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ANNUAL FINANCIAL STATEMENTS

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RESPONSIBILITIES OF DIRECTORS FOR ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

The directors of the Company and the Group are responsible for the preparation of the annual financial statements that fairly present the state of affairs of the Company and the Group at the end of the financial year and of the profit or loss and cash flows for that year in accordance with International Financial Reporting Standards and per the requirements of the Companies Act 71 of 2008 (as amended) (Companies Act). The directors of the Company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information.

To enable directors to meet these responsibilities:

a) The Board and management set standards and management implements systems of internal controls, accounting and information systems; and

b) The audit & sustainability committee recommends Group accounting policies and monitors these policies.

The directors are responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties.

The internal audit function is led by the Group chief audit executive and comprises both internal employees and resources from KPMG. It serves management and the Board by performing an independent evaluation of the adequacy and effectiveness of risk management, internal controls, financial reporting mechanisms and records, information systems and operations, safeguarding of assets and adherence to laws and regulations.

Even though the Group has identified certain financial control weaknesses which are currently being addressed, the Group's system of internal controls continues to provide a basis for the preparation of reliable annual financial statements in all material respects.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the Companies Act and are based on appropriate accounting policies, supported by reasonable and prudent judgements. These accounting policies have been applied consistently compared to the prior year except for the adoption of new or revised accounting standards as set out in note 1.

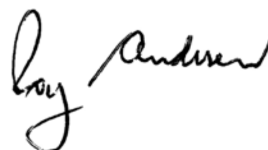
The annual financial statements have been compiled under the supervision of AJ Bester (CA) SA, Group financial director and have been audited in terms of Section 29(1) of the Companies Act of South Africa.

The directors are of the opinion that the Company and the Group have adequate resources to continue in operation for the foreseeable future based on forecasts and available cash resources and accordingly the annual financial statements have been prepared on a going concern basis.

It is the responsibility of the auditors to express an opinion on the annual financial statements. Their unmodified report to the shareholders of the Company and Group is set out on page 128.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the Company and the Group for the year ended 30 June 2012, set out on pages 129 – 219, were approved by the Board of directors at its meeting held on 29 August 2012 and are signed on its behalf by:



RC Andersen
Group chairman

HJ Laas
Group chief executive

AJ Bester
Group financial director

CERTIFICATION BY COMPANY SECRETARY

FOR THE YEAR ENDED 30 JUNE 2012

In my capacity as company secretary, I hereby certify, in terms of section 88(2)(e) of the Companies Act 71 of 2008 (as amended), that for the year ended 30 June 2012, the Company has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of this Act, and that all such returns and notices, to the best of my knowledge and belief, appear to be true, correct and up to date.

E Joubert
Company secretary

DAVE BARBER CHAIRMAN

AUDIT & SUSTAINABILITY COMMITTEE

FOR THE YEAR ENDED 30 JUNE 2012

The committee assists the Board to fulfil its supervisory role relating to the integrity of financial reporting in terms of accounting standards and the Listings Requirements of the JSE Limited. It does so by evaluating the findings of the internal and external auditors, remedial actions taken and the adequacy and effectiveness of the system of internal financial controls required to form the basis for the preparation of reliable financial statements. The audit & sustainability committee operates under approved terms of reference.

The committee chairman reports on committee deliberations and decisions at the Board meeting immediately following each committee meeting. The internal and external auditors have unrestricted access to the committee chairman. The independence of the external auditor is regularly reviewed and all non-audit related services are pre-approved and notified.

The committee reviews the quality and effectiveness of the external audit process. The committee is satisfied that the external auditor is independent and has nominated Deloitte & Touche for re-election at the forthcoming Annual General Meeting of shareholders. Deloitte & Touche is an accredited auditing firm, with AJ Zoghby as the individual registered auditor.

MEMBERSHIP

The composition of the committee complies with the Companies Act and King III, and comprises of four independent non-executive directors. DD Barber served as chairman of the committee with AA Routledge and M Sello as members, all of whom are suitably skilled and experienced to discharge their responsibilities. ADVC Knott-Craig resigned as a member during the year under review. TCP Chikane was appointed a member effective 15 June 2012. The committee members are appointed annually by shareholders.

M Sello will be stepping down as a member when appointed chairman of the Company, effective 1 March 2013.

The Group chairman, Group chief executive, Group financial director, Group commercial executive, Group chief audit executive, external auditors and KPMG all attend meetings by invitation. The chairman of the committee also serves on the risk management committee. This ensures that overlapping responsibilities are appropriately addressed.

The committee met six times during the year.

TERMS OF REFERENCE

The committee's responsibilities include:

- Assisting the Board to fulfil its responsibility with regard to financial and auditing oversight including internal financial controls
- Monitoring and reviewing the Group's accounting policies, disclosures and financial information issued to stakeholders
- Making recommendations to the Board to ensure compliance with International Financial Reporting Standards
- Discussing and agreeing the scope, nature and priority of the external and internal audits including the reviewing of the quality and effectiveness of the external audit process
- Nominating an independent auditor for shareholder approval, terms of audit engagement, determining external auditor fees, the nature and extent of non-audit related services and pre-approving contracts for non-audit related services
- Reviewing fraud and IT risks as they relate to financial reporting
- Receiving and dealing with any complaints relating to either accounting practices and internal audit and to the auditing of entities and content in the Group's annual financial statements or related matters
- Reviewing the annual integrated report and recommending approval to the Board
- Reviewing price sensitive information such as trading statements
- Performing functions required of an audit committee on behalf of subsidiaries incorporated in the Republic of South Africa as public companies

The Board reviewed and approved the committee's terms of reference and policy for non-audit services during the year.

ASSESSMENT

In addition to the formal Board evaluation process, the committee also evaluates its performance and effectiveness by way of self-assessment questionnaires. Based on the results, the Board believes that the committee functions effectively and complies with its terms of reference in all material respects.

STATUTORY DUTIES

In addition to the duties set out in the terms of reference, the committee performed the required statutory functions in terms of Section 94(7) of the Companies Act.

FINANCIAL DIRECTOR AND FINANCE FUNCTION

The committee considered and satisfied itself of the appropriateness of the expertise, experience and performance of the Group financial director during the year. The committee also considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function as well as the experience of senior members of management responsible for the finance function.

INTERNAL AUDIT

The internal audit function is led by the Group chief audit executive and comprises both internal employees and resources from KPMG. It serves management and the Board by performing independent evaluations of the adequacy and effectiveness of risk management, internal controls, financial reporting mechanisms and records, information systems and operations, safeguarding of assets and adherence to laws and regulations.

The internal audit function is tasked with providing assurance by performing risk-based audits throughout the Group, and adjusts its coverage and focus based on changing strategic and operational needs. Internal audit coverage includes a review of strategic risk mitigations, a risk-based review of major projects, key business processes and systems, the Group's sustainability information, IT governance and IT general controls. An integrated assurance model was applied to ensure a coordinated approach to all assurance activities, appropriate to address the significant risks the Group faces.

The purpose, authority and responsibility of the internal audit function are formally defined in an internal audit charter, which was reviewed by the committee and approved by the Board.

INTERNAL FINANCIAL CONTROLS

The internal audit plan works on a multi-year programme. Even though this programme has identified certain financial control weaknesses, which are currently being addressed, the Group's system of internal financial controls continues to provide a basis for the preparation of reliable annual financial statements in all material respects.

AUDIT AND ADMINISTRATION

Financial leadership in Murray & Roberts is continuously strengthened to cater for growth in the business, including ongoing employment and redeployment of senior financial executives. The Group financial director and lead external audit partner attend selected project and operating activity reviews throughout the year. Audit close-out meetings are held between external auditors and management at year-end. A detailed audit summary memorandum is prepared for all Group operating entities and a consolidated report is presented to the committee. There is an agreed procedure for the committee to seek professional independent advice at the Company's expense.

INTEGRATED REPORTING

During the year, external service providers were appointed to assist in the preparation of the annual integrated report and to provide a partial assurance framework for sustainability information. The committee recommended for Board approval the annual integrated report and the Group's annual financial statements. It is satisfied that they comply with International Financial Reporting Standards on a going concern basis following an assessment of solvency and liquidity requirements. The Group's annual financial statements will be open for discussion at the forthcoming Annual General Meeting where the committee chairman will be present to answer questions on the activities of the committee.

ASSURANCE

Group assurance has expanded its activities and made significant progress to ensure effective coverage of the Group's operations, implementation of King III principles and recommendations, and sustainability assurance.

The Group's commitment to continuous improvement in achieving acceptable levels of assurance is underscored by various policy frameworks that were developed and implemented, including a stakeholder management framework, regulatory compliance and information management frameworks. Currently 15 of the Group's operating companies utilise the opportunity management system (OMS). This project portfolio management system was developed in-house and continues to be enhanced to highlight project risks entering the Group's environment.

The multi-year rolling internal audit plan is designed to provide assurance that the major risks and key processes are effectively mitigated and managed, to recommend improvements and track the implementation of audit recommendations.

The Group Integrated Assurance Framework governs and co-ordinates the overall approach to Group risk management. This entails understanding, identifying, reporting, managing and mitigating Group risk, and includes the process of independently auditing Group policies, plans, procedures, practices, systems, controls and activities to ensure that the Group achieves the level of operational efficiency and compliance required by the Board. The efforts of the various internal and external assurance providers are coordinated to ensure coverage of agreed risk areas and to minimise duplication and eliminate gaps.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MURRAY & ROBERTS HOLDINGS LIMITED

We have audited the consolidated and separate annual financial statements of Murray & Roberts Holdings Limited, set out on pages 132 to 219, which comprise the statements of financial position as at 30 June 2012, and the statements of financial performance, the statements of other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated and separate financial statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Murray & Roberts Holdings Limited as at 30 June 2012, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required in terms of the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2012, we have read the directors' report, the audit & sustainability committee's report and the certification by company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche
Registered Auditor

Per: AJ Zoghby
Partner
29 August 2012

Deloitte & Touche
Buildings 1 and 2, Deloitte Place, The Woodlands, Woodlands Drive, Woodmead, Sandton

National executive: **LL Bam** Chief Executive, **AE Swiegers** Chief Operating Officer, **GM Pinnock** Audit, **DL Kennedy** Risk Advisory, **NB Kader** Tax, **L Geeringh** Consulting & Clients & Industries, **JK Mazzocco** Talent & Transformation, **CR Beukman** Finance, **M Jordan** Strategy, **S Gwala** Special Projects, **TJ Brown** Chairman of the Board, **MJ Comber** Deputy Chairman of the Board.

A full list of partners and directors is available on request.

Member of Deloitte Touche Tohmatsu Limited

REPORT OF DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2012

This report presented by the directors is a constituent of the consolidated annual financial statements at 30 June 2012, except where otherwise stated, all monetary amounts set out in tabular form are expressed in millions of Rands.

NATURE OF BUSINESS

Main business and operations
Murray & Roberts Holdings Limited is an investment holding company with interests in the construction & engineering, underground mining development, oil & gas, construction materials and related fabrication sectors.

The Company does not trade and all of its activities are undertaken through a number of subsidiaries, joint ventures and associates. Information regarding the Group's major subsidiaries and associate companies appears in Annexure 1 of the consolidated annual financial statements.

Group financial results
At 30 June 2012 the Group recorded a loss of R592 million (2011: loss of R1 648 million), representing a diluted loss per share of 214 cents (2011: diluted loss per share of 528 cents). Diluted headline loss per share was 246 cents (2011: diluted headline loss per share of 454 cents). The comparatives have been restated retrospectively in terms of Circular 3/2009 issued by the South African Institute of Chartered Accountants ("SAICA") and International Accounting Standards ("IAS") 33: Earnings per share.

Full details of the financial position and results of the Group are set out in these consolidated annual financial statements. The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new or revised accounting standards as set out in note 1.

Going concern
The Board is satisfied that the consolidated annual financial statements comply with International Financial Reporting Standards on a going concern basis following an assessment of solvency and liquidity requirements.

Uncertified revenue
Included in amounts due from contract customers in the statement of financial position is the Group's share of uncertified revenue that has been recognised through the statement of financial performance in current and prior periods in respect of claims and variation orders on projects (refer to note 9 of the consolidated annual financial statements), mainly related to Gautrain Rapid Rail Link ("Gautrain"), Dubai International Airport Concourse 2 ("Dubai Airport") and Gorgon Pioneer Material Offloading Facility contract.

A cumulative total revenue of R2 billion, net of on-account payments of R50 million, being amounts due from contract customers, has been recognised in the statement of financial position at 30 June 2012 (2011: R2 billion) as the Group's share of uncertified revenue in respect of claims and variation instructions on the Group's projects. Recognition of these assets is supported by the Group's independent experts and advisers, and is in accordance with IAS 11: Construction Contracts.

Resolution of these extremely complex legal and financial claims and variation instructions are yet to be finalised, and may be subject to arbitration and/or negotiation. This could result in a materially higher or lower amount being awarded finally, compared to that recognised in the statement of financial position at 30 June 2012.

Competition Commission
The Competition Commission ("Commission") engaged the construction industry in April 2011 and the Group submitted applications through the April 2011 Fast-Track process. A provision was raised based on the potential violations that were identified as a result of this process. The Board is of the opinion that the provision raised for this liability is adequate to cover any penalties that may arise as a result of the investigation. However, there is no guarantee as to the size of the penalty or the sufficiency of the provision.

Gorgon Pioneer Material Offloading Facility ("GPMOF")
The Group communicated to the market in October 2011 regarding the additional losses to be incurred on the GPMOF project amounting to R520 million relating to weather delays. A further R80 million was recognised at 31 December 2011 and communicated with the half year results. Subsequent to December 2011, the project experienced further weather incidents as well as unexpected safety stoppages which have delayed the final project completion date. The impact of all these and other events further amounted to approximately R600 million, which has been recognised in the second half of the financial year.

Segmental disclosure
The Group manages its operations through five operating platforms. An analysis of the Group's results reflects the results and financial position of each platform (refer to Annexure 3 of the consolidated annual financial statements).

AUTHORISED AND ISSUED SHARE CAPITAL

Full details of the authorised and issued capital of the Company at 30 June 2012 are contained in note 12 of the consolidated annual financial statements.

During the year under review, the Board of directors announced that it had given due consideration to the continued implementation of the Group's Recovery and Growth plan, the expected funding requirements of the order book, optimal statement of financial position structure, debt repayment tenure and the protracted nature of the claims settlement process. The Board was of the view that it was prudent to raise additional equity capital from shareholders and intended to propose a renounceable rights offer to raise R2 billion.

On 26 March 2012 a rights offer circular was posted to shareholders relating to a renounceable rights offer of 112 843 490 shares at an issue price of R18.00 per share, in the ratio of 34 rights offer shares for every 100 Murray & Roberts shares held at the close of business on Friday, 23 March 2012. The renounceable rights offer closed on Friday, 20 April 2012. On 23 April 2012 shareholders were advised of the results of the renounceable rights offer. Due to rounding principles as set out in the rights offer circular, 112 843 499 renounceable rights offer shares were issued and listed due to rounding up of fractional entitlements.

As a result of the renounceable rights issue, additional options were issued to all participants of the Murray & Roberts Holdings Limited Employee Share Incentive Scheme ("Scheme"). Details of the adjustments are disclosed in the remuneration report on page 108. The intention of the Group is to settle any liability under this incentive scheme by purchasing shares in the open market, therefore no dilution of shareholding is anticipated.

REPORT OF DIRECTORS CONTINUED

Particulars relating to the Scheme are set out in note 13 of the consolidated annual financial statements. During the year, the Trust granted a total of 3 637 000 options over ordinary shares (2011: 1 738 000 options) to senior executives, including executive directors.

At 30 June 2012, the Trust held 5 378 382 (2011: 6 189 282) shares against the commitment of options granted by the Trust totalling 16 502 112 (2011: 11 173 125) ordinary shares. The shares held by the Trust have been purchased in the market and have not been issued by the Company.

The total number of ordinary shares that may be utilised for purposes of the Scheme is limited to 7,5% of the total issued ordinary shares of the Company, currently 33 189 262 (2011: 33 189 262) ordinary shares. As no shares have been issued to date in connection with the Scheme, this limit remains unutilised.

DIVIDEND

No interim or final dividends were declared or proposed for the years ended 30 June 2011 and 2012.

SUBSIDIARIES AND INVESTMENTS

Acquisitions

Acquisition of additional shares in Forge Group Limited ("Forge")
During the financial year Clough Limited increased its interest in Forge by 3% to 36%, following a put option by previous executives.

