University or University of Technology, and to contribute to the Group's medium- and long term needs for qualified staff. The scheme is aimed primarily at engineering and built environment fields of study. The number of bursaries awarded annually depends on the Group's needs. Murray & Roberts currently has a total of 133 bursars (2010: 167), 62% of whom are black students and 32% women. The Group aims to enhance the number of black bursars in the year ahead to at least 70%.

The graduate development programme (GDP) is part of our leadership pipeline approach to addressing human capacity and transformation issues. It aims to provide a steady pipeline of future leaders. The GDP is in its sixth year with an ex-bursary intake of 18 graduates (2010: 53). Currently, 61% of the graduates are black and 17% women. Murray & Roberts won the Top Graduate Employer in the Engineering/Industrial sector this year in a survey conducted by the South African Graduate Recruiters Association. The survey asked each graduate (1 562 graduates who are part of 81 of the largest and most well-known graduate employers in South Africa) to name the one organisation whom they felt had the best graduate programme in specific sectors or industry groups with which they were familiar.

Murray & Roberts and its operations offer skills development programmes, from adult basic education to learnerships and leadership programmes. The Group had 1 329 (2010: 1 140) people undertaking learnerships at 30 June 2010, 95% of whom are black, and 363 (2010: 559) black employees on adult basic education and training initiatives.

A further platform through which we aim to make a positive, broad-based contribution to skills development in society is through the Letsema Khanyisa Employee Benefits Trust (Letsema Khanyisa), a 2,2% shareholder in Murray & Roberts established as part of the Group's Letsema BBBEE shareholding transaction in 2005. The word Khanyisa means 'benefiting others besides yourself'. Letsema Khanyisa seeks to provide benefits to our employees and their immediate families on a compassionate needs basis. This benefit focuses exclusively on education and creates opportunities for employees' children to access better quality secondary school and tertiary education.

To date, a total of 187 bursaries have been awarded, including 27 new secondary school and 21 new tertiary bursaries awarded in 2011. Bursaries in 2011 amounted to R8,0 million (2010: R12,0 million), to be distributed between 2011 and 2015. A total of R12,6 million has been distributed since 2007. Costs per bursary range between R5 000 to R50 000 a year and these costs include tuition fees, accommodation (where necessary), school uniforms and stationery.

The Group has implemented a comprehensive leadership performance and development process for its corporate and senior operational leadership teams. Performance reviews are formal and in most instances conducted biannually, and monthly performance and development discussions are encouraged. There are more than 1 248 managers active in the system. Leadership development initiatives comprising four differentiated and role-aligned programmes ensure that our people are well equipped to meet current and future leadership opportunities.

The programmes are designed to support development of individuals throughout their careers and to help individuals to understand:

- The role they are assigned to
- What work they value at present and what work they should value to become more effective and to prepare for a transition
- Where and on what they invest their time at present
- How they should change their time application to become more effective and to prepare for a transition
- The core skills, knowledge and experience required to be effective at their level
- Their own level of performance and development needs.

The leadership development programme has 185 (2010:220) delegates, 40% of whom are black employees and 16% are women.

The Group conducts an annual leadership succession review to identify and plan key activities to ensure that the right people assume leadership positions across the Group now and into the future. The leadership review extends the Group's business planning process by solely focusing on people selection, performance, development and succession aligned to the Group's business plans.

During the year we embarked on an extensive talent assessment programme, where 177 senior executives underwent a battery of psychometric evaluations and participated in panel interviews with Group leadership to identify high potential and critical talent. Individual development plans and mentors have been assigned to this important group of talent who are key to our future growth.

## TRANSFORMATION AND LOCAL ECONOMIC DEVELOPMENT

Murray & Roberts is committed to the national agenda of South Africa, including the pursuit of employment equity throughout the organisation, the economic empowerment of all sectors of society and facilitation of the growth of direct investment into the economy.

### DIVERSITY AND EMPLOYMENT EQUITY

We embrace diversity and are committed to transformation, non-discrimination and freedom of association.

The Group's employment equity approach provides for equal opportunity and fair treatment in employment. While this enables compliance with South African employment equity legislation, we emphasise diversity to maximise our talent pool, strengthen capacity and increase innovation by introducing different ways of thinking.

We have in recent years attracted a number of historically disadvantaged employees and executives who see in the company a long term career rather than a short term opportunity. Skills shortage and the impact of increased transformation pressure have created challenges to the retention of experienced black executives, engineers and other built environment professionals.

84% of South African-based employees are black, while 16% of all employees are women. Approximately 50% (2010: 44%) of all levels designated as management in the domestic market are black, and 12% (2010: 11%) women.

# SOCIAL PERFORMANCE continued

Each of the Group's South African business operations compiles employment equity plans and reports for the Department of Labour. Employment equity forums representing employees, contribute to the pursuit of employment equity targets and objectives.

Analysis of the Group's employment equity profile indicates that more work is required if the Group is to make greater progress in achieving its long term targets. In the year ahead we will step up our efforts in both supply side initiatives and demand side activities to attract, develop and retain the talent we require to meet our transformation objectives.

Non-South African operating companies are required to achieve a diverse representation of the people within their geographic location and comply with the relevant legislation in the country in which they operate.

## CONSOLIDATED SUMMARY OF THE MURRAY & ROBERTS EMPLOYMENT EQUITY PROFILE IN SOUTH AFRICA

| | Male | | | | Female | | | | Total | Foreign nationals | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Occupational levels | African | Coloured | Indian | White | African | Coloured | Indian | White | excluding foreigners | Female | Male | Total |
| Top management | 5 | 1 | 1 | 71 | 0 | 1 | 0 | 2 | 81 | 4 | 0 | 85 |
| Senior management | 11 | 5 | 11 | 180 | 4 | 2 | 1 | 19 | 233 | 16 | 0 | 249 |
| Professionally qualified and experienced specialists and mid-management | 131 | 56 | 51 | 631 | 28 | 11 | 18 | 84 | 1 010 | 22 | 1 | 1 033 |
| Skilled technical and academically qualified workers junior management, supervisor, foreman, and superintendents | 2 111 | 273 | 75 | 1 925 | 226 | 44 | 27 | 251 | 4 932 | 409 | 1 | 5 342 |
| Semi-skilled and discretionary decision-making | 8 336 | 151 | 46 | 406 | 1179 | 76 | 42 | 288 | 10 524 | 3 742 | 11 | 14 277 |
| Unskilled and defined decision-making | 5 898 | 159 | 2 | 117 | 1427 | 51 | 1 | 10 | 7 665 | 1 555 | 12 | 9 232 |
| **TOTAL PERMANENT** | **16 492** | **645** | **186** | **3 330** | **2864** | **185** | **89** | **654** | **24 445** | **5 748** | **25** | **30 218** |
| Temporary employees | 812 | 94 | 3 | 86 | 175 | 6 | 3 | 16 | 1 195 | 2 | 0 | 1 197 |
| **GRAND TOTAL** | **17 304** | **739** | **189** | **3 416** | **3039** | **191** | **92** | **670** | **25 640** | **5 750** | **25** | **31 415** |

## BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Murray & Roberts is committed to broad-based black economic empowerment (BBBEE) in our South African business and addresses the full range of empowerment requirements across its diverse operations. We follow the provisions of the Broad-Based Black Economic Empowerment Act No. 53 of 2003 and the principles embodied in the Codes of Good Practice on Broad-Based Black Economic Empowerment BBBEE codes. As a leading South African enterprise, Murray & Roberts and its business entities have adopted a holistic BBBEE strategy, which aims to achieve:

- Appropriate BBBEE ownership at all its operations through a tiered approach from Murray & Roberts Holdings Limited and from within selected operating subsidiaries
- A meaningful number of black senior executives throughout the Group
- An employee complement that reflects the diversity of South Africa's demographic profile
- A core complement of black professionals
- Comprehensive skills development to enhance individual and organisational capability and capacity
- Preferential procurement policies that leverage the broad-based principles of BBBEE
- Enterprise and social development programmes aimed at accelerating the development, empowerment and access to the economy of previously disadvantaged individuals and groups.

Due to the Group's diversity, individual business entities are encouraged to tailor their BBBEE strategies to their specific needs and the Group monitors their performance.