Acquisition of remaining interest in PT Operational Services Proprietary Limited ("PT Operational Services")
The Group acquired the remaining 33% equity interest in PT Operational Services increasing its interest to 100% during the current financial year.

Acquisition of 100% interest in Incycle Shotcrete (Proprietary) Limited ("Incycle Shotcrete")
The Group acquired the full interest in Incycle Shotcrete for a consideration of R7,4 million, effective 30 September 2011.

Acquisition of remaining 50% in RSC Tshwane Joint Venture
The Group acquired the remaining 50% shareholding in RSC Tshwane Joint Venture for a consideration of R7,2 million on 1 July 2011.

Disposals

Disposal of non-core assets
The Group disposed of the following non-core assets during the current financial year:

- Johnson Arabia LLC for proceeds of R109 million on 31 October 2011
- The South African steel operations, comprising of RSC Ekusasa Mining with an effective date of 1 July 2011, Alert Steel Polokwane Proprietary Limited on 31 October 2011 and Freyssinet Posten Proprietary Limited on 31 December 2011. The combined proceeds totalled R120 million
- BRC Arabia LLC, 49% shareholding on 30 June 2012 for proceeds of R2 million
- Clough's Marine construction operations on 22 December 2011 for net proceeds of R591 million
- The Group's 47% shareholding in Murray & Roberts (Zimbabwe) Limited for proceeds of R10 million
- The Group's equity interest in N3 Toll Concession Proprietary Limited was disposed of on 1 July 2011, however, the proceeds were received in advance of 30 June 2011
- The Group's 30% shareholding in Gryphon Logistics Proprietary Limited for proceeds of R5 million

SPECIAL RESOLUTIONS

During the year under review four special resolutions were passed by shareholders. These related to:

1) The conversion of the Company's entire authorised and issued share capital from par value shares to no par value shares;
2) An increase in the Company's authorised but unissued share capital;
3) Authorisation for the ability to issue 30% or more of the Company's issued share capital; and
4) Authorisation for the amendment of the Company's memorandum of incorporation.

The special resolutions were filed with the Companies and Intellectual Property Commission.

Special resolutions relating to name changes were passed by subsidiary companies during the year under review.

EVENTS AFTER REPORTING DATE

The Steel Business, including CISCO, was disposed of at book value subsequent to the year-end in two separate transactions. The Steel Business transaction, excluding CISCO, is subject to Competition Commission approval.

The directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in the Group and Company annual financial statements, which significantly affects the financial position at 30 June 2012 or the results of its operations or cash flows for the year then ended.

INTEREST OF DIRECTORS

A total of 2 936 610 (2011: 2 065 750) share options are allocated to directors in terms of the Murray & Roberts Holdings Limited Employee Share Incentive Scheme, further details are set out in note 13.

The directors of the Company held direct beneficial interests in 65 351 of the Company's issued ordinary shares (2011: 28 000 ordinary shares). Details of ordinary shares held per individual director are listed below.

Beneficial	Direct	Indirect
30 June 2012		
RC Andersen	**54 459**	**–**
DD Barber	**2 723**	**–**
AJ Bester*	**8 169**	**–**
30 June 2011		
RC Andersen	20 000	–
DD Barber	2 000	–
AJ Bester*	6 000	–
BC Bruce**	1 404 805	–

Non-beneficial	Direct	Indirect
30 June 2011 & 2012		
RW Rees**	–	615 000

* *AJ Bester was appointed to the Board as Group financial director on 1 July 2011.*
** *BC Bruce and RW Rees retired on 30 June 2011.*

At the date of this report, these interests remain unchanged.

DIRECTORS

At the date of this report, the directors of the Company were:

Independent non-executive

RC Andersen (Chairman); DD Barber; TCP Chikane; NM Magau; JM McMahon; WA Nairn; AA Routledge; M Sello; SP Sibisi and RT Vice.

Due to other business commitments, ADVC Knott-Craig resigned as a non-executive director on 17 January 2012.

TCP Chikane was appointed as a non-executive director on 15 June 2012.

Executive

HJ Laas (Group chief executive); AJ Bester (Group financial director) and O Fenn.

COMPANY SECRETARY

The company secretary's business and postal addresses are:

Business address	**Postal address**
Douglas Roberts Centre	PO Box 1000
22 Skeen Boulevard	Bedfordview
Bedfordview	2008
2007	

AUDITORS

Deloitte & Touche continued in office as external auditors. At the Annual General Meeting of 31 October 2012, shareholders will be requested to appoint Deloitte & Touche as external auditors for the 2013 financial year. AJ Zoghby will be the individual registered auditor who will undertake the audit.

29 August 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Notes	2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment	2	**3 599,6**	3 325,1
Investment properties	3	**22,2**	18,3
Goodwill	4	**437,3**	434,9
Other intangible assets	5	**191,1**	197,0
Investments in associate companies	6	**885,0**	564,4
Other investments	7	**459,8**	445,0
Deferred taxation assets	21	**634,1**	469,8
Amounts due from contract customers	9	**2 059,7**	–
Non-current receivables		**105,0**	108,4
Total non-current assets		**8 393,8**	5 562,9
Current assets			
Inventories	8	**730,5**	817,2
Derivative financial instruments		**–**	10,5
Amounts due from contract customers	9	**6 805,9**	5 290,0
Trade and other receivables	10	**2 127,1**	1 836,6
Current taxation assets	34	**90,7**	82,9
Cash and cash equivalents	11	**3 388,4**	3 100,6
Total current assets		**13 142,6**	11 137,8
Assets classified as held-for-sale	31	**905,0**	2 859,8
Total assets		**22 441,4**	19 560,5
EQUITY AND LIABILITIES			
Equity			
Stated capital (2011: share capital and share premium)	12	**2 710,1**	756,9
Reserves	14&15	**625,7**	189,3
Retained earnings		**2 551,6**	3 274,9
Equity attributable to owners of Murray & Roberts Holdings Limited		**5 887,4**	4 221,1
Non-controlling interests	16	**1 214,7**	1 100,3
Total equity		**7 102,1**	5 321,4
Non-current liabilities			
Long term loans	18	**493,8**	1 225,2
Retirement benefit obligations	19	**6,8**	7,4
Long term provisions	20	**164,9**	126,5
Deferred taxation liabilities	21	**210,5**	310,9
Subcontractor liabilities	22	**651,9**	141,1
Non-current payables		**67,5**	62,0
Total non-current liabilities		**1 595,4**	1 873,1
Current liabilities			
Amounts due to contract customers	9	**3 018,9**	2 244,4
Trade and other payables	23	**5 898,5**	5 226,9
Short term loans	24	**1 895,7**	1 079,5
Current taxation liabilities	34	**174,6**	115,8
Provisions for obligations	25	**354,6**	254,3
Subcontractor liabilities	22	**2 098,4**	2 171,4
Derivative financial instruments		**15,9**	45,1
Bank overdrafts	11	**38,5**	46,8
Total current liabilities		**13 495,1**	11 184,2
Liabilities directly associated with a disposal group held-for-sale	31	**248,8**	1 181,8
Total liabilities		**15 339,3**	14 239,1
Total equity and liabilities		**22 441,4**	19 560,5

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2012

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Notes	2012	2011*
Continuing operations			
Revenue	26	**35 405,9**	30 534,8
Profit/(loss) before interest, depreciation and amortisation		**521,8**	(92,6)
Depreciation		**(658,7)**	(562,0)
Amortisation of intangible assets		**(24,5)**	(23,2)
Loss before interest and taxation	27	**(161,4)**	(677,8)
Interest expense	28	**(347,9)**	(293,9)
Interest income	29	**99,1**	99,5
Loss before taxation		**(410,2)**	(872,2)
Taxation expense	30	**(244,6)**	(196,3)
Loss after taxation		**(654,8)**	(1 068,5)
Income from equity accounted investments		**143,4**	86,3
Loss for the year from continuing operations		**(511,4)**	(982,2)
Loss from discontinued operations	31	**(80,6)**	(666,1)
Loss for the year		**(592,0)**	(1 648,3)
Attributable to:			
Owners of Murray & Roberts Holdings Limited		**(735,6)**	(1 735,1)
Non-controlling interests	16	**143,6**	86,8
		(592,0)	(1 648,3)
Weighted average number of ordinary shares (000)			
Weighted average ordinary shares in issue		**382 712**	367 784
Weighted average ordinary shares held by The Murray & Roberts Trust		**(6 338)**	(7 466)
Weighted average ordinary shares held by the Letsema BBBEE trusts		**(32 115)**	(32 044)
Weighted average ordinary shares held by Murray & Roberts Limited		**(736)**	(749)
Dilutive adjustment for share options		**699**	1 029
		344 222	328 554
Loss per share from continuing and discontinued operations (cents)			
– Diluted	32.2	**(214)**	(528)
– Basic	32.2	**(214)**	(530)
Loss per share from continuing operations (cents)			
– Diluted	32.2	**(199)**	(349)
– Basic	32.2	**(199)**	(350)

* *The weighted average number of shares in issue in the prior year has been adjusted due to the rights issue made to shareholders in April 2012.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Loss for the year	**(592,0)**	(1 648,3)
OTHER COMPREHENSIVE INCOME/(LOSS):		
Exchange differences on translating foreign operations	**617,0**	3,8
Effects of cash flow hedges	**20,3**	(38,7)
Taxation related to effects of cash flow hedges	**(4,7)**	11,7
Effects of available-for-sale financial assets	**(0,5)**	–
Other comprehensive income/(loss) for the year net of taxation	**632,1**	(23,2)
Total comprehensive income/(loss)	**40,1**	(1 671,5)
Total comprehensive income/(loss) attributable to:		
Owners of Murray & Roberts Holdings Limited	**(297,8)**	(1 787,3)
Non-controlling interests	**337,9**	115,8
	40,1	(1 671,5)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Stated capital, share capital and share premium	Hedging and translation reserve	Other capital reserves	Retained earnings	Attributable to owners of Murray & Roberts Holdings Limited	Non-controlling interests	Total equity
Balance at 30 June 2010	737,1	44,0	171,1	5 251,1	**6 203,3**	974,0	**7 177,3**
Total comprehensive (loss)/income for the year	–	(52,2)	–	(1 735,1)	**(1 787,3)**	115,8	**(1 671,5)**
Treasury shares acquired (net)	19,8	–	–	–	**19,8**	–	**19,8**
Net acquisition/disposal of non-controlling interests	–	–	–	(54,6)	**(54,6)**	58,9	**4,3**
Net movement in non-controlling interests loans	–	–	–	–	**–**	36,2	**36,2**
Transfer to non-controlling interests	–	–	(2,7)	–	**(2,7)**	2,7	**–**
Reclassification	–	(4,1)	4,1	–	**–**	–	**–**
Recognition of share-based payment	–	–	32,5	–	**32,5**	–	**32,5**
Dividends declared and paid	–	–	–	(186,5)	**(186,5)**	(87,3)	**(273,8)**
Recycled to the statement of financial performance	–	–	(3,4)	–	**(3,4)**	–	**(3,4)**
Balance at 30 June 2011	756,9	(12,3)	201,6	3 274,9	**4 221,1**	1 100,3	**5 321,4**
Total comprehensive income/(loss) for the year	–	438,3	(0,2)	(735,9)	**(297,8)**	337,9	**40,1**
Rights issue to shareholders (net of transaction costs)	1 910,0	–	–	–	**1 910,0**	–	**1 910,0**
Treasury shares acquired (net)	43,2	–	–	–	**43,2**	–	**43,2**
Net acquisition/disposal of non-controlling interests	–	–	–	(11,7)	**(11,7)**	(152,3)	**(164,0)**
Net movement in non-controlling interests loans	–	–	–	–	**–**	(20,9)	**(20,9)**
Transfer to non-controlling interests	–	–	(2,2)	–	**(2,2)**	2,2	**–**
Disposal of business	–	–	(1,0)	–	**(1,0)**	–	**(1,0)**
Transfer to retained earnings	–	–	(31,9)	31,9	**–**	–	**–**
Issue of shares to non-controlling interests	–	–	–	–	**–**	22,5	**22,5**
Recognition of share-based payment	–	–	33,4	–	**33,4**	–	**33,4**
Dividends declared and paid*	–	–	–	(7,6)	**(7,6)**	(75,0)	**(82,6)**
Balance at 30 June 2012	2 710,1	426,0	199,7	2 551,6	**5 887,4**	1 214,7	**7 102,1**

* *Dividends relate to distributions made by entities that hold treasury shares.*

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Notes	2012	2011
Cash flows from operating activities			
Receipts from customers		**37 064,9**	32 881,6
Payments to suppliers and employees		**(38 645,1)**	(32 010,0)
Cash (utilised in)/generated from operations	33	**(1 580,2)**	871,6
Interest received		**106,8**	105,6
Interest paid		**(387,7)**	(357,8)
Taxation paid	34	**(429,0)**	(286,0)
Operating cash flow		**(2 290,1)**	333,4
Dividends paid to owners of Murray & Roberts Holdings Limited		**(7,6)**	(186,5)
Dividends paid to non-controlling interests		**(75,0)**	(87,3)
Net cash (outflow)/inflow from operating activities		**(2 372,7)**	59,6
Cash flows from investing activities			
Acquisition of businesses	35	**(14,6)**	(70,1)
Acquisition of share capital in start up company		**(10,3)**	–
Dividends received from associate companies	6	**45,6**	24,5
Acquisition of non-controlling interests		**(48,0)**	–
Acquisition of associates		**(132,8)**	(7,1)
Acquisition of investments		**(67,0)**	–
Acquisition of other investments by discontinued operations		**(40,0)**	–
Purchase of investment property		**(20,0)**	–
Purchase of intangible assets other than goodwill		**(16,5)**	(11,5)
Purchase of property, plant and equipment by discontinued operations		**(34,4)**	(35,2)
Purchase of property, plant and equipment		**(958,7)**	(832,4)
Replacements		**(569,0)**	(465,0)
Additions		**(389,7)**	(367,4)
Proceeds on disposal of property, plant and equipment		**163,7**	131,8
Proceeds on disposal of businesses	35	**822,6**	–
Proceeds on disposal of assets held-for-sale		**126,6**	635,4
Proceeds on disposal of investments in associates		**15,3**	–
Advance payment received in respect of investment disposal		**–**	170,0
Cash related to acquisition/ disposal of businesses		**(270,5)**	–
Cash related to assets held-for-sale		**258,2**	(110,6)
Proceeds from loan repayments and dividends received		**165,0**	44,5
Other		**1,8**	(1,7)
Net cash outflow from investing activities		**(14,0)**	(62,4)
Cash flows from financing activities			
Net movement in borrowings	36	**342,1**	529,4
Proceeds from rights issue to shareholders (net of transaction costs)		**1 910,0**	–
Net acquisition of treasury shares		**43,2**	19,8
Proceeds on share issue to non-controlling interests		**22,5**	–
Net cash inflow from financing activities		**2 317,8**	549,2
Net (decrease)/increase in net cash and cash equivalents		**(68,9)**	546,4
Net cash and cash equivalents at beginning of year		**3 053,8**	2 566,2
Effect of foreign exchange rates		**365,0**	(58,8)
Net cash and cash equivalents at end of year	11	**3 349,9**	3 053,8

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2012

1 PRESENTATION OF FINANCIAL STATEMENTS

These accounting policies are consistent with the previous period, except for the changes set out below.

The following new and revised Standards and Interpretations have been adopted in the current period:

IAS 24 Revised (Amendment): Related Party Disclosures

The revised standard removes the requirement for government-related entities to disclose details of all transactions with the Government and other government-related entities. It also clarifies and simplifies the definition of a related party. The previous definition of a related party was complicated and contained a number of inconsistencies. These inconsistencies meant, for example, that there were situations in which only one party to a transaction was required to make related-party disclosures. The definition has been amended to remove such inconsistencies and to make it simpler to apply.

IFRIC 14 (Amendment): The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of minimum funding requirements.

The amendment removes an unintended consequence of IFRIC 14 relating to voluntary pension pre-payments when there is a minimum funding requirement. An unintended consequence of the interpretation, prior to this amendment, was that IFRIC 14 could prevent the recognition of an asset for any surplus arising from such voluntary pre-payment of minimum funding contributions in respect of future service. The interpretation has been amended to require an asset to be recognised in these circumstances.