The Group maintained its consolidated BBBEE rating of level 4 through an independent verification process undertaken by EmpowerLogic (Pty) Limited, a South African National Accreditation System accredited BBBEE verification agency. Individual operating company BBBEE ratings range from level 2 to level 7. All operating companies are encouraged to improve their ratings so that the Group can, at least, maintain a level 4 BBBEE rating.

A review of the Group's current empowerment criteria confirms that the Group's empowerment status is compliant with various industry charters and current legislation. The key areas for improvement are management control and employment equity. We acknowledge that BBBEE remains a priority challenge for the Group. There is much to be done to ensure we meet our expectations as well as maintain our commitment to meritocracy as the basis for appointment and reward.

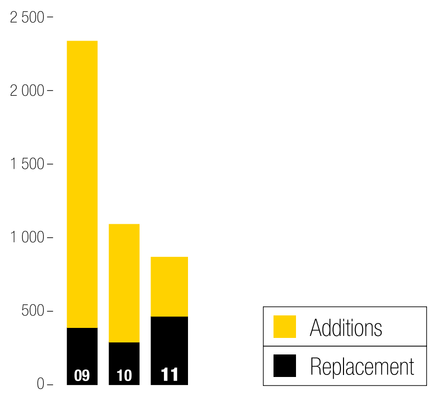
The Letsema BBBEE shareholding scheme offers previously disadvantaged employees, their families and some of the communities in which Murray & Roberts operates a stake in the company and its future. Since Letsema was launched in 2005, wealth of approximately R800 million has been created for participants and total dividends of R230 million have been paid to the trusts. In December 2010, 14 108 Murray & Roberts employees who participated as shareholders in the Letsema Bokamoso General Staff Trust (Letsema Bokamoso) were required to either take transfer of their 300 shares or to instruct the Letsema Bokamoso Trustees to sell their 300 shares on their behalf. Nearly all of the participants elected to sell their shares. A total of approximately R173 million in value was created for the participants, approximately R12 200 per beneficiary.

The Group's BBBEE share ownership will be marginally reduced by the sale of shares by employees from Letsema Bokamoso. The Group's BBBEE share ownership, calculated with reference to the dti Codes of Good Practice, may however be impacted by reduced international revenues and earnings. The calculation of our BBBEE ownership percentage is based on the value of Murray & Roberts' South African operations, where our South African revenue, EBIT and assets are considered. The higher the international activity, the higher the score.

## LOCAL ECONOMIC DEVELOPMENT

Murray & Roberts is committed to the principle of supporting local economic development in the economies within which it operates with the aim of supporting Government and client localisation strategies. We have made a significant investment in our plant and equipment over the past three years with a cumulative capital expenditure of R4,3 billion. R3,2 billion has contributed to the expansion of our productive base.

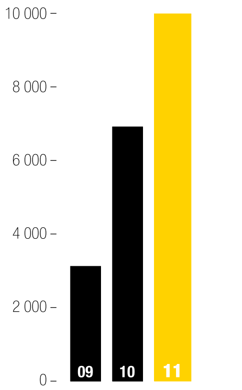
**CAPITAL EXPENDITURE (R MILLIONS)**




This investment has created more jobs both directly and indirectly and provides a platform for future growth and economic development in the economies in which we operate.

Preferential procurement increased to R9,9 billion or 61% (2010: 46%) of the South African operations' procurement expenditure of approximately R16,3 billion. This represents a 44% increase in preferential procurement.

**PREFERENTIAL PROCUREMENT (R MILLIONS)**




*Note: The procurement amounts are as per the procurement spend to June 2010 and included in the 2011 BBBEE rating which was completed in November 2010.*

We also significantly increased our procurement from small and micro enterprises, more than 50% black-owned businesses and black-women-owned business, as shown below.

| Procurement Expenditure (R millions) | 2009 | 2010 | 2011 |
|---|---|---|---|
| Qualifying small enterprises and exempted micro enterprises | 576,5 | 1 605,1 | **2 112,4** |
| Suppliers that are >50% Black-owned | 581,9 | 1 166,4 | **1 827,7** |
| Suppliers that are >30% Black-women-owned | 51,0 | 259,5 | **488,8** |

The improvements are partly attributable to better recording of preferential procurement but primarily to our commitment to supporting local empowered suppliers.

Procurement from black-women-owned suppliers remains a challenge. The target procurement spend outlined in the BBBEE Codes for this category of supplier is 6% of total procurement spend. The Group currently achieves 3%. The constraint is the number of potential suppliers in this category.

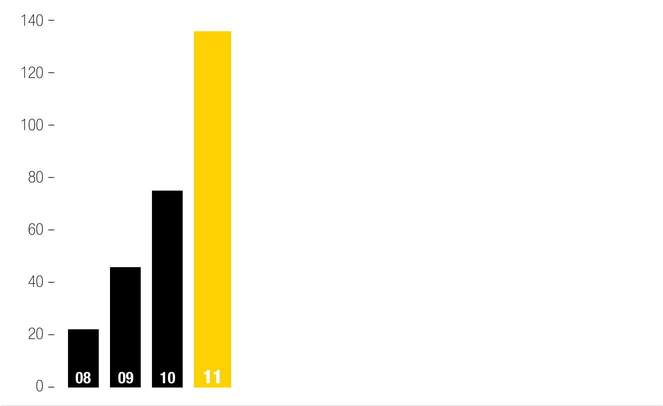
The Group's preferential procurement policy requires each operating entity to verify its suppliers and alternatively to source empowered suppliers, should the existing suppliers not be appropriately empowered.

We undertake various enterprise development activities through our operating companies. Activities include the procurement of subcontractors from small, medium and micro enterprises (SMMEs), early payment to SMME suppliers, preferential credit terms for buyers and administration support for certain contractors, suppliers and clients.

The total value of enterprise development initiatives across the Group has increased significantly over the last three years to R135,7 million as shown below.

# SOCIAL PERFORMANCE continued

**ENTERPRISE DEVELOPMENT CONTRIBUTIONS (R MILLIONS)**




*Note: The enterprise development amounts are to June 2010 and included in the 2011 BBBEE rating which was completed in November 2010.*

## COMMUNITY DEVELOPMENT

The Group's business activities have an impact on the communities in which they are undertaken. We are committed to managing this impact responsibly and accept that our obligation extends beyond statutory requirements to the upliftment of society as a whole. The Group engages community development through its corporate social investment (CSI) programme and through the Letsema Sizwe Broad-based Community Trust (Letsema Sizwe), a 3,5% shareholder in Murray & Roberts established as part of our Letsema BBBEE shareholding transaction in 2005.

### CORPORATE SOCIAL INVESTMENT PROGRAMME

Our CSI programme focuses on development projects aligned with the Group's business strategy, supporting mathematics, science and technology education, numeracy education in early childhood development and environmental education. We support sustainable social development through many of our community initiatives. A number of employees participate in community development as champions of projects the Group supports.

Murray & Roberts invested R15,5 million (2010: R22,2 million) in CSI projects during the year under review, a decrease of 30%. The amount invested takes into consideration the Group's lower earnings, however, our long term commitments and strategic partnerships have been maintained.

**CSI PROJECTS (R MILLIONS)**


R13,4 million or 87% of the total investment was allocated directly to partner organisations implementing projects within universities, schools and early childhood development centres. The remaining 13% was allocated to general projects and CSI overheads.

Projects that focus primarily on mathematics, science and technology (MST) support within secondary schools were allocated the lion's share of the allocations. A total of R6,9 million or 51% was allocated to support MST projects. Universities received the second largest share of R3,3 million (25%) of the 2011 allocation, with three university projects being supported. This was in addition to the ongoing relationship with Rhodes University, where a donation in 1994 is still supporting environmental education activities. Interventions in early childhood development and environmental education projects were allocated 12% and 9% respectively. The smallest allocation was made to support general, ad hoc projects such as the Bedfordview Community Policing Forum, the Youth and Construction Week Career Exhibition, Business Against Crime and a range of smaller donations.

During the 2011 financial year, we partnered with 20 organisations to advance the pool of talent available in the general education system as well as within the engineering industry as a whole. We contributed to the work of four universities, three science centres and 13 civil society organisations, each of whom presented comprehensive project strategies, outputs and projected outcomes that would be achieved as a result of our financial investment.

Notwithstanding the reduction in the CSI allocation in 2011, we made a significant contribution to education during this period. The selection of reputable, expert organisations that are implementing sound, high-impact projects has enabled the Company to deliver quality interventions to thousands of learners, despite these legitimate financial constraints.

**For a comprehensive report on the Group's CSI activities go to**
www.murrob.com./sus_overview.asp

### LETSEMA SIZWE

Letsema Sizwe was established as one of four vehicles that would help Murray & Roberts to broaden its ownership base. Through Letsema Sizwe, dividend income is diverted to partner organisations, selected for their ability to contribute to the broadening of the base of the economy and the key social development issues facing South Africa. Since the inception of Letsema Sizwe in 2005, we have provided funding to several partner NGOs to carry out work with women, young people, people with disabilities and other marginalised groups. In addition, Letsema Sizwe also supports the development of sport among able bodied and people with disabilities, through the annual Jack Cheetham and Letsema Sports Development Awards.

Through partnerships with and funding of the Letsema Sizwe beneficiaries, we are actively responding to the development issues facing South Africa. The Letsema Sizwe contribution enables access to education and training opportunities, safe spaces for children, life skills and leadership development, HIV/Aids prevention campaigns, entrepreneurial skills and the identification and development of local sporting talent.

In 2011, Letsema Sizwe distributed R15 million to support the work of five national youth development organisations: Disability Empowerment Concerns Trust, Heartbeat, LoveLife, Soul City Institute; and OutwardBound South Africa. A further R1,3 million was distributed to support sports development initiatives within 15 community based organisations in 2011. We continue to support Hilton Langenhoven, triple gold medalist at the Beijing Paralympics.

Regrettably, however, as a consequence of no dividends being declared by Murray & Roberts in financial year 2011, the Letsema Sizwe activities in 2012 will be focused solely on the development of sports among able-bodied and people with disabilities, through the annual Jack Cheetham and Letsema Sports Development Awards.

## REPORT AND THANK YOU LETTER FROM HILTON KEITH LANGENHOVEN

Since I received the Chairperson's Special award from Murray & Roberts my life has changed dramatically and is continually improving. After three years of support and ongoing interest into my personal and sporting growth you have made me a more determined person to improve my life on and off the sporting field.

My year of 2011 has really started well after being selected to represent my country at the World Championship in Christchurch, New Zealand. Leading up to world champs I was calm with my training and recovery building towards the champs. Being able to have the confidence to go to my flat to go and eat, sleep and even have a chance to invite a few friends over means the world to me. As it was always my dream to stay on my own and to be the host to welcome my friends and entertain, enjoying a game together.

My sporting career has surely taught me respect and discipline in life and to appreciate friendships and family. It has also taught me to get to know my body much better. It was only two months ago I got to know that being an albino sportsman is a huge disadvantage for my body. If a person trains as hard as we do during the week, you will need to take every opportunity to recover, and that for me will mean that I will stay inside, sleep, and be easy in front of the television, to play TV games just to stay out of sun and so to rest and recover. I have now found out that the sun is actually good for me as it gives back the Vitamin D to my body to help me recover. This has cleared many unsolved reasons why I get to suffer all the small injuries and they can actually lead to big injuries which can keep me out of sport for longer times. This might have contributed to my injury at world champs in January 2011.

After my injury at world champs I have really learned a lot personally and learned hard lessons in my sporting career, which has made me more determined to enjoy my sports and more focus to my quest for glory in London 2012.

### WHAT HILTON IS DOING IN HIS FREE TIME

My dream is to still be involved in sports after I have called it a day in my sporting career, by doing what I have already started with my Level 1 coaching course and also my Sports Marketing and Management course will help me in that department.

During my free time I go out to schools and federations to share my life story and motivate youngsters to achieve and excel in life and to become bigger, better and smarter person in life.

Through the funds that Murray & Roberts are sponsoring me I can also contribute to my family's worries, by buying them a food parcel once a month and go and visit them with a surprise.

### MY SPORTING ACHIEVEMENTS IN 2011

I won a gold medal at world champs in pentathlon during January, also a silver medal in the long jump. Just before the 200 m final I pulled my hamstring and could not compete in the final, but can proudly say that I am still Ranked Number 1 in the world for the 200 m and pentathlon events.

I was recently selected to represent my country at the All Africa games in Maputo Mozambique during September 2011.

I am a final nominee for the South African sport Awards for Sportsman of the year with a disability 2011.

Finally I need to thank everybody at Murray & Roberts for supporting me and many other sports men and women to succeed in life and our sporting careers. This means the world to me and I will continue to spread the wonderful name of Murray & Roberts, and what you have done for me.

This is priceless.

Thank you

**Hilton Langenhoven**

## NONKULULEKO KUBEKA

I was awarded a bursary through the Letsema Khanyisa Employee Benefits Trust in 2007. The Murray & Roberts' bursary funded the full three years of my undergraduate studies. As a result of this bursary I was able to study and complete a BA Corporate Communication degree at the University of Johannesburg. I am also proud to be the first graduate from the pool of learners that received bursaries.

Since completing my studies, I have had the opportunity to participate in two internship programmes. The first position being that of a Broadcast Information Assistant with Host Broadcast Services (HBS), the official host broadcaster of last year's 2010 FIFA World Cup™. I am currently working as an intern within the Internal Stakeholder Engagement portfolio at the Council for Scientific and Industrial Research (CSIR).

Both these internships have allowed me to gain valuable work experience and given me the opportunity to work with some highly qualified, local and international professionals. None of these achievements would have been possible without the support from the Letsema Khanyisa Employee Benefits Trust.

Thank you once again to Murray & Roberts for this life changing opportunity that has assisted me to tap into my own potential and has opened so many doors for me.

# ENVIRONMENTAL PERFORMANCE

| KEY INDICATORS<br>PERFORMANCE DIMENSION | Performance<br>2011 | 2010 | 2009 | Movement |
|---|---|---|---|---|
| **Environmental** | | | | |
| Energy usage (MW-h) | **1 327 327** | 2 013 497 | 1 772 416 | ▼ |
| Water usage (kilolitres) | **± 1,0 million** | ± 1,2 million | ± 1,6 million | ▼ |
| Carbon footprint (tonnes of carbon dioxide equivalent) | **633 643** | 805 764* | 743 804 | ▼ |
| ISO 14001 Management System implementation (percentage coverage) | **± 70%** | ± 64% | ± 62% | ▲ |

Murray & Roberts is committed to the principle of zero harm to the natural environment in all operations and activities conducted. The Group's performance against environmental standards remained acceptable during the year.

The major environmental risks impacting the Group's operations are presented below:

| Environmental risk | Applicability/Group segment |
|---|---|
| Release of hydrocarbons | All operating environments |
| Air pollution, particulate matter and dust emissions | Fixed facility sites |
| Water/ground water pollution | All operating environments |
| Waste management | All operating environments |
| Hazardous material handling | Fixed facility and construction sites |

The Group monitors environmental performance in relation to these risks, according to the following indicators against which risks and opportunities can be assessed and managed for:

- Resource efficiency and carbon footprint
- Emissions, effluents, and waste management.

Our individual operations are encouraged to understand and identify hazards and risks and their potential effects, and to implement preventative measures to achieve the Group's zero harm aspiration.

Murray & Roberts requires that operating companies adopt the most stringent standards, whether they are imposed by client environmental management plans, local and national legislation, or the Group itself. Our operations are required to implement and comply with ISO 14001, a standard that addresses environmental management systems. Currently, 70% of the Group's operations are ISO 14001 certified, based on number of employees. We will be tracking progress towards full compliance as part of our internal assurance plan.