IFRS 7 (Amendment): Disclosures – Transfer of Financial Assets

The amendment requires greater disclosure of transferred financial assets. The amendment has different requirements for the following two categories:

- transferred assets that are not derecognised in their entirety; and
- certain transferred assets that are derecognised in their entirety.

Certain improvements to IFRS's 2011

Improvements to IFRS is a collection of amendments to International Financial Reporting Standards ("IFRS"). These amendments are the result of conclusions the board reached on proposals made in its annual improvements project.

The above Standards and Interpretations had no impact on the Group or Company annual financial statements.

1.1 Basis of preparation

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

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

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

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

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

1.2 Statement of compliance

These consolidated financial statements are prepared in accordance with IFRS and Interpretations adopted by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRIC") of the IASB and the AC 500 Standards as issued by the Accounting Practices Board.

1.3 Basis of consolidation

The Group consists of the consolidated financial position and the operating results and cash flow information of Murray & Roberts Holdings Limited ("Company"), its subsidiaries, its interest in joint ventures and its interest in associates.

Subsidiaries are entities, including special purpose entities such as The Murray & Roberts Trust controlled by the Group. Control exists where the Group, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities generally accompanying an interest of more than half of the voting rights. In assessing control, potential voting rights that are exercisable or convertible presently are taken into account.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

Inter-company transactions and balances on transactions between Group companies are eliminated.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Any increase or decrease in ownership interest in subsidiaries without a change in control is recognised as equity transactions in the consolidated financial statements. Accordingly, any premium or discount on subsequent purchases of equity instruments from or sales of equity instruments to non-controlling interests are recognised directly in equity of the parent shareholder.

Non-controlling interest loans

Certain companies elect to contribute to shareholder loans as opposed to share capital.

Loans from non-controlling shareholders are classified as equity instruments rather than financial liabilities if both conditions (a) and (b) below, as required by IAS 32 (Financial Instruments: Presentation), paragraph 16, are met:

(a) Loans from non-controlling shareholders includes no contractual obligations:

- To deliver cash or another financial asset to another entity; or
- To exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the issuer or the Group

(b) Loans from non-controlling shareholders will not or may not be settled in the issuer's or the Group's own equity instruments

If the loans made from non-controlling shareholders do not meet both conditions (a) and (b) they are classified as financial liabilities.

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

1.4 Business combination

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

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

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

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

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

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

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement

ACCOUNTING POLICIES CONTINUED

period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

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

Goodwill is recognised as an asset at the acquisition date of a business, subsidiary, associate or jointly controlled entity. Goodwill on the acquisition of a subsidiary and joint venture company is included in intangible assets. Goodwill on the acquisition of an associate company is included in the investment in associates.

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

Whenever negative goodwill arises, the identification and measurement of the acquired identifiable assets, liabilities and contingent liabilities is reassessed. If negative goodwill still remains, it is recognised in profit or loss immediately.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable goodwill is included in the determination of the profit or loss on disposal. The same principle is applicable for partial disposals where there is a change in ownership, in other words a portion of the goodwill is expensed as part of the cost of disposal. For partial disposals and acquisitions with no change in ownership, goodwill is recognised as a transaction with equity holders.

1.5 Joint ventures
Joint ventures are those entities in which the Group has joint control. The proportion of assets, liabilities, income and expenses and cash flows attributable to the interests of the Group in jointly controlled entities are incorporated in the consolidated financial statements under the appropriate headings. The results of joint ventures are included from the effective dates of acquisition and up to the effective dates of disposal.

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

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

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

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

1.7 Stand-alone Company's financial statements
In the stand-alone accounts of the Company, the investment in a subsidiary company is carried at cost less accumulated impairment losses, where applicable.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.9 Financial instruments

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

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

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

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

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

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

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

ACCOUNTING POLICIES CONTINUED

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

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

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

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

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

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

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

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It is becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

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

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

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

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

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

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

Measurement is initially at fair value, with transaction costs and subsequent fair value adjustments recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on financial assets. Fair value is

determined in the manner as described in note 7. Where management has identified objective evidence of impairment, provisions are raised against the investment. Assets are considered to be impaired when the fair value of the assets is considered to be lower than the original cost of the investment.

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

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

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

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

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

The Group generally makes use of three types of derivatives, being foreign exchange contracts, interest rate swap agreements and embedded derivatives. The majority of these are used to hedge the financial risks of recognised assets and liabilities, unrecognised forecasted transactions or unrecognised firm commitments (hereafter referred to as “economic hedges”).

Hedge accounting is not necessarily applied to all economic hedges but only where management made a decision to designate the hedge as either a fair value or cash flow hedge and the hedge qualifies for hedge accounting.

Hedging activities

Economic hedges where hedge accounting is not applied
When a derivative instrument is entered into as a hedge, all fair value gains or losses are recognised in profit or loss.

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

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

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

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

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

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

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

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

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

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

Loans to Group companies are classified as loans and receivables.

ACCOUNTING POLICIES CONTINUED

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

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

1.10 Contracts-in-progress and contract receivables
Contracts-in-progress represents those costs recognised by the stage of completion of the contract activity at the reporting date.

Anticipated losses to completion are expensed immediately in profit or loss.

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

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

Computer software
Acquired computer software that is significant and unique to the business is capitalised as an intangible asset on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are capitalised as intangible assets only if it qualifies for recognition. In all other cases these costs are recognised as an expense as incurred.

Costs that are directly associated with the development and production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding one year, are recognised as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Computer software is amortised on a systematic basis over its estimated useful life from the date it becomes available for use.

Research and development
Research expenditure is recognised as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products and technology) are capitalised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. The costs can be capitalised as an intangible asset from the date that the above criteria is met.

Other development expenditure is recognised as an expense as incurred. Development expenditure previously recognised as an expense is not capitalised as an asset in a subsequent period.

Development expenditure that has a finite useful life and that has been capitalised is amortised from the commencement of the commercial production of the product on a systematic basis over the period of its expected benefit.

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

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

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

The average amortisation periods are set out in note 5.

Derecognition of intangible assets
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

The useful lives of items of property, plant and equipment have been assessed as follows:

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

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

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

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

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

Revaluations
Property, plant and equipment is not revalued.

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

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

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

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

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

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

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

1.13 Impairment of assets

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

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

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (see 1.12 above).

1.14 Investment properties

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

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

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

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

1.15 Non-current assets held-for-sale and discontinued operations

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

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

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

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

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

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

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

1.16 Inventories

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

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

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

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

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

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

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

Property development

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

1.17 Leases

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

Finance leases

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

The Group as a lessee

Capitalised leased assets are accounted for as property, plant and equipment. They are depreciated using the straight-line or unit of production basis at rates considered appropriate to

reduce the carrying values over the estimated useful lives to the estimated residual values. Where it is not certain that an asset will be taken over by the Group at the end of the lease, the asset is depreciated over the shorter of the lease period and the estimated useful life of the asset.

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

The Group as a lessor

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

Operating leases

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

1.18 Provisions and contingencies

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

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

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

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

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

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

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

Restructuring

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

Contingent liabilities

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

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

Contingent assets

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

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

1.19 Share-based payment transactions

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

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

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

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a

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market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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

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

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

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

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

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

1.20 Employee benefits

Defined contribution plans

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

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

Defined benefit plans

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

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses that exceed 10% of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets are amortised over the expected average working lives of participating employees.

The current service cost in respect of defined benefit plans is recognised as an expense in the year to which it relates. Past-service costs, experience adjustments, effects of changes in actuarial assumptions and plan amendments in respect of existing employees are expensed over the remaining service lives of these employees. Adjustments relating to retired employees are expensed in the year in which they arise. Deficits arising on these funds, if any, are recognised immediately in respect of retired employees and over the remaining service lives of current employees.

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

1.21 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value of the grant is credited to the item of property, plant and equipment and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

1.22 Taxation

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

Current taxation assets and liabilities

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

Deferred taxation assets and liabilities

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

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

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

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

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

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

1.23 Related parties

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

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

1.24 Revenue

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

Sale of goods

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

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

Rendering of services

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

Interest and dividend income

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

Dividend income is recognised when the right to receive payment is established.

Rental income

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

Long term and construction contracts

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

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

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

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

ACCOUNTING POLICIES CONTINUED

1.25 Dividends

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

1.26 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Executive Committee who makes strategic decisions. The basis of segmental reporting is set out in Annexure 3.

Inter-segment transfers

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

Segmental revenue and expenses

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

Segmental assets

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

Segmental liabilities

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

1.27 Black economic empowerment

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

Letsema Vulindlela Black Executives Trust

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

Letsema Khanyisa Black Employee Benefits Trust and Letsema Sizwe Community Trust

These trusts are established as 100-year trusts. However, after the lock-in period ending 31 December 2015, they may, at the discretion of the trustees be dissolved in which event any surplus in these trusts, after the settlement of all the liabilities, will be transferred to organisations which engage in similar public benefit activities. An IFRS 2 expense will have to be recognised at such point in time when this surplus is distributed to an independent public benefit organisation.

1.28 Stated capital and equity

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

1.29 Borrowing costs

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

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

2. PROPERTY, PLANT AND EQUIPMENT

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012			2011		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land and buildings	**637,5**	**(109,2)**	**528,3**	622,2	(83,3)	538,9
Plant and machinery	**5 346,4**	**(2 513,3)**	**2 833,1**	4 625,0	(2 041,6)	2 583,4
Other equipment	**448,9**	**(210,7)**	**238,2**	400,5	(197,7)	202,8
	6 432,8	**(2 833,2)**	**3 599,6**	5 647,7	(2 322,6)	3 325,1

Reconciliation of property, plant and equipment	Land and buildings	Plant and machinery	Other equipment	Total
At 30 June 2010	711,7	3 165,9	355,8	4 233,4
Additions	22,0	731,3	79,1	832,4
Acquisition of businesses	–	10,5	1,2	11,7
Disposals	(1,9)	(78,7)	(2,4)	(83,0)
Disposal of businesses	(0,5)	(2,4)	–	(2,9)
Transfer from investment property	3,0	–	–	3,0
Transfer to other intangible assets	–	–	(2,3)	(2,3)
Transfer from contracts-in-progress	–	148,4	–	148,4
Transfers to assets classified as held-for-sale	(117,3)	(746,5)	(29,9)	(893,7)
Foreign exchange movements	(2,3)	(12,2)	(1,5)	(16,0)
Transfers between categories	(32,4)	175,0	(142,6)	–
Depreciation	(31,4)	(544,5)	(52,8)	(628,7)
Impairment reversed	–	22,4	–	22,4
Impairment loss	(12,0)	(285,8)	(1,8)	(299,6)
At 30 June 2011	**538,9**	**2 583,4**	**202,8**	**3 325,1**
Additions	**35,0**	**816,0**	**107,7**	**958,7**
Acquisition of business	**–**	**11,5**	**–**	**11,5**
Disposals	**(23,5)**	**(93,9)**	**(2,6)**	**(120,0)**
Transfer to investment property	**(16,5)**	**–**	**–**	**(16,5)**
Foreign exchange movements	**18,0**	**104,8**	**6,7**	**129,5**
Transfers between categories	**2,5**	**26,8**	**(29,3)**	**–**
Depreciation	**(29,8)**	**(585,8)**	**(48,9)**	**(664,5)**
Impairment reversed	**4,3**	**0,6**	**1,8**	**6,7**
Impairment loss	**(0,6)**	**(30,3)**	**–**	**(30,9)**
At 30 June 2012	**528,3**	**2 833,1**	**238,2**	**3 599,6**

Details in respect of land and buildings are set out in a register which may be inspected at the Group's registered office.

The Group has pledged certain assets as security for certain interest bearing borrowings (note 17, Secured liabilities).

The following average depreciation periods are used for the depreciation of property, plant and equipment:

– Land	Not depreciated	
– Buildings	20 to 40 years	on a straight-line basis
– Plant and machinery	3 to 30 years	on a straight-line basis
– Other equipment	3 to 10 years	on a straight-line basis

The impairment in plant and machinery relates primarily to the Construction Products Africa operating platform, where the recoverable amount of the plant is lower than the carrying value as a result of depressed market conditions.

Impairment reversals were recorded where evidence was available that indicated the economic performance of the assets would be better than previously expected.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

3. INVESTMENT PROPERTIES

Details in respect of the investment properties are set out in a register which may be inspected at the Group's registered office.

The fair value of the investment properties at 30 June 2012 have been arrived at on the basis of a valuation carried out by Murray & Roberts Properties Group, a related party, on an open market basis.

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, amounted to R6,0 million (2011: R82,1 million). Direct operating expenses arising on the investment properties in the year amounted to R1,0 million (2011: R42,1 million).

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
At the beginning of the year	**18,3**	51,7
Additions	**20,0**	1,1
Acquisition of businesses	**–**	21,6
Transfers to assets classified as held-for-sale	**(64,3)**	(47,7)
Transfer to property, plant and equipment	**–**	(3,0)
Transfer from property, plant and equipment	**16,5**	–
Fair value adjustments	**31,7**	(5,4)
	22,2	18,3

4. GOODWILL

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
At beginning of the year	**434,9**	553,7
Additions through business combinations	**1,9**	41,9
Transfers to assets classified as held-for-sale	**–**	(43,9)
Foreign exchange movements	**0,5**	(6,8)
Impairment losses	**–**	(110,0)
	437,3	434,9
Goodwill is allocated to the Group's cash generating units identified according to the operating platforms that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to the following operating platforms:		
Construction Africa and Middle East	**51,6**	51,6
Engineering Africa	**52,2**	52,2
Construction Global Underground Mining	**37,1**	34,7
Construction Australasia Oil & Gas and Minerals	**296,4**	296,4
	437,3	434,9

Impairment testing

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of a cash generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond the three year period are extrapolated using an estimated growth rate of 2,0%. The growth rate does not exceed the long term average growth rate for the relevant market.

In line with market practice, the Group applied a post-tax discount rate of 12,4% (pre-tax discount rate of 17,2%) to post tax cash flows for impairment testing. These post-tax rates were applied as returns observable in the capital market on equity investments usually include tax effects. The discount rate reflects the acquiree's weighted average cost of capital adjusted for relevant risk factors. In Construction Australasia Oil & Gas and Minerals the goodwill relates to the Group's acquisition of Clough Limited, impairment testing is performed using the fair value of Clough Limited's shares at reporting date rather than a value-in-use calculation.

5. OTHER INTANGIBLE ASSETS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012			2011		
	Cost	Accumulated amortisation and impairment	Carrying value	Cost	Accumulated amortisation and impairment	Carrying value
Patents, trademarks and other rights	**4,2**	**(0,8)**	**3,4**	4,2	(0,6)	3,6
Computer software	**227,0**	**(188,9)**	**38,1**	218,5	(182,9)	35,6
Mineral rights	**19,9**	**(19,9)**	**–**	19,9	(19,9)	–
Tolling rights	**157,0**	**(8,6)**	**148,4**	157,0	(0,7)	156,3
Other intangible assets	**9,1**	**(7,9)**	**1,2**	9,1	(7,6)	1,5
	417,2	**(226,1)**	**191,1**	408,7	(211,7)	197,0

Reconciliation of other intangible assets	Patents, trademarks and other rights	Computer software	Mineral rights	Tolling rights	Other intangible assets	Total
At 30 June 2010	3,8	47,2	10,9	–	9,6	71,5
Additions	–	11,2	–	–	0,3	11,5
Acquisition of businesses	–	–	–	157,0	–	157,0
Scrappings	–	(2,5)	–	–	–	(2,5)
Transfers to assets classified as held-for-sale	–	(0,5)	–	–	(5,2)	(5,7)
Transfer from property, plant and equipment	–	2,3	–	–	–	2,3
Foreign exchange movements	–	0,2	–	–	(0,7)	(0,5)
Impairment loss	–	–	(10,9)	–	–	(10,9)
Amortisation	(0,2)	(22,3)	–	(0,7)	(2,5)	(25,7)
At 30 June 2011	**3,6**	**35,6**	**–**	**156,3**	**1,5**	**197,0**
Additions	**–**	**16,5**	**–**	**–**	**–**	**16,5**
Scrappings	**–**	**(0,7)**	**–**	**–**	**–**	**(0,7)**
Foreign exchange movements	**–**	**2,6**	**–**	**–**	**0,2**	**2,8**
Amortisation	**(0,2)**	**(15,9)**	**–**	**(7,9)**	**(0,5)**	**(24,5)**
At 30 June 2012	**3,4**	**38,1**	**–**	**148,4**	**1,2**	**191,1**

The majority of intangible assets included above have finite useful lives, over which the assets are amortised. Average amortisation periods are set out below. Intangible assets with indefinite lives are tested annually for impairment.