## RESOURCE EFFICIENCY AND CARBON FOOTPRINT

### ENERGY USAGE

Increasing industrialisation and urbanisation, higher fossil fuel consumption, rising energy costs and climate change are major concerns for broader society and Murray & Roberts. The Group consumed approximately 1,3 million megawatt hours (MW-h) of energy from a variety of fuel sources, with bituminous coal, electricity, heavy fuel oil and diesel oil accounting for 95% of the Group's energy usage. The table below indicates the amount of energy used across the Group.

| Fuel source | MW-hr | % of total | Major user |
|---|---|---|---|
| Bituminous coal | 427 615 | 32,2 | Ocon Brick – 95,8% |
| Electricity | 326 463 | 24,6 | CISCO – 52,5% |
| Heavy fuel oil | 310 850 | 23,4 | Much Asphalt – 63,1% |
| Diesel oil | 195 685 | 14,7 | Murray & Roberts Middle East – 36,3% |
| Petrol | 50 662 | 3,8 | Concor – 28,0% |
| Natural gas | 10 153 | 0,8 | Hall Longmore – 100% |
| LPG | 5 875 | 0,4 | Cementation Canada – 20,4% |
| Naphtha | 24 | 0,0 | UCW – 100% |

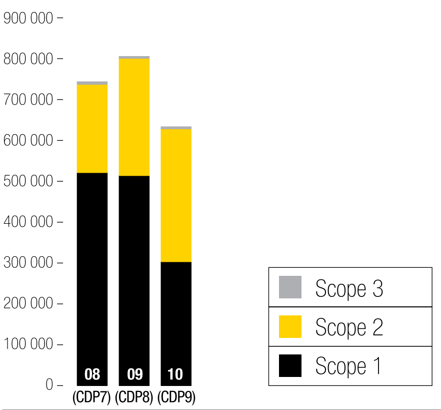
### CARBON FOOTPRINT

Murray & Roberts has been participating in the Carbon Disclosure Project (CDP) since 2008. In this regard we have measured and reported on our carbon emissions. The CDP was launched in the United Kingdom in 2000 and introduced in South Africa in 2008 as a tool for businesses to address climate change, through the collection and disclosure of good quality information. The Group completed the CDP 9 (9th edition) questionnaire in May 2010.

The Group's carbon footprint decreased by 21% to 633 643 tonnes of carbon dioxide equivalent ($CO_2e$) for the year to June 2010 (CDP 9). This includes the Murray & Roberts Steel operations (including CISCO), which are held as discontinued operations. Excluding them reduces the Group's total carbon footprint to 424 332 tonnes $CO_2e$, a 33% reduction.

**For more information on our carbon footprint go to**
http://www.murrob-online.co.za/murrob_ar2011/carbon.phpr

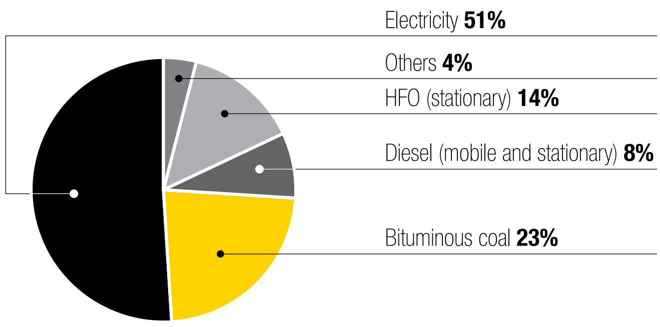
**TOTAL GREENHOUSE GAS EMISSIONS (TONNES $CO_2e$)**




*Note: In CDP 2009, there was a misstatement of scope 3 emissions by 3 326 $CO_2e$. The 5 259 tonnes $CO_2e$ above is the corrected figure. Scope 3 emissions were restricted to employee travel.*

The figure below indicates the percentage contribution to the Group's carbon footprint by emission source. Electricity (scope 2 emissions), bituminous coal, diesel for mobile use and heavy fuel oil (HFO) (scope 1 emissions) are the largest contributors to our carbon footprint.

**SOURCES OF GREENHOUSE GAS EMISSIONS**




Our operating companies are encouraged to manage their energy efficiency and thereby their carbon footprint with the objective of:

- Ensuring effective and efficient use of energy, and reducing energy cost without compromising productive output
- Using the most effective source of energy
- Improving efficiency by reducing all sources of waste in energy.

Energy efficiency initiatives underway in our operations include:

- Replacing light bulbs with energy efficient bulbs
- Efficient use of air conditioning systems
- Improving power factor and harmonic controls
- Changing compressed air systems
- Using alternative fuel
- Installing solar heaters and heat pumps.

The setting of greenhouse gas (GHG) reduction targets for a large diversified Group such as Murray & Roberts requires the understanding and support of all the companies and operations involved. We recognise that setting a Group GHG target cannot be done without interacting with all our companies. While targets have not yet been set, engagement on emission reduction actions and targets is ongoing, particularly with Much Asphalt and Ocon Brick.

**Details on our actions to date are provided in our public response to the Carbon Disclosure Project** (www.cdproject.net).

Stakeholders are referred to *ROBUST* September 2011, the Murray & Roberts group magazine for a case study on Much Asphalt's efforts to improve its energy efficiency and reduce the company's carbon footprint.

**Available on**
http://www.murrob.com/news_magazine.asp

## CARBON TAX IMPLICATIONS

The South African policy framework for climate change management is made up of the National Climate Change Response Green Paper and the Carbon Tax Discussion Paper. The climate change response paper sets out the overall framework for mitigation and adaptation, and the carbon tax paper sets out the mechanism for pricing carbon emissions to achieve the aims to mitigation. The carbon tax paper issued for public comment on 13 December 2010 proposes a carbon tax to balance the regulatory efforts of Government in addressing climate change challenges in South Africa.

The carbon tax paper follows the Government's announcement at COP 15 (Conference of the Parties to the United Nations Framework Convention on Climate Change) in Copenhagen in 2009 of its voluntary commitment to reduce GHG emissions by 34% by year 2020 and 42% by 2025 below a business as usual scenario, subject to the availability of financial and technological support.

An emissions tax applied to measured and verified emissions is the preferred model for implementing the carbon tax, although the National Treasury has indicated that an upstream tax on fuel inputs could also be considered. To support the achievement of national emissions reduction targets, the rate of the carbon tax is suggested to start at R75 with an increase to R200/ton $CO_2e$ over time, with implementation anticipated in 2012. The carbon tax will have a financial impact on Murray & Roberts as we emit about 378 564 tonnes $CO_2e$ direct scope 1 and 2 emissions (scope 1: 236 653 tonnes $CO_2e$ and scope 2: 141 911 tonnes $CO_2e$ in South Africa, excluding Murray & Roberts Steel and Cisco. An emission tax of R75 per tonne of $CO_2e$ applied to scope 1 emissions could equate to additional taxation of about R18 million a year. The emission tax is likely to impact the cost of electricity by up to 20c/kWh assuming an emission tax of R200 per tonne of $CO_2e$.

The Australian Federal government in July 2011 announced the broad details of its proposed carbon pricing scheme (the Scheme), which is expected to be introduced as draft legislation into Parliament shortly. From 1 July 2012, certain GHG intensive companies will be required to pay a fixed carbon price of AUD$23 per tonne of $CO_2e$ for a period of three years. The triggering threshold of a facility will be 25 000 tonne of $CO_2e$, which based on current emissions would exclude our Australian operations.

# ENVIRONMENTAL PERFORMANCE continued

### WATER USAGE

Murray & Roberts operates in several water constrained environments, including South Africa, Western Australia and the UAE. The estimated water usage for the Group was about one million kilolitres, mainly supplied by local municipal systems.

We were requested to participate in the Water Disclosure Project (WDP 2011), an initiative of the Carbon Disclosure Project, along with other JSE Top 100 companies. We decided not to participate, in acknowledgement of an inadequate understanding of the Group's water footprint.

Water data is possibly underreported across the Group. Currently, data for municipal water consumed is provided quarterly by some operations. The mine contracting operations and entities in the construction platform do not report on water used, as the client concerned will account for it on site. Each business entity and site is encouraged to understand and measure their water footprint (water usage and sources), and water intensive processes and activities. In understanding these parameters, risks and opportunities will be identified, which will assist in managing water related issues better and using water more efficiently in the future.

## EMISSIONS, RELEASES, AND WASTE MANAGEMENT

### AIR EMISSIONS

The Group's manufacturing operations measure and monitor air emissions in accordance with permit requirements. For example, Ocon Brick undertakes a monthly monitoring and measurement of air quality and Much Asphalt monitors particulate matter and gaseous emissions at all its sites. No testing is done by our mining operations as clients do the testing. Asphalt plants at the sites of Concor Roads & Earthworks are tested extensively. Murray & Roberts Construction and Gautrain only monitor dust on sites.

### SURFACE AND GROUND WATER RELEASES

The Group recorded several minor hydrocarbon spillages of less than 50 litres, and all incidents have been remedied. In previous annual reports, the Group indicated that the South African Department of Water Affairs and Forestry (DWAF) had issued a formal directive to Bombela on 12 December 2008 regarding water treatment on the Gautrain project in South Africa. This has been partially lifted. A water use licence for the project operating period is required and the application is in process, following which the directive will no longer be in force.

A portion of the Gautrain rail system has not yet been opened due to water ingress in the Rosebank to Park Station tunnel. The current rate of water ingress into the tunnel is above the specifications that were agreed in the concession agreement. As a consequence Bombela will complete additional engineering works that will be implemented to reduce the volume of ground water seeping into this section of the tunnel. The engineering works will include drilling small diameter holes through the tunnel floor and injecting low viscosity grout into the surrounding rock. This will reduce the permeability of the rock mass and thus reduce the water which enters the tunnel drains. This is an iterative process and it is difficult to predict how long it will take to achieve the desired results; however it is envisaged that the section between Rosebank and Park Stations could be opened by January 2012. The water entering the tunnel drains is being appropriately handled and discharged.

Bombela has reported two contraventions of legislation during the reporting period. These were sewer leakages or overflows. The first overflow occurred at Bourke Street in Pretoria into storm water drains, and the second one flowed into the Louwlardia stream, a tributary of the Hennops River. These incidents were reported to the environmental authorities and all rehabilitation has been undertaken. No fines were issued for the incidents.

### WASTE GENERATION AND DISPOSAL

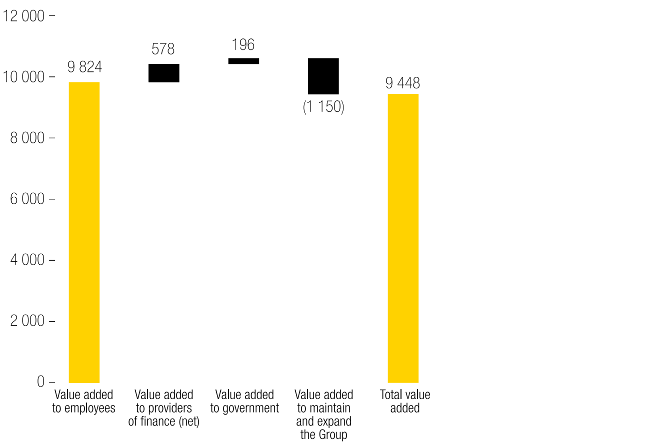
Waste generated by Murray & Roberts includes scrap steel, paper and plastic, waste bricks, concrete and hydrocarbons (oil and fuel). Waste generated is measured and monitored at an operational level, but the data is currently inconsistent and incomplete so no aggregation of data is possible at this time. Non-hazardous waste (concrete, brick, paper, steel) is either recycled or reused. Hazardous hydrocarbons and plastic waste is removed and recycled where possible.

# ECONOMIC PERFORMANCE

| KEY INDICATORS PERFORMANCE DIMENSION | Performance 2011 | 2010 | Movement |
|---|---|---|---|
| **Economic Contribution** | | | |
| Value added to employees | **9 824** | 8 259 | ▲ |
| Value added to providers of finance (net) | **578** | 529 | ▲ |
| Value added to Government | **196** | 414 | ▼ |
| Value added to maintain and expand the Group | **(1 150)** | 1 686 | ▼ |
| Total value added | **9 448** | 10 888 | ▼ |

Value added is the measure of wealth the Group creates through its operations by adding value to the cost of raw materials, products and services purchased. The chart summarises total wealth created and how it was shared between the stakeholders.

### TOTAL WEALTH CREATED (R MILLIONS)




Value added to employees through payroll payments increased by 19%, while operating covering lease costs and net interest expense paid to providers of finance increased by 9%. Company tax paid to Governments declined by 53% on the back of lower profitability of the Group. As a consequence of the losses incurred in the Group, value added to maintain and expand the Group declined due to a decline in reserves available to ordinary shareholders.

PAGE 66 **For the detailed statement of value created.**

Everything that is not the natural or agricultural environment is the built environment. This is where Murray & Roberts has played a significant role throughout its history, delivering the infrastructure and facilities required for sustainable growth of the economies in which it operates.

Some of the greatest challenges we face as humankind are to satisfy the growing global demand for transport and logistics, power and energy, water and sanitation, telecommunications, health and education, accommodation and facilities, and mineral extraction and beneficiation infrastructure. Our economic contribution centres on the delivery of this infrastructure, without which no economic and social development is possible.

Infrastructure owners rely on the various stakeholders within the built environment to develop, finance, design, engineer, construct, operate and supply inputs for delivery of infrastructure. We support infrastructure delivery through our core competency of engineering and construction, and through the provision of selected construction products and operations.

The quantifiable benefits to society of our contribution are not easily identified, but considering the positive impact of an adequate built environment on socio-economic development and the scale required to make the difference measurable, the significance Murray & Roberts has attained in its market over more than 100 years, offers some testimony in this respect.

# ECONOMIC PERFORMANCE continued

## FINANCIAL PERFORMANCE

| KEY INDICATORS<br>PERFORMANCE DIMENSION | Performance<br>2011 | 2010 | 2011/2010 Movement |
|---|---|---|---|
| **Financial performance** | | | |
| Revenue | **30 535** | 27 851 | ▲ |
| Operating costs | **31 213** | 26 316 | ▲ |
| Cash and cash equivalents | **3 101** | 3 811 | ▼ |
| Operating cash inflow (before dividends) | **334** | 691 | ▼ |
| Order book relative to order book related revenues | **2,0 times** | 1,8 times | ▲ |
| Opportunities in the active pipeline (R billion) | **86** | 68 | ▲ |

## FINANCIAL SUSTAINABILITY

The financial sustainability of engineering and construction businesses hinges on the following value drivers:

- Financial position strength which impacts the Group's credit rating for performance bonds and working capital
- Sound cash flows to support investment and growth
- A formalised project procurement system which defines our risk appetite
- The project order book relative to revenues.

The Group's year-end cash and cash equivalents position was R3,1 billion (2010: R3,8 billion) after a 24% decrease in net capital expenditure to R832 million (2010: R1 093 million). Operating cash inflow for the year was down 52% at R334 million (2010: R691 million) after a R232 million decrease in working capital (2010: R931 million increase). Operating cash flows were primarily negatively impacted by funding on Gautrain and Murray & Roberts Marine's Gorgon Pioneering Materials Offloading Facility.

Procurement of projects is the primary source of risk for the Group. The Group risk appetite sets the operational parameters for risk. Prospects are filtered against criteria such as value, country, legal system and scope, and the level of authorisation required is specified.

The opportunity management system (OMS) supports the evaluation and approval of project opportunities in the context of the risk appetite. At 30 June 2011, opportunities in the active pipeline amounted to R86 billion (2010: R68 billion).

The Group's order book grew by 25% to R55 billion (including R3,0 billion for Construction Products Africa) despite the challenging trading environment. The table below reflects order book development relative to order book related revenues. Global best practice indicates that, for sustainable performance, the order book should be within the range of 75% to 125% of current year revenues. Less than 75% would indicate stagnation.

| Financial year | Order book | Relative to revenues |
|---|---|---|
| 30 June 2009 | R44 billion | 1,7 times 2009 revenues |
| 30 June 2010 | R44 billion | 1,8 times 2010 revenues |
| 30 June 2011 | R55 billion | 2,0 times 2011 revenues |

## SUMMARY OF ANNUAL FINANCIAL STATEMENTS

The following pages provide an overview of the Group's financial performance, ahead of the audited annual financial statements that start on page 128.