Tolling rights relate to an intangible asset recognised on the acquisition of the controlling interest obtained in PT Operational Services Proprietary Limited in the 2011 financial year. The purpose of PT Operational Services Proprietary Limited is to provide toll operations, maintenance and routine road maintenance services to Bakwena Platinum Corridor Concessionaire Proprietary Limited. The intangible asset is amortised over the remaining life of the contract which runs until 31 December 2031.

The following amortisation periods are used for the amortisation of intangible assets:

– Patents, trademarks and other rights	20 years	on a straight-line basis
– Computer software	2 to 4 years	on a straight-line basis
– Tolling rights	20,5 years	on a straight-line basis
– Other intangible assets	3 to 5 years or indefinite	on a straight-line basis

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

6. INVESTMENT ASSOCIATE COMPANIES

	ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
6.1	**Investments in associate companies**		
	At beginning of the year	**564,4**	376,1
	Additions	**132,8**	90,2
	Disposals	**(1,9)**	–
	Deconsolidation of Peritus International (Proprietary) Limited	**–**	5,4
	Dividends received	**(45,6)**	(24,5)
	Share of post-acquisition profit	**144,7**	70,2
	Impairment loss	**–**	(7,9)
	Foreign exchange movements	**90,6**	54,9
		885,0	564,4
	The carrying value of the investments may be analysed as follows:		
	Investments in associates at cost	**717,6**	496,1
	Share of post-acquisition profit, net of dividends received	**167,4**	68,3
		885,0	564,4
6.2	**Valuation of shares**		
	Construction Africa and Middle East		
	Murray & Roberts (Zimbabwe) Limited	**–**	57,0
	The 47% shareholding in Murray & Roberts (Zimbabwe) Limited was sold on 30 April 2012 for a consideration of R10,1 million. The investment was fully impaired in prior years resulting in a profit on sale of R10,1 million.		
	Construction Australasia Oil & Gas and Minerals		
	Forge Group Limited	**1 133,5**	1 096,8
	Forge Group Limited is listed on the Australian Stock Exchange. The valuation is determined based on the quoted price per the exchange at each respective year-end. As at 30 June 2012 the carrying value of the Group's interest in Forge Group Limited is R854,9 million (2011: R527,0 million). The Group acquired an additional 3% in Forge Group Limited for a consideration of R132,8 million in the current year.		
	Other associates		
	Directors' valuation of unlisted associates	**30,1**	37,4
6.3	**Summarised financial information in respect of the Group's associates**		
	Total assets	**4 449,9**	2 267,1
	Total liabilities	**(2 937,6)**	(1 110,5)
	Net assets	**1 512,3**	1 156,6
	Revenue	**7 271,5**	5 248,8
	Profit for the year	**431,5**	310,1

6.4 Details of associate companies

	% of ownership and votes			
Name of associate	Place of incorporation	2012	2011	Main activity
Bombela Operating Company Proprietary Limited	South Africa	**23,9**	23,9	Transport logistics
Bombela TKC Proprietary Limited	South Africa	**25,0**	25,0	Construction
Forge Group Limited	Australia	**35,9**	33,3	Construction
Murray & Roberts (Zimbabwe) Limited	Zimbabwe	**–**	47,0	Construction
Northmid Corporate Park Proprietary Limited	South Africa	**25,0**	50,0	Property rental
Peritus International (Proprietary) Limited*	Australia	**–**	54,3	Subsea engineering

* *Disposed of in December 2011 as part of the disposal of the Clough Marine business.*

7. OTHER INVESTMENTS

	ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
7.1	**Financial assets designated as fair value through profit or loss**		
	Investments in infrastructure services concessions		
	At beginning of the year	**441,8**	211,1
	Additions	**–**	66,6
	Repayment of loans	**(165,0)**	–
	Fair value adjustment recognised in the statement of financial performance	**179,9**	164,1
		456,7	441,8

Directors' valuation R456,7 million (2011: R441,8 million).

The financial assets designated as fair value through profit and loss comprise of the Group's interest in the following infrastructure service concession:

	% interest	Remaining concession period	2012	2011
Bombela Concession Company Proprietary Limited*	33	14 Years	**456,7**	441,8

* *The fair value of the Bombela Concession Company is calculated using discounted cash flow models and a market discount rate of 19,5%. The discount rate was reduced by 1% in the current year due to more certainty regarding future cash flows. The discounted cash flow models are based on forecast patronage, operating costs, inflation and other economical fundamentals, taking into consideration the operating conditions experienced in the current financial year. An increase of 1% in the discount rate would result in a decrease in the value of the concession investment of R31,0 million.*

		2012	2011
7.2	**Available-for-sale financial assets**		
	Unlisted investments		
	At beginning of the year	**2,7**	4,5
	Fair value loss through other comprehensive income	**(0,5)**	–
	Additions, disposals and other movements	**0,3**	(1,8)
		2,5	2,7
7.3	**Loans and receivables measured at amortised cost**		
	Unsecured loans and receivables		
	At beginning of the year	**0,5**	0,6
	Additional loans raised	**7,1**	22,9
	Disposal and repayments	**(7,0)**	(20,2)
	Foreign exchange movements	**–**	(2,8)
		0,6	0,5
	Total other investments	**459,8**	445,0

8. INVENTORIES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Raw materials	**390,3**	522,1
Work-in-progress	**77,7**	41,9
Finished goods and manufactured components	**185,1**	135,4
Consumable stores	**77,4**	107,2
Property development	**–**	10,6
	730,5	817,2

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

The cost of inventories recognised as an expense includes R37,4 million (2011: R55,0 million) in respect of write-downs of inventory to net realisable value, and has been reduced by R23,9 million (2011: R21,9 million) in respect of the reversal of such write downs.

The amount of inventory carried at net realisable value amounts to R20,2 million (2011: R21,5 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

9. CONTRACTS-IN-PROGRESS AND CONTRACT RECEIVABLES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Contracts-in-progress (Cost incurred plus recognised profits, less recognised losses)	**2 848,6**	556,6
Uncertified claims and variations less payments received on account (recognised in terms of IAS 11: Construction Contracts)	**1 951,0**	1 968,0
Uncertified claims and variations	**2 001,0**	2 302,0
Less payments received on account	**(50,0)**	(334,0)
Amounts receivable on contracts (net of impairment provisions)	**3 642,0**	2 339,9
Retentions receivable (net of impairment provisions)	**424,0**	425,5
	8 865,6	5 290,0
Amounts received in excess of work completed	**(3 018,9)**	(2 244,4)
	5 846,7	3 045,6
Disclosed as:		
Amounts due from contract customers – non-current*	**2 059,7**	–
Amounts due from contract customers – current	**6 805,9**	5 290,0
Amounts due to contract customers	**(3 018,9)**	(2 244,4)
	5 846,7	3 045,6

* *During the year under review, circumstances have changed and developed which resulted in a portion of the amounts due from contract customers being expected to be received only after 12 months from the current year under review. Therefore, these amounts have been classified as non-current on the statement of financial position. Management considers the amounts to be fully recoverable.*

10. TRADE AND OTHER RECEIVABLES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	2012	2011
10.1 Trade and other receivables			
Trade receivables		**1 036,7**	1 115,4
Provision for doubtful debts		**(75,6)**	(75,9)
Operating lease receivables recognised on a straight-line basis		**2,1**	1,6
Amounts owing by joint venture partners		**344,3**	239,0
Prepayments		**183,5**	236,7
Finance lease receivable	10.2	**26,7**	55,1
Sundry loans		**82,4**	54,6
Deposits		**52,1**	37,4
Value Added Taxation receivable		**74,0**	–
Other receivables – sale of assets*		**128,0**	–
Other receivables		**272,9**	172,7
		2 127,1	1 836,6

* *The sale of assets was not in the ordinary course of business and therefore not classified as trade receivables.*

Details in respect of the Group's credit risk management policies are set out in note 41.

The directors consider that the carrying amount of the trade and other receivables approximate their fair value.

10. TRADE AND OTHER RECEIVABLES (continued)

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
10.2 Finance lease receivables		
Current finance lease receivables	**26,7**	55,1
Non-current finance lease receivables**	**3,0**	29,8
	29,7	84,9

** *The non-current finance lease receivable is classified as part of non-current receivables on the face of the statement of financial position.*

10.2.1 Leasing arrangements

The Group has entered into lease arrangements for certain of its plant. All leases are denominated in South African Rand. The average term of the finance leases is 3 years.

10.2.2 Minimum lease payments receivable	2012	2011
Within 1 year	**28,3**	62,0
Within the 2nd year	**3,0**	28,3
Within 3 to 5 years	**–**	3,1
	31,3	93,4
Less: Unearned finance income	**(1,6)**	(8,5)
Present value of finance lease receivable	**29,7**	84,9
The present value of finance lease receivables can be analysed as follows:		
Within 1 year	**26,7**	55,1
Within the 2nd year	**3,0**	26,7
Within 3 to 5 years	**–**	3,1
	29,7	84,9

There is no unguaranteed residual of assets leased at the end of the reporting period. The lease payments are considered by management to be recoverable and as a result no allowance has been made for uncollectable lease payments. The finance lease receivables at the end of the reporting period are neither past due nor impaired.

The interest rate inherent in the leases is linked to the prime rate for the duration of the lease term. The average effective interest rate contracted is approximately 6,5% (2011: 6,5%) per annum.

11. NET CASH AND CASH EQUIVALENTS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Net cash and cash equivalents included in the statement of cash flows comprise the following amounts:		
Bank balances	**2 102,5**	2 336,5
Restricted cash	**1 285,9**	764,1
Cash and cash equivalents	**3 388,4**	3 100,6
Bank overdrafts	**(38,5)**	(46,8)
	3 349,9	3 053,8
Restricted cash		
Cash and cash equivalents at the end of the year include bank balances and cash that are restricted from immediate use due to being:		
Held in joint ventures	**1 182,0**	724,1
Held in trust accounts for sublease tenants	**0,5**	5,6
Other agreements with banks and other financial institutions	**103,4**	34,4
	1 285,9	764,1

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

12. STATED CAPITAL (2011: SHARE CAPITAL AND SHARE PREMIUM)

	ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
12.1	**Share capital**		
	Authorised		
	500 000 000 ordinary shares with a par value of 10 cents each	–	50,0
	Issued and fully paid		
	331 892 619 ordinary shares at par value of 10 cents each	–	33,2
	Less: Treasury shares held by The Murray & Roberts Trust at par value	–	(0,6)
	Less: Treasury shares held by the Letsema BBBEE trusts and companies at par value	–	(2,9)
	Less: Treasury shares held by Murray & Roberts Limited at par value	–	(0,1)
	Net share capital	–	29,6
	Unissued		
	At 30 June 2011 the number of unissued shares was 168 107 381.		
12.2	**Share premium**		
	Share premium	–	1 639,6
	Less: Treasury shares held by The Murray & Roberts Trust at net cost	–	(468,3)
	Less: Treasury shares held by the Letsema BBBEE trusts and companies at net cost	–	(428,3)
	Less: Treasury shares held by Murray & Roberts Limited at net cost	–	(15,7)
	Net share premium	–	727,3
	Total share capital and share premium	–	756,9
12.3	**Stated capital**		
	Authorised		
	750 000 000 no par value shares	**75,0**	–
	Issued and fully paid		
	444 736 118 no par value shares	**3 582,8**	–
	Less: Treasury shares held by The Murray & Roberts Trust at no par value	**(432,9)**	–
	Less: Treasury shares held by the Letsema BBBEE trusts and companies at no par value	**(426,2)**	–
	Less: Treasury shares held by Murray & Roberts Limited at no par value	**(13,6)**	–
	Net stated capital	**2 710,1**	–

Unissued

At 30 June 2012 the number of unissued shares was 305 263 882.

Changes in authorised and issued share capital

During the year under review a special resolution was passed by shareholders of Murray & Roberts Holdings Limited to convert the Company's entire authorised and issued share capital from par value shares to no par value shares.

A rights issue was undertaken in the current financial year, where shares were issued at an issue price of R18,00 per share in the ratio of 34 rights offer shares for every 100 Murray & Roberts shares held at close of business on 23 March 2012. The rights issue generated gross proceeds of R2 031,2 million, with transaction costs of R121,2 million offset against stated capital.

		2012	2011
12.4	**Treasury shares**		
	Market value of treasury shares:		
	The Murray & Roberts Trust	**132,9**	185,7
	The Letsema BBBEE trust and companies	**788,3**	865,5
	Murray & Roberts Limited	**16,7**	20,3

12. STATED CAPITAL (2011: SHARE CAPITAL AND SHARE PREMIUM) (continued)

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Reconciliation of issued shares	Number of shares	Number of shares
12.4 Treasury shares (continued)		
Issued and fully paid	**444 736 118**	331 892 619
Less: Treasury shares held by The Murray & Roberts Trust	**(5 378 382)**	(6 189 282)
Less: Treasury shares held by the Letsema BBBEE trusts and companies	**(31 902 251)**	(28 849 727)
Less: Treasury shares held by Murray & Roberts Limited	**(676 644)**	(675 644)
Net shares issued to public	**406 778 841**	296 177 966

13. SHARE INCENTIVE SCHEMES

During the year under review Murray & Roberts Holdings Limited had a rights issue, with the result of the share schemes being allocated additional shares. This resulted in a modification charge that had to be recorded to account for the additional shares allocated where there was a benefit for the employees.

As a result of the rights issue, the incremental fair value of the options granted amounted to R5,1 million for The Murray & Roberts Trust. The valuations for the schemes were performed by invoking a risk-neutral binomial lattice from grant date until maturity with the valuation of the modification charge of R5,1 million being calculated as the difference between the value of the options pre- and post-rights issue.

There was no incremental fair value in the options granted for the Letsema Vulindlela Black Executives Trust as a result of the rights issue and thus no modification charge was recorded. The valuations for the schemes was performed by invoking a Monte Carlo simulation-based option pricing model from grant date until maturity.

13.1 Equity-settled share incentive scheme – The Murray & Roberts Trust

The Murray & Roberts Holdings Limited Employee Share Incentive Scheme ("Scheme") was approved by shareholders in October 1987 to operate through the means of The Murray & Roberts Trust ("Trust"). Subsequent amendments to the Scheme and Trust were approved by shareholders in October 2009. Further amendments to the Scheme and Trust have been proposed and will be presented to shareholders for approval at the Annual General Meeting on 31 October 2012.

At 30 June 2012, the Trust held 5 378 382 (2011: 6 189 282) shares against the commitment of options granted by the Trust totalling 16 502 112 (2011: 11 173 125) shares. In order to settle the shortfall and subject to shareholders' approval, the Company can issue new shares within the maximum of 10% of the Company's total issued shares, being 44 473 612 (2011: 33 189 262) ordinary shares.

0,92% of the outstanding options at 30 June 2012 were available for exercise.

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13. SHARE INCENTIVE SCHEMES (continued)

13.1 Equity-settled share incentive scheme – The Murray & Roberts Trust (continued)

The details of the movement in the outstanding options granted by the Trust during the year ended 30 June 2012 were as follows:

Schemes implemented		Outstanding options at 30 June 2011	Granted during the year	Surrendered during the year	Exercised during the year	Adjust-ment as result of rights issue	**Outstanding options at 30 June 2012**	Option price per share (cents)	Adjusted option price per share (cents)	Weighted average share price on exercise (cents)
13 March 2002	Standard	22 500	–	–	(30 150)	7 650	**–**	693	974	2 702
13 March 2002	Hurdle	22 500	–	–	(30 150)	7 650	**–**	693	974	2 702
06 March 2003	Standard	38 750	–	–	(20 000)	6 375	**25 125**	1 100	1 278	2 604
06 March 2003	Hurdle	35 000	–	–	–	11 900	**46 900**	1 100	1 278	–
15 March 2004	Standard	32 500	–	–	–	11 050	**43 550**	1 304	1 430	–
15 March 2004	Hurdle	27 500	–	–	–	9 350	**36 850**	1 304	1 430	–
28 June 2005*	Standard	97 500	–	(3 750)	(93 750)	–	**–**	1 400	1 400	2 202
28 June 2005*	Hurdle	72 500	–	(5 000)	(67 500)	–	**–**	1 400	1 400	2 702
03 March 2006	Standard	443 125	–	(25 625)	(494 000)	76 500	**–**	2 353	2 213	2 776
03 March 2006	Hurdle	125 000	–	(11 475)	(75 350)	36 899	**75 074**	2 353	2 213	2 684
06 March 2007	Hurdle	986 500	–	(188 800)	–	303 110	**1 100 810**	5 060	4 233	–
06 March 2007	Special	4 440 000	–	(782 442)	–	1 243 570	**4 901 128**	5 060	4 233	–
30 August 2007	Standard	10 000	–	–	–	3 400	**13 400**	7 200	5 830	–
02 November 2007	Standard	10 000	–	–	–	3 400	**13 400**	9 352	7 436	–
26 February 2008	Standard	1 012 500	–	(107 650)	–	329 290	**1 234 140**	9 201	7 323	–
01 July 2008	Standard	35 500	–	–	–	12 070	**47 570**	8 651	6 913	–
26 August 2008	Standard	33 750	–	(825)	–	11 195	**44 120**	9 372	7 451	–
26 August 2009	Hurdle	1 850 000	–	(294 850)	–	546 975	**2 102 125**	4 774	4 019	–
08 December 2009	Hurdle	140 000	–	–	–	47 600	**187 600**	4 542	3 846	–
20 April 2011	Hurdle	1 738 000	–	(264 400)	–	551 140	**2 024 740**	2 516	2 334	–
30 August 2011	Performance	–	3 256 000	(268 000)	–	1 107 040	**4 095 040**	2 770	2 524	–
30 August 2011	Retention	–	381 000	–	–	129 540	**510 540**	2 770	2 524	–
		11 173 125	3 637 000	(1 952 817)	(810 900)	4 455 704	**16 502 112**			

Notes:

1. *For the 2002 and later schemes, the options vest at 25% per annum in each of the second to fifth anniversaries of the grant.*
2. *For the 2004 and prior schemes, termination occurs on the tenth anniversary of the grant and any unexercised options expire at that date.*
3. *For the 2005 and later schemes, termination occurs on the sixth anniversary of the grant and any unexercised options expire at that date.*
4. *For the 2002 and 2003 schemes the hurdle rate is 25% per annum compound growth on option price.*
5. *For the 2004 to April 2011 schemes the hurdle rate is CPI + 4% per annum compound growth on option price.*
6. *The 2007 special scheme is time-related with the first tranche exercisable in 2011 and the expiry date being extended from 2015 to 2017.*
7. *For the August 2011 Performance scheme, the hurdle rate is the growth in the budgeted 2012 fully diluted HEPS for continuing operations of annual CPI + 5% cumulatively over the three year period to 30 June 2014. If the threshold performance of 85% of the target performance is not met, all the share options will be forfeited. The scheme options shall vest, subject to the performance conditions, on 30 August 2014 and all unexercised options expire on the sixth anniversary of the option date.*
8. *For the August 2011 Retention scheme, all share options will vest on the third anniversary subject to continued employment and all unexercised options expire on the sixth anniversary of the option date.*
9. *The Group has no legal or constructive obligation to repurchase or settle the options in cash.*
10. *Options are forfeited if the employees leave the Group before the options vest.*

* *In the event that the sixth anniversary of the option date falls within a period which is designated by Murray & Roberts Holdings Limited ("Company") to be a period during which directors of the Company may not deal in shares of the Company ("closed period"), then the option period in respect of those participants who are precluded from dealing shall be extended. Such extension shall be for the same number of business days after the end of the closed period as the number of business days between the beginning of the closed period and the sixth anniversary of the option date.*

13. SHARE INCENTIVE SCHEMES (continued)

13.1 Equity-settled share incentive scheme – The Murray & Roberts Trust (continued)

The estimated fair values of options granted were determined using the following valuation methodologies:

Standard scheme	Binomial lattice model
Hurdle scheme	Hybrid of binomial lattice and Monte Carlo models
Special scheme	Binomial lattice model
Performance scheme	Binomial lattice model
Retention scheme	Binomial lattice model

The inputs into the models were as follows:

Schemes implemented		Option price per share (cents)	Adjusted option price per share (cents)	Expected volatility	Expected expiry date	Risk free rate	Expected dividend yield	Estimated fair value of options granted per option (cents)
06 March 2003	Standard	1 100	1 278	41,9%	06 March 2013	9,7%	3,0%	508
06 March 2003	Hurdle	1 100	1 278	41,9%	06 March 2013	9,7%	3,0%	254
15 March 2004	Standard	1 304	1 430	35,8%	15 March 2014	9,5%	4,0%	523
15 March 2004	Hurdle	1 304	1 430	35,8%	15 March 2014	9,5%	4,0%	334
03 March 2006	Hurdle	2 353	2 213	30,1%	03 March 2013	7,2%	3,0%	733
06 March 2007	Hurdle	5 060	4 233	31,0%	06 March 2017	8,2%	2,0%	1 629
06 March 2007	Special	5 060	4 233	31,0%	06 March 2017	8,2%	2,0%	1 838
30 August 2007	Standard	7 200	5 830	29,0%	30 August 2013	9,5%	1,0%	2 586
02 November 2007	Standard	9 352	7 436	29,5%	02 November 2013	8,9%	1,0%	3 278
26 February 2008	Standard	9 201	7 323	30,8%	26 February 2014	9,6%	1,0%	3 484
01 July 2008	Standard	8 651	6 913	31,3%	01 July 2014	11,6%	1,0%	2 829
26 August 2008	Standard	9 372	7 451	32,4%	26 August 2014	9,7%	5,0%	2 824
26 August 2009	Hurdle	4 774	4 019	38,3%	26 August 2015	8,4%	5,0%	1 499
08 December 2009	Hurdle	4 542	3 846	39,2%	08 December 2015	8,7%	5,0%	1 525
20 April 2011	Hurdle	2 516	2 334	40,3%	20 April 2017	7,9%	4,9%	801
30 August 2011	Performance	2 770	2 524	40,5%	30 August 2017	5,8%	4,9%	851
30 August 2011	Retention	2 770	2 524	40,5%	30 August 2017	5,8%	4,9%	851

Expected volatility was determined using either the exponentially weighted or equally weighted moving average models (where appropriate) to calculate the historical volatility of the share price over the option lifetime.

The expected life used in the models has been adjusted, based on management's best estimate, for the effects of sub-optimal exercise behaviour of employees including exercise restrictions and closed periods.

The Group recognised total expenses of R20,5 million (2011: R15,7 million) relating to these share options during the year.

13.2 Equity-settled share incentive scheme – Letsema Vulindlela Black Executives Trust

The Letsema Share Incentive Scheme was approved by shareholders on 21 November 2005 as part of the Group's Broad-based Black Economic Empowerment transaction. This transaction operates through various broad-based entities of which the Letsema Vulindlela Black Executives Trust ("Vulindlela Trust") is one. The purpose of the Vulindlela Trust is to facilitate ownership in the Company's ordinary stated capital by black executives. At 30 June 2012, the Vulindlela Trust held 10 830 578 (2011: 9 865 703) shares against the commitment of options granted by the Vulindlela Trust totaling 3 269 599 (2011: 2 463 713) shares.

The purchase of these shares was funded by an interest-free loan from the respective Group employer companies. All dividends paid to the Trust will be offset against the outstanding balance of the loan. After the expiry of the five year lock in period but before 31 December 2021 provided that the prevailing market value exceeds the adjusted amount due in respect of those shares, the black executives may elect to take delivery of the full benefit of the shares in accordance with their vesting rights. In the event of such election, the black executives will be required to make a contribution to the Trust in order to settle the outstanding loan amount. Should the value of the shares be less than the outstanding loan amount, the Trust must return the shares to the company and the loan will be cancelled.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

13. SHARE INCENTIVE SCHEMES (continued)

13.2 Equity-settled share incentive scheme – Letsema Vulindlela Black Executives Trust (continued)

The details of the movement in the outstanding options granted by the Vulindlela Trust during the year ended 30 June 2012 were as follows:

Schemes implemented		Outstanding options at 30 June 2011	Granted during the year	Surrendered during the year	Exercised during the year	Adjustment as result of rights issue	**Outstanding options at 30 June 2012**	Option price per share (cents)	Weighted average share price on exercise (cents)
02 March 2006	Standard	249 235	–	(3 500)	(15 527)	20 556	**250 764**	2 353	2 668
27 June 2006	Standard	8 167	–	–	(3 500)	814	**5 481**	2 431	2 611
28 August 2006	Standard	44 167	–	–	–	2 582	**46 749**	3 002	–
06 March 2007	Standard	417 744	–	(12 834)	–	31 072	**435 982**	5 200	–
25 June 2007	Standard	60 100	–	(3 119)	–	4 511	**61 492**	6 619	–
26 February 2008	Standard	109 500	–	(16 056)	–	6 067	**99 511**	9 201	–
28 August 2008	Standard	50 700	–	(8 735)	–	3 202	**45 167**	9 508	–
25 August 2009	Standard	630 200	–	(150 927)	–	39 260	**518 533**	4 774	–
24 August 2010	Standard	732 400	–	(148 494)	–	47 422	**631 328**	4 102	–
22 February 2011	Standard	6 500	–	(6 500)	–	–	**–**	2 820	–
20 April 2011	Hurdle	155 000	–	(40 558)	–	4 062	**118 504**	2 516	–
30 August 2011	Standard	–	1 124 000	(143 843)	–	75 931	**1 056 088**	2 770	–
		2 463 713	1 124 000	(534 566)	(19 027)	235 479	**3 269 599**		

Notes:
1. The options can only be exercised after 5 years from date of allocation.
2. Options are forfeited if the employee leaves the Group before the options vest.
3. For the 20 April 2011 scheme, the hurdle rate is CPI + 4% per annum compound growth on option price.

The estimated fair values of options granted were determined using the following valuation methodologies:

Standard scheme	Monte Carlo
Hurdle scheme	Binomial lattice model

Schemes implemented	Option price per share (cents)	Expected volatility	Expected expiry date	Risk free rate	Expected dividend yield	Estimated fair value of options granted per option (cents)
02 March 2006	2 353	35,8%	31 December 2016	7,2%	2,7%	1 253
27 June 2006	2 431	35,8%	31 December 2016	8,7%	2,3%	1 395
28 August 2006	3 002	29,0%	31 December 2015	8,9%	2,0%	1 621
06 March 2007	5 200	29,0%	31 December 2015	8,0%	2,0%	2 590
25 June 2007	6 619	29,0%	31 December 2015	8,9%	2,0%	3 588
26 February 2008	9 201	31,2%	31 December 2015	9,6%	2,5%	4 209
28 August 2008	9 508	32,7%	31 December 2015	9,6%	5,0%	4 772
25 August 2009	4 774	40,3%	31 December 2016	8,2%	5,0%	2 133
24 August 2010	4 102	41,9%	31 December 2016	7,1%	4,9%	1 798
22 February 2011	2 820	42,4%	31 December 2016	7,9%	4,9%	1 248
20 April 2011	2 516	42,4%	31 December 2016	7,9%	4,9%	818
30 August 2011	2 770	41,8%	30 August 2017	5,8%	4,9%	1 163

Expected volatility was determined using either the exponentially weighted or equally weighted moving average models (where appropriate) to calculate the historical volatility of the share price over the option lifetime.

The expected life used in the models has been adjusted, based on management's best estimate, for the effects of sub-optimal exercise behaviour of employees including exercise restrictions and closed periods.

The Group recognised total expenses of R7,1 million (2011: R10,0 million) relating to these share options during the year.

14. HEDGING AND TRANSLATION RESERVES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Hedging reserve		
At beginning of the year	**(17,2)**	(1,7)
Reclassification	**–**	1,5
Effects of cash flow hedges	**20,3**	(38,7)
Taxation related to effects of cash flow hedges	**(4,7)**	11,7
Transfer to non-controlling interests	**(6,0)**	10,0
	(7,6)	(17,2)
Foreign currency translation reserve		
At beginning of the year	**4,9**	45,7
Reclassification	**–**	(5,6)
Foreign exchange movements	**428,7**	(35,2)
	433,6	4,9
	426,0	(12,3)

The hedging reserve represents the effective portion of fair value gains or losses of derivative financial instruments that have been designated as cash flow hedges.

The foreign currency translation reserve is the result of exchange differences arising from the translation of the Group's foreign subsidiary companies to Rands, being the functional and reporting currency of the holding company.

15. OTHER CAPITAL RESERVES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Capital redemption reserve fund		
At beginning of the year	**1,1**	1,7
Recycled to the statement of financial performance	**–**	(0,6)
	1,1	1,1
Statutory reserve		
At beginning of the year	**31,3**	23,1
Reclassification	**–**	8,2
	31,3	31,3
Other non-distributable reserve		
At beginning of the year	**(37,8)**	(35,4)
Reclassification	**–**	0,4
Recycled to the statement of financial performance	**–**	(2,8)
Fair value loss on available-for-sale financial assets	**(0,5)**	–
Transfer from retained earnings	**0,3**	–
	(38,0)	(37,8)
Share-based payment reserve		
At beginning of the year	**207,0**	181,7
Reclassification	**–**	(4,5)
Disposal of business	**(1,0)**	–
Recognition of share-based payments	**33,4**	32,5
Transfer to retained earnings	**(31,9)**	–
Transfer to non-controlling interests	**(2,2)**	(2,7)
	205,3	207,0
	199,7	201,6

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

15. OTHER CAPITAL RESERVES (continued)

The capital redemption reserve fund represents retained earnings transferred to a non-distributable reserve on the redemption of previously issued redeemable preference shares of Group companies.

The statutory reserve represents retained earnings of foreign subsidiary companies that are not available for distribution to shareholders in accordance with local laws.

The other non-distributable reserve represents the option that Clough Limited has to acquire the remaining non-controlling interest in Ocean Flow International LLC.

The share-based payment reserve represents the total cost recognised for the Group's equity-settled share-based payments. The transfer to retained earnings in the current financial year reflects the value of the share-based payments reserve that was recognised in prior years relating to share options that have vested but were not exercised.

16. NON-CONTROLLING INTERESTS

The non-controlling interests comprises

	ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
16.1	**Non-controlling interests in reserves**		
	At beginning of the year	**1 002,2**	903,1
	Share of attributable profit	**143,6**	86,8
	Dividends declared and paid	**(75,0)**	(87,3)
	Acquisition of controlling interest in associate	**–**	(33,2)
	Acquisition of controlling interest in joint venture	**–**	37,7
	Acquisition of non-controlling interest	**10,8**	50,1
	Acquisition of remaining interest in subsidiary	**(38,6)**	–
	Issue of shares to non-controlling interests	**22,5**	–
	Transfers from reserves	**8,2**	2,7
	Disposal of businesses	**(90,3)**	–
	Foreign exchange and other movements	**175,5**	42,3
		1 158,9	1 002,2
	The remaining portion of the Group's subsidiary PT Operational Services Proprietary Limited was acquired in April 2012 of the year under review for a consideration of R48,0 million.		
16.2	**Equity loans from non-controlling interests**		
	At beginning of the year	**98,1**	70,9
	Additional loans raised	**–**	64,6
	Loan repayments	**(20,9)**	(28,4)
	Acquisition of non-controlling interests	**–**	4,3
	Disposal of businesses	**(34,2)**	–
	Foreign exchange and other movements	**12,8**	(13,3)
		55,8	98,1
	The loans from the non-controlling interests of subsidiary companies are unsecured, have no fixed repayment terms and do not bear any interest. The loan repayments made by the non-controlling interests were voluntary.		
	Balance at year-end	**1 214,7**	1 100,3

17. SECURED LIABILITIES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	2012	2011
Liabilities of the Group are secured as follows:			
Loans secured over plant and machinery with a book value of R783,6 million (2011: R806,3 million). Loans secured over shares with a book value of R1 583,2 million (2011: Rnil) and a market value of R3 016,0 million (2011: Rnil).		**1 961,7**	670,1
Reflected in the statement of financial position under:			
Long term loans	18	**117,1**	100,6
Long term capitalised finance leases	18	**376,5**	322,8
Short term loans	18	**1 468,1**	246,7
		1 961,7	670,1

18. LONG TERM LOANS

	ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	2012	2011
18.1	**Interest bearing secured loans**			
	Payable			
	Within 1 year		**1 212,3**	50,2
	Within the 2nd year		**48,7**	5,8
	Within 3 to 5 years		**68,4**	94,8
			1 329,4	150,8
	Less: Current portion	24	**(1 212,3)**	(50,2)
			117,1	100,6
18.2	**Interest bearing unsecured loans**			
	Payable			
	Within 1 year		**184,4**	825,0
	Within the 2nd year		**–**	300,0
	Within 3 to 5 years		**–**	500,0
			184,4	1 625,0
	Less: Current portion	24	**(184,4)**	(825,0)
			–	800,0
18.3	**Non-interest bearing unsecured loans**			
	Payable			
	Within 1 year		**243,2**	7,8
	Within the 2nd year		**–**	1,8
	Within 3 to 5 years		**0,2**	–
			243,4	9,6
	Less: Current portion	24	**(243,2)**	(7,8)
			0,2	1,8

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

18. LONG TERM LOANS (continued)

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	2012	2011
18.4 Capitalised finance leases			
Minimum lease payments			
Within 1 year		**289,6**	222,8
Within the 2nd year		**233,2**	180,4
Within 3 to 5 years		**162,7**	160,5
Payable after 5th year		**0,1**	–
		685,6	563,7
Less: Future finance charges		**(53,3)**	(44,4)
Present value of lease obligations		**632,3**	519,3
The present value of lease obligations can be analysed as follows:			
Within 1 year		**255,8**	196,5
Within the 2nd year		**219,1**	170,5
Within 3 to 5 years		**157,3**	152,3
Payable after 5th year		**0,1**	–
		632,3	519,3
Less: Current portion	24	**(255,8)**	(196,5)
		376,5	322,8
Total long term loans		**493,8**	1 225,2

The Group restructured its South African term debt and bank facilities. The facilities range from on-demand to four-year facilities, achieving the objective of extending the average tenure of the Group's debt structure. The facilities are supported by cross guarantees from Group companies and have been secured by the pledging of Clough Limited shares.