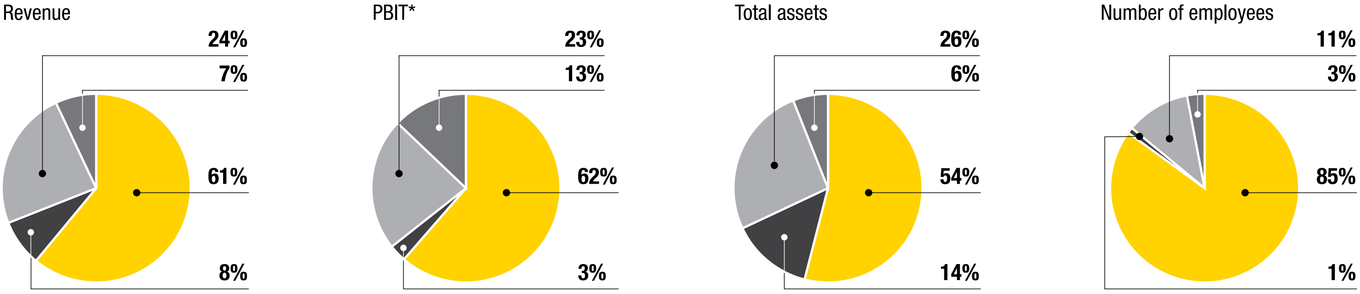

ABSA TOWERS – JOHANNESBURG CENTRAL BUSINESS DISTRICT /// GAUTENG

# STATEMENT OF VALUE CREATED

for the year ended 30 June 2011

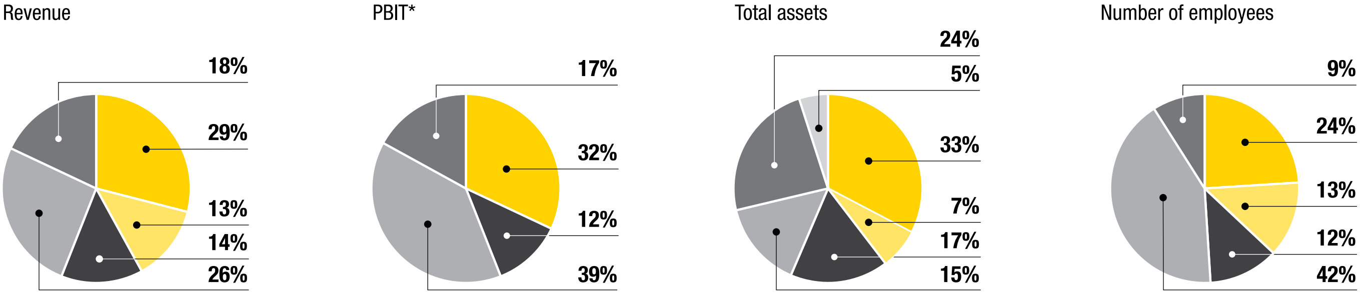
| ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS | 2011 | % | 2010 | % |
|---|---|---|---|---|
| **Revenue** | **30 534,8** | | 27 851,0 | |
| *Less:* Cost of materials services and subcontractors | **(21 087,3)** | | (16 962,6) | |
| Value created | **9 447,5** | | 10 888,4 | |
| *Distributed as follows:* | | | | |
| **To employees** | | | | |
| Payroll costs | **9 824,0** | 104,0 | 8 259,4 | 75,9 |
| **To providers of finance** | | | | |
| Lease costs and net interest on loans | **577,1** | 6,1 | 529,4 | 4,9 |
| **To government** | | | | |
| Company tax | **196,3** | 2,1 | 413,4 | 3,8 |
| **To maintain and expand the Group** | | | | |
| Reserves available to ordinary shareholders | **(1 735,1)** | | 1 098,3 | |
| Depreciation | **562,0** | | 565,5 | |
| Amortisation | **23,2** | | 22,4 | |
| | **(1 149,9)** | (12,2) | 1 686,2 | 15,4 |
| | **9 447,5** | 100,0 | 10 888,4 | 100,0 |
| **Number of employees** | **42 422** | | 40 413 | |
| **State and local taxes charged to the Group or collected on behalf of governments by the Group** | | | | |
| Company taxation | **196,3** | | 413,4 | |
| Indirect taxation | **1 022,8** | | 1 107,0 | |
| Employees' tax | **1 136,3** | | 1 290,0 | |
| Rates and taxes | **6,5** | | 14,7 | |
| Government grants | **(9,5)** | | – | |
| Withholding tax | **0,3** | | 5,3 | |
| Customs and excise duty | **–** | | 0,8 | |
| | **2 352,7** | | 2 831,2 | |

## GEOGRAPHIC




Southern Africa · Middle East · Australasia & South East Asia · North America & Other

## SEGMENTAL

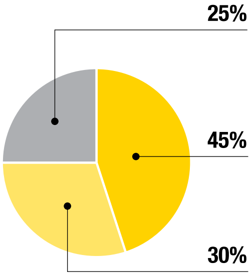



Construction Africa and Middle East · Engineering Africa · Construction Products Africa · Construction Global Underground Mining · Construction Australasia Oil & Gas and Minerals · Corporate and Properties

* *Profit before interest and taxation from Construction Africa & Middle East excludes R1 150 million of Gautrain and Competition Commission penalties, Marine loss of R582 million and Middle East impairments of R164 million. Engineering Africa operating loss of R51 million is excluded as well as Corporate expenses of R291 million.*

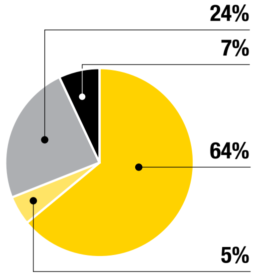
## ORDER BOOK

Total distribution



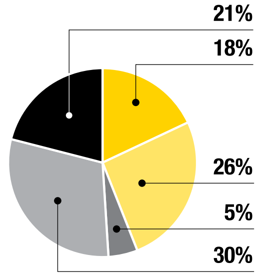

- 2012
- 2013
- Thereafter

Geographic distribution




- Southern Africa
- Middle East
- Australasia & South East Asia
- North America and other

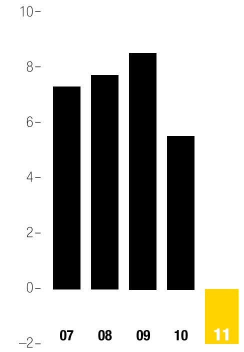
Sector distribution




- Construction Africa and Middle East
- Engineering Africa
- Construction Products Africa
- Construction Global Underground Mining
- Construction Australasia Oil & Gas and Minerals

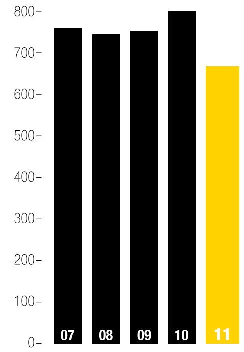
### RETURN ON AVERAGE TOTAL ASSETS

(%)



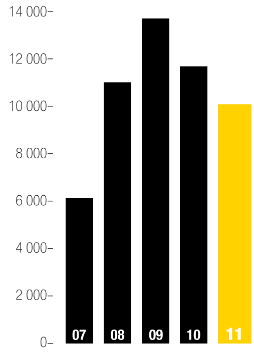

### PRODUCTIVITY OF ASSETS

(assets per R1 000 turnover)



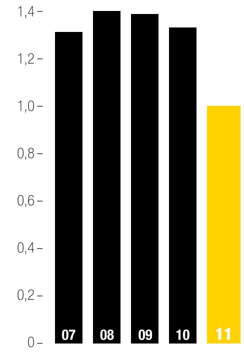

### CREATION OF VALUE**

(R millions)



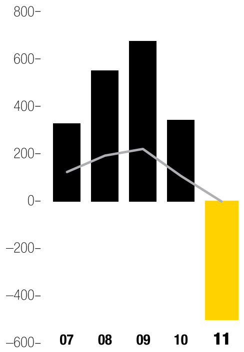

### PEOPLE PRODUCTIVITY

(value ratio)




### DILUTED HEPS AND DIVIDENDS

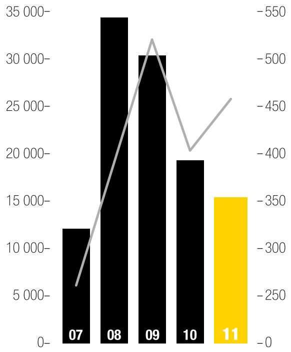
per share (cents)




- Diluted headline earnings per share
- Dividend per share

### SHARES TRADED

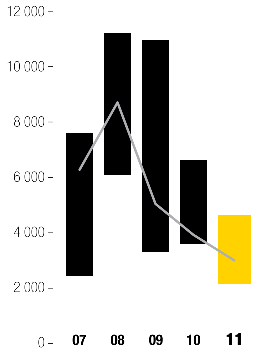
(R millions)




- Value of shares traded
- Volume of shares traded

### SHARE PRICE MOVEMENT

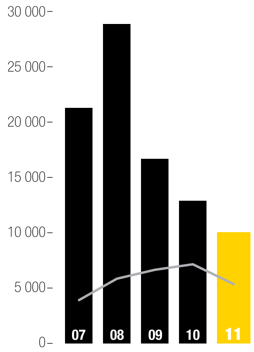
(cents)




- High – low
- Closing

### MARKET CAPITALISATION

(R millions)




- Market capitalisation
- Ordinary shareholders' funds

** *Includes continuing and discontinued operations.*

# TEN YEAR FINANCIAL REVIEW

30 June 2011

| ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS | IFRS restated* 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | SA GAAP 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|---|---|---|---|
| **SUMMARISED STATEMENTS OF FINANCIAL PERFORMANCE*** | | | | | | | | | | |
| **Revenue** | **30 535** | 27 851 | 30 006 | 23 290 | 15 364 | 9 289 | 8 083 | 8 424 | 10 111 | 9 027 |
| (Loss)/profit before interest and taxation | **(678)** | 1 535 | 2 557 | 1 792 | 1 128 | 515 | 356 | 405 | 628 | 384 |
| Net interest (expense)/income** | **(194)** | (122) | 111 | 87 | 38 | 34 | 16 | 10 | (66) | 71 |
| (Loss)/profit before taxation | **(872)** | 1 413 | 2 668 | 1 879 | 1 166 | 549 | 372 | 415 | 562 | 455 |
| Taxation expense | **(196)** | (414) | (575) | (482) | (299) | (168) | (120) | (27) | (76) | (36) |
| (Loss)/profit after taxation | **(1 068)** | 999 | 2 093 | 1 397 | 867 | 381 | 252 | 388 | 486 | 419 |
| Income/(loss) from equity accounted investments | **86** | 15 | 2 | 9 | (107) | 1 | 78 | 114 | 97 | 90 |
| (Loss)/profit from discontinued operations | **(666)** | 215 | 243 | 657 | 36 | 179 | 163 | – | – | – |
| Non-controlling interests | **(87)** | (131) | (320) | (349) | (94) | (49) | (30) | (25) | (9) | (4) |
| **(Loss)/profit attributable to owners of Murray & Roberts Holdings Limited** | **(1 735)** | 1 098 | 2 018 | 1 714 | 702 | 512 | 463 | 477 | 574 | 505 |
| **SUMMARISED STATEMENTS OF FINANCIAL POSITION** | | | | | | | | | | |
| Non-current assets | **4 658** | 5 268 | 5 464 | 4 835 | 3 953 | 3 389 | 2 547 | 2 422 | 2 082 | 2 007 |
| Current assets | **13 997** | 14 960 | 17 235 | 16 118 | 8 836 | 6 797 | 5 475 | 3 671 | 4 211 | 4 504 |
| Goodwill | **435** | 554 | 490 | 488 | 206 | 147 | 48 | 5 | 10 | 15 |
| Deferred taxation assets | **470** | 343 | 305 | 208 | 16 | 52 | 34 | 33 | – | – |
| **Total assets** | **19 560** | 21 125 | 23 494 | 21 649 | 13 011 | 10 385 | 8 104 | 6 131 | 6 303 | 6 526 |
| Ordinary shareholders' equity | **4 221** | 6 203 | 5 581 | 4 865 | 3 637 | 3 086 | 3 067 | 2 603 | 2 485 | 2 648 |
| Non-controlling interests | **1 100** | 974 | 1 053 | 960 | 178 | 108 | 97 | 54 | 13 | 9 |
| Total equity | **5 321** | 7 177 | 6 634 | 5 825 | 3 815 | 3 194 | 3 164 | 2 657 | 2 498 | 2 657 |
| Non-current liabilities | **1 873** | 2 383 | 1 447 | 1 290 | 1 103 | 1 028 | 890 | 734 | 713 | 733 |
| Current liabilities | **12 366** | 11 565 | 15 413 | 14 534 | 8 093 | 6 163 | 4 050 | 2 740 | 3 092 | 3 136 |
| **Total equity and liabilities** | **19 560** | 21 125 | 23 494 | 21 649 | 13 011 | 10 385 | 8 104 | 6 131 | 6 303 | 6 526 |

* *IFRS restated numbers are only for continuing operations whereas SA GAAP numbers are for both continuing and discontinued operations.*
** *Includes currency conversion effects on offshore treasury funds in 2002 and 2003.*

# RATIOS AND STATISTICS

30 June 2011

| ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|---|---|---|---|
| | IFRS restated* | | | | | | | SA GAAP | | |
| **EARNINGS** | | | | | | | | | | |
| (Loss)/earnings per share (cents) | | | | | | | | | | |
| – Basic | **(587)** | 373 | 685 | 577 | 239 | 168 | 145 | 150 | 181 | 152 |
| – Diluted | **(585)** | 371 | 678 | 565 | 235 | 165 | 143 | 147 | 176 | 152 |
| Headline (loss)/earnings per share (cents) | | | | | | | | | | |
| – Basic | **(505)** | 341 | 683 | 562 | 329 | 165 | 148 | 158 | 186 | 154 |
| – Diluted | **(503)** | 340 | 675 | 550 | 325 | 162 | 146 | 155 | 181 | 154 |
| Dividends per share (cents) | **–** | 105 | 218 | 196 | 116 | 60 | 45 | 45 | 53 | 35 |
| Dividend cover | **–** | 3,2 | 3,1 | 2,8 | 2,8 | 2,7 | 3,2 | 3,4 | 3,4 | 4,4 |
| Interest cover** | **4,4** | 7,6 | 7,2 | 6,7 | 10,2 | 6,7 | 6,5 | 8,2 | 7,0 | 37,1 |
| **PROFITABILITY** | | | | | | | | | | |
| L/PBIT on revenue** (%) | **4,2** | 8,1 | 8,5 | 7,7 | 7,3 | 5,5 | 4,4 | 5,0 | 6,3 | 4,3 |
| L/PBIT on average total assets** (%) | **6,4** | 10,1 | 11,3 | 10,3 | 9,6 | 5,6 | 5,0 | 6,8 | 9,9 | 6,4 |
| Attributable (loss)/profit on average ordinary shareholders' equity** (%) | **5,7** | 29,1 | 38,6 | 40,3 | 20,9 | 16,7 | 16,0 | 19,0 | 22,4 | 21,8 |
| **PRODUCTIVITY** | | | | | | | | | | |
| Per R1 000 of revenue: | | | | | | | | | | |
| Payroll costs (rand) | **317** | 291 | 314 | 330 | 287 | 316 | 336 | 216 | 188 | 201 |
| Total average assets (rand) | **666** | 801 | 752 | 744 | 761 | 995 | 881 | 738 | 634 | 671 |
| Value created (Rm)*** | **10 076** | 11 665 | 13 699 | 10 996 | 6 073 | 4 129 | 3 600 | 2 606 | 2 913 | 2 609 |
| Value ratio*** | **1,00** | 1,33 | 1,39 | 1,40 | 1,31 | 1,30 | 1,33 | 1,43 | 1,53 | 1,44 |
| **FINANCE** | | | | | | | | | | |
| As a percentage of total equity | | | | | | | | | | |
| Total debt | **40** | 45 | 54 | 35 | 36 | 40 | 32 | 30 | 38 | 25 |
| Total liabilities | **268** | 194 | 254 | 272 | 241 | 225 | 156 | 133 | 153 | 146 |
| Current assets to current liabilities | **1,13** | 1,29 | 1,12 | 1,11 | 1,10 | 1,10 | 1,35 | 1,34 | 1,36 | 1,44 |
| Operating cash flow (Rm) | **334** | 691 | 1 559 | 3 116 | 1 935 | 598 | 663 | 289 | 356 | 712 |
| Operating cash flow per share (cents) | **101** | 208 | 470 | 939 | 583 | 180 | 200 | 87 | 107 | 214 |
| **OTHER** | | | | | | | | | | |
| Weighted average ordinary shares in issue (millions) | **331,9** | 331,9 | 331,9 | 331,9 | 331,9 | 331,9 | 331,9 | 331,9 | 331,9 | 331,9 |
| Weighted average number of treasury shares (millions) | **36,3** | 37,3 | 38,0 | 34,9 | 37,9 | 27,1 | 13,7 | 13,8 | 14,1 | – |
| Number of employees – 30 June** | **42 422** | 40 413 | 38 981 | 45 654 | 33 466 | 23 867 | 23 904 | 13 149 | 15 827 | 15 379 |