Details of repayment terms of loans and the related interest rates are set out in Annexure 2. The assets encumbered to secure the loans are detailed in note 17. Details of the Group's interest rate risk management policies are set out in note 41.

19. RETIREMENT AND OTHER BENEFIT PLANS

The retirement funds operated by the Group in the Republic of South Africa are registered as provident or pension funds and are accordingly governed by the Pension Funds Act No. 24 of 1956 (as amended).

19.1 Defined contribution plan – pension fund

In South Africa, the Group operates the following privately administered defined contribution pension plan for salaried employees:

Murray & Roberts Retirement Fund

The assets of the fund are independently controlled by a board of trustees which includes representatives elected by the members.

The fund was actuarially valued on 31 December 2011 and declared to be in a sound financial position.

The total cost to the Group in respect of the above fund for the year ended 30 June 2012 was R115,0 million (2011: R113,0 million).

19.2 Defined contribution plan – provident fund

In South Africa, the Group operates the following privately administered defined contribution provident plan for salaried employees:

Murray & Roberts Provident Fund

The assets of the fund are independently controlled by a board of trustees which includes representatives elected by the members.

The fund was actuarially valued on 28 February 2012 and declared to be in a sound financial position.

The total cost to the Group in respect of the above fund for the year ended 30 June 2012 was R2,4 million (2011: R3,6 million).

19. RETIREMENT AND OTHER BENEFIT PLANS (continued)

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
19.3 Defined benefit plan – retirement benefit		
The Murray & Roberts Retirement Fund is a hybrid fund providing defined contribution benefits to employee members and defined benefits to pensioners. The Fund provides, amongst other benefits, guaranteed pensions to pensioners in payment. The latter benefits are classified as defined benefit obligations. In the valuation of scheme reserves, all assets and liabilities of defined contribution members have been ignored. The scheme currently has 3 017 pensioners as members.		
Present value of funded liability	**2 228,6**	2 078,5
Fair value of plan assets	**(2 698,2)**	(2 583,2)
Funded status	**(469,6)**	(504,7)
Cumulative actuarial loss unrecognised due to paragraph 58A limits	**469,6**	504,7
	–	–
Movements in the present value of the funded liability were as follows:		
Opening defined benefit obligation	**2 078,5**	1 924,4
Interest costs	**168,7**	165,1
Contributions from plan participants	**27,3**	35,4
Actuarial losses	**142,2**	132,3
Benefits paid	**(188,1)**	(178,7)
	2 228,6	2 078,5
Movements in the fair value of plan assets were as follows:		
Opening fair value of plan assets	**2 583,2**	2 395,1
Expected return on plan assets	**251,3**	241,5
Actuarial gains	**24,5**	89,9
Contributions from plan participants	**27,3**	35,4
Benefits paid	**(188,1)**	(178,7)
	2 698,2	2 583,2
The major categories of plan assets at the end of the reporting period for each category are as follows:		
Equity instruments	**1 021,4**	1 038,8
Debt instruments	**1 264,3**	1 185,6
Overseas equity	**412,5**	358,8
	2 698,2	2 583,2
The disclosure of the funded status is for accounting purposes only, and does not indicate available assets to the Group.		
The most recent actuarial valuations of the plan assets and the present value of the defined obligations were carried out at 30 June 2011 by NMG Consultants & Actuaries. These results have been projected to 30 June 2012. The present value of the defined benefit obligation, and the related current service costs were measured using the Projected Unit Credit Method. The next valuation will be performed on 30 June 2013.		
Amounts recognised in the statement of financial performance in respect of the defined benefit plan are as follows:		
Interest cost	**168,7**	165,1
Expected return on plan assets	**(251,3)**	(241,5)
Losses recognised due to paragraph 58A	**117,7**	42,4
Actuarial (gain)/loss unrecognised due to paragraph 58A limits	**(35,1)**	34,0
	–	–
The principal assumptions used for the purpose of the actuarial valuation were as follows:		
Discount rate	**7,6%**	8,5%
Inflation rate	**5,9%**	6,0%
Expected return on plan assets	**9,2%**	10,1%
Pension increase allowance	**4,4%**	4,5%

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19. RETIREMENT AND OTHER BENEFIT PLANS (continued)

19.3 Defined benefit plan – retirement benefit (continued)

The plan assets do not directly include any significant Group financial instruments, nor any property occupied by, or other assets used by, the Group.

The actual return on plan assets was R275,8 million (2011: R331,4 million). The expected rates of return on individual categories of plan assets are determined by reference to indices published by the Bond Exchange of South Africa Limited. The overall expected rate of return is calculated by weighing the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The Group does not expect to contribute any amounts to its retirement defined benefit plan in 2013 (2012: Nil).

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Present value of defined benefit liability	Fair value of plan assets	Surplus	Experience adjustment on defined benefit liability	Experience adjustment on fair value of plan assets
2012	**2 228,6**	**(2 698,2)**	**(469,6)**	**142,2**	**(24,5)**
2011	2 078,5	(2 583,2)	(504,7)	132,3	(89,9)
2010	1 924,3	(2 395,1)	(470,8)	35,3	(123,0)
2009	1 865,4	(2 177,4)	(312,0)	(90,7)	178,1
2008	1 945,2	(2 274,4)	(329,2)	(27,8)	394,7

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
19.4 Defined benefit plan – post-retirement medical aid		
Employees who joined the Group prior to 1 July 1996, and who satisfy certain qualifying criteria, may have an entitlement in terms of this plan.		
Present value of funded liability	**66,5**	66,0
Fair value of plan assets	**(79,7)**	(85,5)
Funded status	**(13,2)**	(19,5)
Cumulative actuarial loss unrecognised due to paragraph 58A limits	**13,2**	19,5
	–	–
Movements in the present value of the funded liability were as follows:		
Opening defined benefit obligation	**66,0**	68,9
Current service cost	**0,6**	0,6
Interest costs	**5,6**	5,8
Contributions from plan participants	**1,1**	1,3
Actuarial losses	**3,8**	0,2
Benefits paid	**(10,6)**	(10,8)
	66,5	66,0
Movements in the fair value of plan assets were as follows:		
Opening fair value of plan assets	**85,5**	85,7
Expected return on plan assets	**7,1**	7,7
Actuarial (losses)/gains	**(3,4)**	1,6
Contributions from plan participants	**1,1**	1,3
Benefits paid	**(10,6)**	(10,8)
	79,7	85,5
The major categories of plan assets at the end of the reporting period for each category are as follows:		
Equity instruments	**36,5**	35,1
Cash and money market instruments	**43,2**	50,4
	79,7	85,5

19. RETIREMENT AND OTHER BENEFIT PLANS (continued)

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
19.4 Defined benefit plan – post-retirement medical aid (continued)		
The disclosure of the funded status is for accounting purposes only, and does not indicate available assets to the Group.		
The most recent actuarial valuations of the plan assets and the present value of the defined obligations were carried out at 30 June 2012 by NMG Consultants & Actuaries. The present value of the defined benefit obligation, and the related current service costs were measured using the Projected Unit Credit Method. The next valuation will be performed on 30 June 2013.		
Amounts recognised in the statement of financial performance in respect of the defined benefit plan are as follows:		
Current service cost	**0,6**	0,6
Interest cost	**5,6**	5,8
Expected return on plan assets	**(7,1)**	(7,7)
Net actuarial loss	**7,2**	4,0
	6,3	2,7
The principal assumptions used for the purpose of the actuarial valuation were as follows:		
Discount rate	**8,8%**	8,8%
Post retirement discount rate	**8,8%**	8,8%
Expected return on plan assets	**8,4%**	8,8%
Long term increase in medical subsidies	**6,1%**	6,3%
Sensitivity analysis on medical aid cost trends		
Movement in current service costs	**1%**	1%
Effect on profit and loss	**–**	–
Movement in interest costs	**1%**	1%
Effect on profit and loss	**0,1**	0,1

The plan assets do not directly include any significant Group financial instruments, nor any property occupied by, or other assets used by, the Group.

The actual return on plan assets was R4,6 million (2011: R10,1 million). The expected rates of return on individual categories of plan assets are determined by reference to indices published by the Bond Exchange of South Africa Limited. The overall expected rate of return is calculated by weighing the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The Group does not expect to contribute to its post-retirement medical aid defined benefit in 2013 (2012: Rnil).

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Present value of defined benefit liability	Fair value of plan assets	Surplus	Experience adjustment on defined benefit liability	Experience adjustment on fair value of plan assets
2012	**66,5**	**(79,7)**	**(13,2)**	**3,8**	**3,4**
2011	66,0	(85,5)	(19,5)	0,2	(1,6)
2010	68,9	(85,7)	(16,8)	(17,4)	(1,7)
2009	59,2	(70,1)	(10,9)	5,0	15,0
2008	63,9	(82,7)	(18,8)	12,2	(13,5)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

19. RETIREMENT AND OTHER BENEFIT PLANS (continued)

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
19.5 Defined benefit plan – disability benefit		
With effect from 1 March 2010 disability benefits for qualifying salaried employees are provided through a registered insurer. Disability benefits for existing claimants are provided via the Murray & Roberts Group Employee Benefits Policy. The defined benefit entitlement is equal to 75% of pensionable salary, potentially payable up to the normal retirement age of 63. When an employee is entitled to benefits in terms of the policy, the benefits may be reviewed annually and increases are discretionary and not guaranteed. A group of members are also entitled to receive a medical scheme contribution waiver and a skills levy refund.		
Present value of funded liability	**27,7**	28,0
Fair value of plan assets	**(37,1)**	(38,9)
Funded status	**(9,4)**	(10,9)
Cumulative actuarial loss unrecognised due to paragraph 58A limits	**9,4**	10,9
	–	–
Movements in the present value of the funded liability were as follows:		
Opening defined benefit obligation	**28,0**	31,1
Interest costs	**2,2**	2,5
Actuarial losses/(gains)	**3,8**	(0,5)
Benefits paid	**(6,3)**	(5,1)
	27,7	28,0
Movements in the fair value of plan assets were as follows:		
Opening fair value of plan assets	**38,9**	46,2
Expected return on plan assets	**3,2**	3,7
Actuarial gains/(losses)	**1,3**	(0,9)
Benefits paid	**(6,3)**	(10,1)
	37,1	38,9
The major categories of plan assets at the end of the reporting period for each category are as follows:		
Equity instruments	**–**	1,5
Cash and money market instruments	**37,1**	37,4
	37,1	38,9
The disclosure of the funded status is for accounting purposes only, and does not indicate available assets to the Group.		
The most recent actuarial valuations of the plan assets and the present value of the defined obligations were carried out at 30 June 2012 by Momentum. The present value of the defined benefit obligation, and the related current service costs were measured using the Projected Unit Credit Method. The next valuation will be performed on 30 June 2013.		
Amounts recognised in the statement of financial performance in respect of the defined benefit plan are as follows:		
Interest cost	**2,2**	2,5
Expected return on plan assets	**(3,2)**	(3,7)
Net actuarial loss/(gain)	**2,5**	(4,6)
	1,5	(5,8)
The principal assumptions used for the purpose of the actuarial valuation were as follows:		
Discount rate	**7,6%**	8,8%
Expected return on plan assets	**7,6%**	8,8%
Long term increase in disability benefits	**5,9%**	6,3%

19. RETIREMENT AND OTHER BENEFIT PLANS (continued)

19.5 Defined benefit plan – disability benefit (continued)

The plan assets do not directly include any significant Group financial instruments, nor any property occupied by, or other assets used by, the Group.

The actual return on plan assets was R4,7 million (2011: R4,3 million). The expected rates of return on individual categories of plan assets are determined by reference to indices published by the Bond Exchange of South Africa Limited. The overall expected rate of return is calculated by weighing the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Present value of defined benefit liability	Fair value of plan assets	Surplus	Experience adjustment on defined benefit liability	Experience adjustment on fair value of plan assets
2012	**27,7**	**(37,1)**	**(9,4)**	**3,8**	**(1,3)**
2011	28,0	(38,9)	(10,9)	(0,5)	0,9
2010	31,1	(46,2)	(15,1)	(13,3)	(9,4)
2009	37,2	(59,7)	(22,5)	(14,5)	11,3
2008	44,9	(51,4)	(6,5)	1,6	5,9

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
19.6 Defined benefit plan – pension scheme		
The Group is the principal employer for a defined benefit pension scheme in the United Kingdom, the Multi (UK) Limited Pension Scheme. Membership comprises pensioners and deferred pensioners.		
Present value of funded liability	**48,4**	43,1
Fair value of plan assets	**(41,6)**	(35,7)
Unrecognised actuarial loss	**6,8**	7,4
The most recent actuarial valuations of the plan assets and the present value of the defined obligations were carried out at 30 June 2012 by Barnett Waddingham LLP. The present value of the defined benefit obligation, and the related current service costs were measured using the Projected Unit Credit Method.		
Movements in the present value of the funded liability were as follows:		
Opening defined benefit obligation	**43,1**	46,3
Interest costs	**2,6**	2,3
Actuarial (gains)/losses	**(0,9)**	0,7
Exchange differences on foreign plans	**7,7**	(2,4)
Benefits paid	**(4,1)**	(3,8)
	48,4	43,1
Movements in the fair value of plan assets were as follows:		
Opening fair value of plan assets	**35,7**	37,0
Expected return on plan assets	**1,9**	1,8
Actuarial gains	**0,6**	1,5
Exchange differences on foreign plans	**6,3**	(1,9)
Contributions from the employer	**1,2**	1,1
Benefits paid	**(4,1)**	(3,8)
	41,6	35,7

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

19. RETIREMENT AND OTHER BENEFIT PLANS (continued)

	ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
19.6	**Defined benefit plan – pension scheme (continued)**		
	The major categories of plan assets at the end of the reporting period for each category are as follows:		
	Debt instruments	**40,8**	34,6
	Cash	**0,8**	1,1
		41,6	35,7
	Amounts recognised in the statement of financial performance in respect of the defined benefit plan are as follows:		
	Interest cost	**2,6**	2,3
	Expected return on plan assets	**(1,9)**	(1,8)
	Net actuarial gain	**(1,5)**	(0,8)
		(0,8)	(0,3)
	The principal assumptions used for the purpose of the actuarial valuation were as follows:		
	Discount rate	**4,3%**	5,5%
	Expected return on scheme assets	**5,0%**	5,0%
	Rate of increase in pension payments	**3,0%**	3,7%
	Rate of increase in pensions in deferment	**2,0%**	2,9%
	Rate of inflation	**2,8%**	3,7%

The plan assets do not directly include any significant Group financial instruments, nor any property occupied by, or other assets used by, the Group.

The actual return on plan assets was a profit of R2,6 million (2011: R2,0 million). The overall expected rate of return is calculated by weighing the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The Group does not expect to contribute any amount to this defined benefit plan in 2013 (2012: Nil).