## DEFINITIONS

| | | | |
|---|---|---|---|
| Dividend cover | Diluted headline (loss)/earnings per share divided by dividend per share | Value ratio | Value created as a multiple of payroll cost |
| L/PBIT | (Loss)/profit before interest and taxation | Net asset value (NAV) | Ordinary shareholders' equity |
| Interest cover | L/PBIT divided by net interest expense | Average | Arithmetic average between consecutive year ends |

* *IFRS restated numbers are only for continuing operations whereas SA GAAP numbers are for both continuing and discontinued operations.*
** *The above calculations are based on normalised earnings of R1,3 billion (2010: R2,2 billion).*
*** *Includes continuing and discontinued operations.*

# SEGMENTAL ANALYSIS

30 June 2011

| ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS | Group | | Discontinued operations excluded from ongoing operations[1] | | Construction Africa and Middle East | |
|---|---|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| **SUMMARISED STATEMENT OF FINANCIAL PERFORMANCE** | | | | | | |
| **Revenue** | **30 535** | 27 851 | **2 646** | 4 656 | **9 108** | 11 193 |
| (Loss)/profit before interest and taxation | **(678)** | 1 535 | **(710)** | 346 | **(1 399)** | 510 |
| Net interest (expense)/income | **(194)** | (122) | **(58)** | (74) | **(44)** | 28 |
| (Loss)/profit before taxation | **(872)** | 1 413 | **(768)** | 272 | **(1 443)** | 538 |
| Taxation (expense)/credit | **(196)** | (414) | **118** | (56) | **(106)** | (147) |
| (Loss)/profit after taxation | **(1 068)** | 999 | **(650)** | 216 | **(1 549)** | 391 |
| Income/(loss) from equity accounted investments | **86** | 15 | **(16)** | (1) | **(2)** | 1 |
| (Loss)/profit from discontinued operations | **(666)** | 215 | **–** | – | **–** | – |
| Non-controlling interests | **(87)** | (131) | **–** | – | **(6)** | (3) |
| **(Loss)/profit attributable to holders of Murray & Roberts Holdings Limited** | **(1 735)** | 1 098 | **(666)** | 215 | **(1 557)** | 389 |
| **SUMMARISED STATEMENT OF FINANCIAL POSITION** | | | | | | |
| Non-current assets | **5 128** | 5 611 | **145** | 689 | **1 208** | 1 031 |
| Current assets[2] | **13 997** | 14 960 | **2 692** | 2 525 | **4 872** | 5 655 |
| Goodwill | **435** | 554 | **–** | 16 | **44** | 44 |
| **Total assets** | **19 560** | 21 125 | **2 837** | 3 230 | **6 124** | 6 730 |
| Ordinary shareholders' equity | **4 221** | 6 203 | **1 198** | 2 109 | **659** | 1 701 |
| Non-controlling interests | **1 100** | 974 | **425** | 289 | **18** | 8 |
| Total equity | **5 321** | 7 177 | **1 623** | 2 398 | **677** | 1 709 |
| Non-current liabilities | **1 873** | 2 383 | **30** | 64 | **689** | 520 |
| Current liabilities[2] | **12 366** | 11 565 | **1 184** | 768 | **4 758** | 4 501 |
| **Total equity and liabilities** | **19 560** | 21 125 | **2 837** | 3 230 | **6 124** | 6 730 |
| **SUMMARISED STATEMENT OF CASH FLOWS** | | | | | | |
| Cash generated by operations before working capital changes | **646** | 2 382 | **(103)** | 325 | **(384)** | 607 |
| Discontinued property activities | **(6)** | (47) | **(6)** | (47) | **–** | – |
| Change in working capital | **232** | (931) | **39** | 174 | **(676)** | (1 170) |
| Cash generated by operations | **872** | 1 404 | **(70)** | 452 | **(1 060)** | (563) |
| Interest and taxation | **(538)** | (713) | **(59)** | (97) | **(56)** | (263) |
| **Operating cash flow** | **334** | 691 | **(129)** | 355 | **(1 116)** | (826) |

*1 Includes the Group's properties divisions, interest in Steel reinforcing bar manufacture & trading operations, Johnson Arabia crane hire and Clough's marine operations.*
*2 Includes assets/liabilities classified as held-for-sale.*

| Engineering Africa 2011 | Engineering Africa 2010 | Construction Products Africa 2011 | Construction Products Africa 2010 | Construction Global Underground Mining 2011 | Construction Global Underground Mining 2010 | Construction Australasia Oil & Gas and Minerals 2011 | Construction Australasia Oil & Gas and Minerals 2010 | Corporate and Properties 2011 | Corporate and Properties 2010 |
|---|---|---|---|---|---|---|---|---|---|
| 4 094 | 1 718 | 4 157 | 5 752 | 7 789 | 5 345 | 5 387 | 3 843 | – | – |
| (51) | 68 | 192 | 618 | 602 | 447 | 269 | 204 | (291) | (312) |
| (19) | 24 | (189) | (189) | 14 | (7) | 29 | 22 | 15 | – |
| (70) | 92 | 3 | 429 | 616 | 440 | 298 | 226 | (276) | (312) |
| 98 | (47) | (1) | (140) | (189) | (137) | (17) | (28) | 19 | 85 |
| 28 | 45 | 2 | 289 | 427 | 303 | 281 | 198 | (257) | (227) |
| – | – | (12) | – | – | – | 91 | 3 | 9 | 11 |
| – | – | – | – | – | – | – | – | – | – |
| (4) | 20 | 6 | (11) | 3 | – | (86) | (137) | – | – |
| 24 | 65 | (4) | 278 | 430 | 303 | 286 | 64 | (248) | (216) |
| 737 | 508 | 857 | 916 | 870 | 698 | 1 053 | 1 306 | 258 | 463 |
| 586 | 1 328 | 1 315 | 1 843 | 1 978 | 1 520 | 2 005 | 1 646 | 549 | 443 |
| 52 | 52 | – | 60 | 35 | 35 | 304 | 347 | – | – |
| 1 375 | 1 888 | 2 172 | 2 819 | 2 883 | 2 253 | 3 362 | 3 299 | 807 | 906 |
| 150 | 61 | 992 | 1 866 | 1 047 | 890 | 1 322 | 1 403 | (1 147) | (1 827) |
| 4 | – | 26 | – | 1 | 4 | 626 | 673 | – | – |
| 154 | 61 | 1 018 | 1 866 | 1 048 | 894 | 1 948 | 2 076 | (1 147) | (1 827) |
| 134 | 445 | 83 | 74 | 304 | 201 | 78 | 182 | 555 | 897 |
| 1 087 | 1 382 | 1 071 | 879 | 1 531 | 1 158 | 1 336 | 1 041 | 1 399 | 1 836 |
| 1 375 | 1 888 | 2 172 | 2 819 | 2 883 | 2 253 | 3 362 | 3 299 | 807 | 906 |
| 32 | 56 | 441 | 698 | 737 | 705 | 229 | 275 | (306) | (284) |
| – | – | – | – | – | – | – | – | – | – |
| (71) | (267) | 646 | 43 | 94 | (95) | 164 | 353 | 36 | 31 |
| (39) | (211) | 1 087 | 741 | 831 | 610 | 393 | 628 | (270) | (253) |
| 49 | 16 | (209) | (251) | (101) | (112) | (5) | (37) | (157) | 31 |
| 10 | (195) | 878 | 490 | 730 | 498 | 388 | 591 | (427) | (222) |