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Present value of defined benefit liability	Fair value of plan assets	Deficit	Experience adjustment on defined benefit liability	Experience adjustment on fair value of plan assets
2012	**48,4**	**(41,6)**	**6,8**	**(0,9)**	**0,6**
2011	43,1	(35,7)	7,4	0,7	1,5
2010	46,3	(37,0)	9,3	–	8,5
2009	48,9	(33,2)	15,7	–	(4,1)
2008	61,8	(52,2)	9,6	(1,3)	(5,8)

20. LONG TERM PROVISIONS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Decommissioning, payroll and other provisions	Headleases and other property activities	Total
At 30 June 2010	82,7	1,7	84,4
Additional raised	35,9	–	35,9
Released during the year	(9,1)	–	(9,1)
Utilised during the year	(4,8)	(1,7)	(6,5)
Transfer to liabilities classified as held-for-sale	(8,5)	–	(8,5)
Reclassified	34,3	–	34,3
Foreign exchange movements	(4,0)	–	(4,0)
At 30 June 2011	**126,5**	**–**	**126,5**
Additional raised	**42,9**	**–**	**42,9**
Released during the year	**(0,1)**	**–**	**(0,1)**
Utilised during the year	**(22,6)**	**–**	**(22,6)**
Acquisition of business	**0,2**	**–**	**0,2**
Transfer to trade and other payables	**(4,6)**	**–**	**(4,6)**
Foreign exchange movements	**22,6**	**–**	**22,6**
At 30 June 2012	**164,9**	**–**	**164,9**

Decommissioning provisions

Decommissioning provisions comprise of costs relating to restoring of contract sites.

Payroll provision

The payroll provision comprises long term costs relating to statutory requirements in the Middle East and America regions.

Other provisions

Other provisions comprise primarily of deferred consideration payable on sale of subsidiary and incentive fees to be paid in terms of a lease agreement.

The provisions have been determined based on assessments and estimates by management. Actual results could differ from estimates and there is no certainty regarding timing of these cashflows.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

21. DEFERRED TAXATION

	ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
21.1	**Deferred taxation assets**		
	Uncertified work and other construction temporary differences	**(134,5)**	(305,7)
	Plant	**(165,5)**	(268,5)
	Taxation losses	**573,4**	628,0
	Receivables	**31,2**	43,9
	Provisions and accruals	**190,3**	153,5
	Advance payments received net of taxation allowances	**124,3**	174,5
	Fair value adjustments	**(77,8)**	(24,9)
	Prepayments	**(8,5)**	(9,8)
	Other	**101,2**	78,8
		634,1	469,8
21.2	**Reconciliation of deferred taxation assets**		
	At beginning of the year	**469,8**	343,4
	Transfer from deferred taxation liabilities	**–**	(119,0)
	Credited to the statement of financial performance	**134,7**	94,6
	(Charged)/credited to the statement of financial performance in respect of discontinued operations	**(40,1)**	128,4
	Charged directly to equity	**(4,7)**	–
	Deferred taxation asset transferred to assets classified as held-for-sale	**–**	(2,5)
	Foreign exchange movements	**74,4**	24,9
		634,1	469,8
21.3	**Deferred taxation liabilities**		
	Inventory	**–**	(3,7)
	Uncertified work and other construction temporary differences	**175,0**	252,5
	Plant	**187,4**	112,8
	Taxation losses	**(29,7)**	(20,7)
	Receivables	**(0,3)**	(2,8)
	Provisions and accruals	**(138,7)**	(110,2)
	Advanced payments received net of taxation allowances	**(54,4)**	(35,0)
	Fair value adjustments	**1,8**	60,6
	Prepayments	**4,7**	5,2
	Other	**64,7**	52,2
		210,5	310,9
21.4	**Reconciliation of deferred taxation liabilities**		
	At beginning of the year	**310,9**	380,5
	Acquisition of business	**0,2**	–
	Transfer to deferred taxation assets	**–**	(119,0)
	Charge relating to acquisition of business	**–**	43,8
	Deferred taxation liability transferred to liabilities directly associated with assets held-for-sale	**–**	(6,3)
	(Credited)/charged to the statement of financial performance	**(108,6)**	11,9
	Foreign exchange movements	**8,0**	–
		210,5	310,9

21.5 Unused taxation losses

The Group's results include a number of legal statutory entities, which fall under a range of taxation jurisdictions. The deferred taxation assets cannot be offset against the deferred taxation liabilities, as the Group will not be able to settle on a net basis.

At 30 June 2012, the Group had unused taxation losses of R4 207 million (2011: R3 579 million) available for offset against future profits. A deferred taxation asset has been recognised in respect of R2 165 million (2011: R2 316 million) of such losses. No deferred taxation asset has been recognised in respect of the remaining R2 042 million (2011: R1 263 million) due to the unpredictability of future profit streams. The Group performed a three year forecast for the financial year 2013 to 2015 which supports the recognition of a deferred taxation asset.

22. SUBCONTRACTOR LIABILITIES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Contracts-in-progress and contract receivables include claims against clients in respect of subcontractor liabilities. These liabilities are only settled when payment has been received from clients.		
Non-current subcontractor liabilities	**651,9**	141,1
Current subcontractor liabilities	**2 098,4**	2 171,4
	2 750,3	2 312,5

23. TRADE AND OTHER PAYABLES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Trade payables	**1 775,1**	1 585,2
Payroll accruals	**1 020,1**	684,1
Accruals and other payables	**2 528,3**	2 551,1
Amounts owing to joint ventures	**575,0**	406,5
	5 898,5	5 226,9

The directors consider that the carrying amount of the trade and other payables approximate their fair value.

24. SHORT TERM LOANS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	2012	2011
Current portion of long term loans:			
– Interest bearing secured	18	**1 212,3**	50,2
– Interest bearing unsecured	18	**184,4**	825,0
– Non-interest bearing unsecured	18	**243,2**	7,8
Current portion of capitalised finance leases	18	**255,8**	196,5
		1 895,7	1 079,5

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

25. PROVISIONS FOR OBLIGATIONS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Payroll	Warranty and other	Total
At 30 June 2010	384,7	2,6	387,3
Additional raised	210,4	0,4	210,8
Released during the year	(74,7)	–	(74,7)
Utilised during the year	(223,1)	(1,5)	(224,6)
Acquisition of business	0,6	–	0,6
Reclassification	(38,0)	–	(38,0)
Transfer to liabilities classified as held-for-sale	(7,3)	(0,4)	(7,7)
Foreign exchange movements	0,6	–	0,6
At 30 June 2011	**253,2**	**1,1**	**254,3**
Additional raised	**282,0**	**–**	**282,0**
Released during the year	**(11,9)**	**–**	**(11,9)**
Utilised during the year	**(178,8)**	**–**	**(178,8)**
Foreign exchange movements	**9,0**	**–**	**9,0**
At 30 June 2012	**353,5**	**1,1**	**354,6**

Payroll provision

The payroll provision comprises amounts owed to employees relating to discretionary bonuses and severance pay obligations.

Warranty provision

The provision for warranty claims represents the directors' best estimate of future outflows of economic benefits that will be required under the Group's obligations for warranties.

The provisions have been determined based on assessments and estimates by management. Actual results could differ from estimates and there is no certainty regarding timing of these cash flows.

26. REVENUE

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Construction contracts	**31 716,0**	27 072,1
Sale of goods	**3 259,8**	3 183,5
Rendering of services	**426,0**	279,2
Properties	**4,1**	–
	35 405,9	30 534,8

27. LOSS BEFORE INTEREST AND TAXATION

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Notes	2012	2011
Loss before interest and taxation is arrived at after taking into account:			
The items below comprise of continuing operations only			
Items by nature			
Investment income other than interest:			
Dividends received		**–**	1,2
Fair value gain on investments designated as fair value through profit and loss	7	**179,9**	164,1
Fair value of concession investment classified as held-for-sale		**–**	54,4
Rentals received		**68,1**	23,0
Fair value gain on investment property		**14,8**	–
Amortisation of intangible assets		**24,5**	23,2
Auditors' remuneration:			
Fees for audits		**38,7**	35,9
Other services		**6,7**	16,1
Expenses		**1,1**	1,1
Compensation income from insurance claims		**8,0**	2,0
Depreciation:			
Land and buildings		**24,0**	28,0
Plant and machinery		**585,8**	486,2
Other equipment		**48,9**	47,8
		658,7	562,0
Employee benefit expense:			
Salaries and wages		**13 998,0**	9 675,3
Share option expense		**27,6**	25,3
Share option expense (Clough Limited)		**5,8**	6,8
Pension costs – Defined contribution plans	19	**117,4**	116,6
Fees paid for:			
Managerial services		**85,5**	82,8
Technical services		**30,3**	59,6
Administrative services		**25,3**	25,5
Secretarial services		**1,5**	1,3
Impairment loss recognised on:			
Goodwill		**–**	60,0
Other intangibles		**–**	10,9
Plant and equipment		**30,9**	25,6
Inventory		**37,4**	42,0
Investment in associate		**–**	7,9
Impairment charges:			
Trade receivables		**12,9**	13,3
Uncertified revenue		**–**	385,0
Amounts receivable on contracts		**19,4**	180,2
Other receivables		**1,6**	7,4

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

27. LOSS BEFORE INTEREST AND TAXATION (continued)

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Reversal of impairment loss recognised on property, plant and equipment	6,7	22,4
Profit on disposal of property, plant and equipment	43,8	57,3
Loss on disposal of property, plant and equipment	0,1	9,2
Profit on sale of investments in associates	15,1	–
Fair value loss on investment property	2,9	–
Net fair value profit on financial instruments	5,3	7,8
Net foreign exchange losses	5,3	37,0
Operating lease costs:		
Land and buildings	250,5	179,6
Plant and machinery	8,8	178,1
Other	33,6	25,0
Research and development	1,8	1,5
Items by function		
Cost of sales*	33 702,3	28 428,0
Distribution and marketing costs	261,6	270,8
Administration costs	2 524,2	3 137,5
Other operating income	920,8	623,7

* *Cost of sales include R2,7 billion (2011: R2,6 billion) relating to the cost of inventories sold during the year.*

28. INTEREST EXPENSE

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Bank overdrafts	222,8	208,6
Present value expense	7,5	13,9
Capitalised finance leases	6,9	1,7
Loans and other liabilities	110,7	69,7
	347,9	293,9

29. INTEREST INCOME

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Bank balances and cash	88,7	79,9
Present value income	2,6	2,0
Capitalised finance leases	6,9	13,6
Unlisted loan investment and other receivables	0,9	4,0
	99,1	99,5

30. TAXATION EXPENSE

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Major components of the taxation expense		
South African taxation		
Normal taxation – current year	**264,7**	99,9
Secondary taxation on companies	**4,3**	25,7
Deferred taxation – current year	**(137,3)**	(86,6)
Deferred taxation – prior year	**(16,2)**	11,9
Foreign taxation		
Normal income taxation and withholding taxation – current year	**218,9**	153,3
Deferred taxation – current year	**(91,2)**	10,5
Deferred taxation – prior year	**1,4**	(18,4)
	244,6	196,3

South African tax is calculated at 28% (2011: 28%) of the estimated assessable profit for the year.
Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Reconciliation of the standard rate of taxation to the effective rate of taxation	%	%
South African standard rate of taxation	**28,0**	28,0
Increase in rate of taxation due to:		
Capital and non-deductible expenditure	**(12,9)**	(6,9)
Taxation on foreign companies	**–**	(18,9)
Current year's losses not recognised	**(2,1)**	(32,6)
Foreign withholding taxation	**(3,1)**	(1,0)
Change in taxation rate	**(2,8)**	–
Imputed foreign income	**(0,2)**	(0,2)
Secondary taxation on companies	**(1,2)**	(2,9)
Prior year adjustments	**–**	(0,8)
	5,7	(35,3)
Reduction in rate of taxation due to:		
Capital and non-taxable items	**6,0**	6,9
Taxation on foreign companies	**(75,2)**	–
Taxation losses utilised	**–**	5,9
Prior year adjustments	**3,9**	–
Effective rate of taxation	**(59,6)**	(22,5)

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31. DISCONTINUED OPERATIONS, ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011

31.1 Loss from discontinued operations

The Group continues to dispose of its investment properties, with proceeds of R81,4 million received in the current financial year.

The Group disposed of Johnson Arabia LLC on 31 October 2011 for proceeds of R109,4 million.

BRC Arabia LLC was sold on 30 June 2012 for proceeds of R2,3 million. BRC Arabia FZC ceased trading in December 2011 and is in the process of being wound up. A final dividend distribution is expected to be received in the near future.

The Group disposed of RSC Ekusasa Mining, with an effective date of 1 July 2011 for proceeds of R80,0 million and its 50% share in Alert Steel Polokwane Proprietary Limited on 31 October 2011 for proceeds of R14,9 million. In addition the Group disposed of its 50% share in Freyssinet Posten Proprietary Limited in December 2011, with proceeds of R25,0 million received in January 2012.

On 22 December 2011 Clough Limited completed the sale of its Marine Construction business to SapuraCrest Petroleum Berhad for proceeds of R591,0 million, net of borrowings and other costs.

The Steel Business, including CISCO, was disposed of at net book value subsequent to year-end, in separate transactions. The Steel Business, excluding CISCO, is subject to Competition Commission approval.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
The loss from discontinued operations is analysed as follows:		
Revenue		
Construction contracts	**383,1**	555,0
Sale of goods	**1 092,6**	1 643,6
Rendering of services	**236,9**	260,2
Properties	**25,1**	187,6
	1 737,7	2 646,4
Loss after taxation for the period is analysed as follows:		
Loss before interest, depreciation and amortisation	**(11,0)**	(641,0)
Depreciation and amortisation	**(5,8)**	(69,2)
Loss before interest and taxation	**(16,8)**	(710,2)
Interest expense	**(39,8)**	(63,9)
Interest income	**7,7**	6,1
Loss before taxation	**(48,9)**	(768,0)
Taxation (expense)/credit	**(33,0)**	118,0
Income/(loss) from equity accounted investments	**1,3**	(16,1)
Loss from discontinued operations	**(80,6)**	(666,1)
Non-controlling interests income relating to discontinued operations	**29,4**	78,5
Taxation effects of profit or loss on discontinuance of operations	**(0,9)**	(6,1)
Cash flows from discontinued operations		
Cash flows from operating activities	**(252,9)**	(128,5)
Cash flows from investing activities	**765,4**	573,9
Cash flows from financing activities	**(100,9)**	(466,2)
Net increase/(decrease) in cash and cash equivalents	**411,6**	(20,8)

31. DISCONTINUED OPERATIONS, ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE (continued)

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
31.1 Loss from discontinued operations (continued)		
Loss before interest and taxation is arrived at after taking into account:		
Items by nature		
Investment income other than interest:		
Rentals received	**5,8**	7,5
Fair value gain on investment property	**19,8**	–
Amortisation of intangible assets	**–**	2,5
Auditors' remuneration:		
Fees for audits	**4,1**	2,5
Other services	**0,4**	–
Expenses	**–**	0,1
Depreciation:		
Land and buildings	**5,8**	3,4
Plant and machinery	**–**	58,3
Other	**–**	5,0
	5,8	66,7
Employee benefit expense:		
Salaries and wages	**276,4**	598,8
Share option expense	**–**	0,4
Fair value loss on investment property	**–**	5,4
Fees paid for:		
Managerial services	**1,2**	4,9
Technical services	**2,3**	1,8
Administrative services	**1,0**	3,4
Impairment loss recognised on:		
Goodwill	**–**	50,0
Plant and equipment	**–**	274,0
Inventory	**54,7**	32,0
Impairment loss:		
Trade receivables	**24,9**	88,2
Other receivables	**2,9**	1,3
Profit on disposal of property, plant and equipment	**–**	2,6
Loss on disposal of property, plant and equipment	**–**	1,9
Profit on disposal of businesses (net)	**46,7**	16,7
Loss on sale of investment in associate	**1,7**	–
Loss on sale of property developments	**9,5**	–
Net foreign exchange (gains)/losses	**(0,2)**	6,3
Operating lease costs:		
Land and buildings	**11,4**	19,1
Plant and machinery	**0,2**	1,0
Other	**0,5**	0,9
Research and development	**–**	1,7
Items by function		
Cost of sales*	**1 481,4**	2 529,8
Distribution and marketing costs	**24,9**	38,0
Administration costs	**333,6**	851,4
Other operating income	**85,4**	62,6

* *Cost of sales includes R1,0 billion (2011: R1,6 billion) relating to the cost of inventories sold during the year.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

31. DISCONTINUED OPERATIONS, ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE (continued)

	ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
31.2	**Assets classified as held-for-sale**		
	Assets held-for-sale includes assets relating to discontinued operations as referred to in note 31.1. Refer to Annexure 3 for a segmental analysis of assets held-for-sale. These disposals are expected to occur within the next 12 months and have therefore been classified as assets held-for-sale. The proceeds from disposals are expected to exceed or equal the net carrying amount of the assets, and accordingly no impairment loss has been recognised on the classification of these assets as held-for-sale.		
	The major classes of assets comprising the assets held-for-sale		
	Property, plant and equipment	**198,0**	1 137,2
	Investment properties	**92,8**	67,2
	Goodwill	**–**	43,9
	Other intangible assets	**–**	7,9
	Other investments	**47,0**	170,0
	Deferred taxation asset	**–**	6,4
	Non-current receivables	**–**	40,4
	Inventories	**295,3**	497,4
	Amounts due from contract customers	**–**	166,0
	Trade and other receivables	**234,0**	426,1
	Current taxation assets	**0,7**	4,3
	Cash and cash equivalents	**37,2**	293,0
		905,0	2 859,8
31.3	**The major classes of liabilities directly associated with a disposal group held-for-sale**		
	Long term loans	**–**	297,5
	Long term provisions	**–**	9,0
	Deferred taxation liabilities	**2,4**	2,6
	Non-current payables	**5,5**	66,9
	Trade payables and other payables	**184,7**	537,7
	Short term loans	**38,3**	78,6
	Current taxation liability	**–**	14,9
	Provisions for obligations	**6,6**	7,6
	Subcontractor liabilities	**–**	138,5
	Bank overdrafts	**11,3**	28,5
		248,8	1 181,8
	Refer to Annexure 3 for a segmental analysis of assets and liabilities classified as held-for-sale.		

32. LOSS AND HEADLINE LOSS PER SHARE

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	2012	2011
As a result of the rights issue made to shareholders in April 2012, the prior year's weighted average number of ordinary shares was adjusted by the bonus element of the rights issue. A factor of 1.1081 was applied to ensure that loss per share calculations are comparable.			
32.1 Weighted average number of shares			
Number of shares (000)			
Weighted average number of shares in issue		**382 712**	367 784
Less: Weighted average number of shares held by The Murray & Roberts Trust		**(6 338)**	(7 466)
Less: Weighted average number of shares held by the Letsema BBBEE trusts		**(32 115)**	(32 044)
Less: Weighted average number of shares held by Murray & Roberts Limited		**(736)**	(749)
Weighted average number of shares in issue used in the determination of basic per share figures		**343 523**	327 525
Add: Dilutive adjustment for share options		**699**	1 029
Weighted average number of shares in issue used in the determination of diluted per share figures		**344 222**	328 554
32.2 Loss per share			
Reconciliation of loss			
Loss attributable to owners of Murray & Roberts Holdings Limited		**(735,6)**	(1 735,1)
Adjustments for discontinued operations:			
Loss from discontinued operations	31	**80,6**	666,1
Non-controlling interests	31	**(29,4)**	(78,5)
Loss for the purposes of basic and diluted earnings per share from continuing operations		**(684,4)**	(1 147,5)
Loss per share from continuing and discontinued operations (cents)			
– Diluted		**(214)**	(528)
– Basic		**(214)**	(530)
Loss per share from continuing operations (cents)			
– Diluted		**(199)**	(349)
– Basic		**(199)**	(350)
Loss per share from discontinued operations (cents)			
– Diluted		**(15)**	(179)
– Basic		**(15)**	(180)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

32. LOSS AND HEADLINE LOSS PER SHARE (continued)

32.3 Headline loss

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS		**2012**		2011	
Reconciliation of headline loss	Note	Gross pre-tax & non-controlling interests	Net	Gross pre-tax & non-controlling interests	Net
Loss attributable to owners of Murray & Roberts Holdings Limited		**(601,6)**	**(735,6)**	(1 570,0)	(1 735,1)
Investment property fair value adjustments		**(31,7)**	**(27,3)**	5,4	5,4
Profit on disposal of businesses (net)		**(46,7)**	**(27,9)**	(16,7)	(10,5)
Profit on disposal of property, plant and equipment (net)		**(43,7)**	**(27,5)**	(48,8)	(41,4)
Profit on sale of associates (net)		**(13,4)**	**(12,0)**	–	–
Impairment of property, plant and equipment (net)		**24,2**	**17,4**	277,2	202,1
Impairment of goodwill		**–**	**–**	110,0	110,0
Impairment of other intangibles		**–**	**–**	10,9	10,9
Fair value adjustments on assets held-for-sale		**21,9**	**15,6**	38,0	24,4
Profit on sale of assets held-for-sale (net)		**(51,1)**	**(44,1)**	(5,9)	(3,7)
Negative goodwill arising on business acquisitions		**–**	**–**	(9,3)	(9,3)
Fair value adjustment on acquisition of joint venture		**–**	**–**	(52,3)	(45,0)
Other		**(3,9)**	**(3,9)**	(0,6)	(0,4)
Headline loss		**(746,0)**	**(845,3)**	(1 262,1)	(1 492,6)
Adjustments for discontinued operations:					
Loss from discontinued operations	31	**47,6**	**80,6**	784,1	666,1
Non-controlling interests	31	**–**	**(29,4)**	–	(78,5)
Investment property fair value adjustments		**19,8**	**17,0**	(5,4)	(5,4)
Profit on disposal of businesses (net)		**46,7**	**27,9**	16,7	10,5
Profit on disposal of property, plant and equipment (net)		**–**	**–**	1,1	1,5
Loss on sale of investment in associate		**(1,7)**	**(1,7)**	–	–
Impairment of property, plant and equipment (net)		**–**	**–**	(274,0)	(200,7)
Impairment of goodwill		**–**	**–**	(50,0)	(50,0)
Fair value adjustments on assets held-for-sale		**(27,0)**	**(19,3)**	(38,0)	(23,9)
Profit on sale of assets held-for-sale (net)		**53,7**	**46,0**	4,0	1,8
Negative goodwill arising on business acquisitions		**–**	**–**	1,3	1,3
Headline loss from continuing operations		**(606,9)**	**(724,2)**	(822,3)	(1 169,9)

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	**2012**	2011
Headline loss per share (cents) from continuing and discontinued operations		
– Diluted	**(246)**	(454)
– Basic	**(246)**	(456)
Headline loss per share from continuing operations (cents)		
– Diluted	**(210)**	(356)
– Basic	**(211)**	(357)
Headline loss per share from discontinued operations (cents)		
– Diluted	**(36)**	(98)
– Basic	**(35)**	(99)

33. CASH (UTILISED IN)/GENERATED FROM OPERATIONS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	**2012**	2011
Loss before interest and tax	**(178,2)**	(1 388,0)
Adjustments for non-cash items:		
Amortisation of intangible assets	**24,5**	25,7
Depreciation	**664,5**	628,7
Fair value adjustments on concession investments	**(179,9)**	(164,1)
Fair value of concession investments classified as held-for-sale	**–**	(54,4)
Profit on sale of businesses (net)	**(46,7)**	(16,7)
Investment property fair value adjustments	**(31,7)**	5,4
Long term provisions raised, released and utilised	**20,2**	20,3
Provisions for obligations raised, released and utilised	**91,3**	(88,5)
Profit on disposal of property, plant and equipment (net)	**(43,7)**	(48,8)
Share-based payment expense	**33,4**	32,5
Impairment of assets (net)	**178,0**	1 155,2
Non-cash contract completion expenses	**–**	585,0
Other non-cash items	**3,4**	(45,9)
Adjustment for cash items:		
Headlease and other property activities	**–**	(6,0)
Change in working capital:	**(2 115,3)**	231,2
Inventories	**50,8**	367,0
Trade and other receivables	**(673,9)**	(80,9)
Contracts-in-progress and contract receivables	**(3 473,2)**	(541,4)
Trade and other payables	**648,5**	440,8
Subcontractor liabilities and amounts due to contract customers	**1 332,5**	45,7
	(1 580,2)	871,6

34. TAXATION PAID

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	**2012**	2011
Taxation (unpaid)/due at beginning of the year	**(32,9)**	9,7
Foreign exchange movements	**9,7**	–
Transfer to taxation directly associated with assets held-for-sale	**–**	(10,6)
Acquisition of business	**0,1**	–
Taxation charged to the statement of financial performance, excluding deferred taxation	**(487,9)**	(278,9)
Taxation credited/(charged) to the statement of financial performance under discontinued operations	**7,1**	(39,1)
Taxation paid under discontinued operations	**(9,0)**	–
Taxation unpaid at end of the year	**83,9**	32,9
	(429,0)	(286,0)
Current taxation assets	**(90,7)**	(82,9)
Current taxation liabilities	**174,6**	115,8
	83,9	32,9

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

35. ACQUISITION/DISPOSAL OF BUSINESSES

35.1 Acquisition of businesses

35.1.1 Acquisition of Incycle Shotcrete (Proprietary) Limited ("Incycle Shotcrete")

Effective 30 September 2011, RUC Cementation Mining Contractors (Proprietary) Limited (RUCC) obtained control of Incycle Shotcrete by acquiring a 100% stake in the company from the shareholders for a consideration of R7,4 million. The purpose of Incycle Shotcrete is to supply and install high fibre reinforced shotcrete for underground ground support to RUCC.

The net assets acquired at the date of acquisition:

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	2012 Acquiree's carrying value	2012 Fair value
Property, plant and equipment		**11,5**	**11,5**
Inventories		**0,1**	**0,1**
Trade and other receivables		**3,2**	**3,2**
Current taxation asset		**0,1**	**0,1**
Long term loans		**(4,5)**	**(4,5)**
Long term provisions		**(0,2)**	**(0,2)**
Deferred taxation liability		**(0,2)**	**(0,2)**
Trade and other payables		**(4,5)**	**(4,5)**
Fair value of net assets acquired		**5,5**	**5,5**
Goodwill	4		**1,9**
Consideration paid			**7,4**

Impact of acquisition on the results of the Group

The profit for the year includes an amount of R1,6 million that relates to the business acquired during the year. The revenue includes R23,0 million in respect of the business acquired during the year.

The effect on revenue of the Group from continuing operations would have been R27,0 million if the business had been acquired on 1 July 2011, and the profit for the year from continuing operations would have been R1,9 million. Goodwill is recognised due to expected synergies between RUCC and Incycle Shotcrete.

35.1.2 Acquisition of RSC Tshwane Joint Venture

The Group acquired the remaining 50% of the RSC Tshwane Joint Venture on 1 July 2011 from its joint venture partner for a consideration of R7,2 million thereby obtaining control of the company.

The net assets acquired at the date of acquisition were classified as assets and liabilities held-for-sale:

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	2012 Acquiree's carrying value	2012 Fair value
Property, plant and equipment		**4,3**	**4,3**
Inventories		**3,1**	**3,1**
Trade and other receivables		**4,9**	**4,9**
Current taxation asset		**0,2**	**0,2**
Trade and other payables		**(4,1)**	**(4,1)**
Provisions for obligations		**(0,1)**	**(0,1)**
Bank overdraft		**(1,1)**	**(1,1)**
Consideration paid for fair value of assets acquired			**7,2**

Impact of acquisition on the results of the Group

The profit for the year includes an amount of R0,1 million while revenue includes R7,0 million in respect of the remaining 50% acquired in RSC Tshwane Joint Venture, the following impacted the loss from discontinued operations.

Net cash and cash equivalents acquired			**(1,1)**
Cash outflow on acquisition of businesses			**14,6**

35. ACQUISITION/DISPOSAL OF BUSINESSES (continued)

35.2 Disposal of businesses

35.2.1 Disposal of Johnson Arabia LLC

On 31 October 2011, the Group disposed of Johnson Arabia LLC for proceeds of R109,4 million which carries out its crane hire operations in the Middle East.

Analysis of assets and liabilities, classified as assets and liabilities held-for-sale in the previous financial year, over which control was lost.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012
Property, plant and equipment	(186,7)
Trade and other receivables	(159,4)
Cash and cash equivalents	(21,3)
Long term loans	26,0
Trade and other payables	64,2
Provisions for obligations	49,5
Less: non-controlling interest portion	116,2
Net assets disposed of	(111,5)
Consideration received	109,4
Loss on disposal of business	(2,1)
Net cash inflow on disposal of business	
Consideration received in cash and cash equivalents	109,4
Less: cash and cash equivalent balances disposed of	(21,3)
	88,1

35.2.2 Disposal of certain South African steel operations

The Group disposed of the following businesses:
- RSC Ekusasa Mining, its mining roof bolt business with an effective date of 1 July 2011.
- Alert Steel Polokwane Proprietary Limited, its 50% joint venture share, on 31 October 2011.
- Freyssinet Posten Proprietary Limited, 50% of its joint venture, on 31 December 2011.

These disposals generated R119,9 million in proceeds and the effect of the transactions are disclosed below:

Analysis of assets and liabilities, classified as assets and liabilities held-for-sale in the previous financial year, over which control was lost.

	2012
Property, plant and equipment	(11,9)
Other investments	(0,3)
Other intangible assets	(1,4)
Inventories	(84,3)
Trade and other receivables	(61,5)
Current taxation asset	(1,8)
Cash and cash equivalents	(6,0)
Long term loans	0,5
Deferred taxation liabilities	1,1
Trade and other payables	43,6
Provisions for obligations	1,9
Bank overdrafts	6,8
Net assets disposed of	(113,3)
Consideration received	119,9
Net profit on disposal of business	6,6
Net cash inflow on disposal of business	
Consideration received in cash and cash equivalents	119,9
Less: net cash and cash equivalent balances disposed of	0,8
	120,7

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

35. ACQUISITION/DISPOSAL OF BUSINESSES (continued)

35.2 Disposal of businesses (continued)

35.2.3 Disposal of Clough's Marine Construction business

On 22 December 2011 Clough disposed of its Marine Construction business for a consideration of R591,0 million, net of borrowings, and other costs.

Analysis of assets and liabilities, classified as assets and liabilities held-for-sale in the previous financial year, over which control was lost.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012
Property, plant and equipment	(793,6)
Other intangible assets	(60,7)
Deferred taxation assets	(3,3)
Trade and other receivables	(288,5)
Amounts due from contract customers	(45,3)
Cash and cash equivalents	(236,4)
Reserves	(45,5)
Non-controlling interest	6,0
Long term loans	409,0
Non-current payables	74,2
Trade and other payables	127,4
Subcontractor liabilities	256,9
Provisions for obligations	44,8
Short term loans	8,0
Current taxation liability	2,8
Net assets disposed of	(544,2)
Consideration received	591,0
Profit on disposal of business	46,8
Net cash inflow on disposal of business	
Consideration received in cash and cash equivalents	591,0
Less: cash and cash equivalent balances disposed of	(236,4)
	354,6
35.2.4 Disposal of BRC Arabia LLC	
The Group disposed of its 49% share in BRC Arabia LLC on 30 June 2012 for proceeds of R2,3 million.	
Analysis of assets and liabilities, classified as assets and liabilities held-for-sale in the previous financial year, over which control was lost.	
Property, plant and equipment	(77,0)
Inventories	(54,7)
Trade and other receivables	(64,0)
Cash and cash equivalents	(12,5)
Long term loans	31,2
Trade and other payables	43,7
Short term loans	119,2
Non-controlling interest	7,2
Net assets disposed of	(6,9)
Consideration received	2,3
Loss on disposal of business	(4,6)
Net cash outflow on disposal of business	
Consideration received in cash and cash equivalents	2,3
Less: cash and cash equivalent balances disposed of	(12,5)
	(10,2)
The profit or loss on disposal of businesses is included in the loss for the year from discontinued operations in the statement of financial performance, refer to note 31.	
Cash inflow on disposal of businesses	822,6
Net cash and cash equivalents disposed of	(269,4)
Net profit on disposal of businesses	46,7

36. NET MOVEMENT IN BORROWINGS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Loans raised	**2 653,9**	530,5
Loans repaid	**(2 428,3)**	(126,6)
	225,6	403,9
Capitalised finance leases raised	**116,5**	125,5
	342,1	529,4

37. JOINT VENTURES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
37.1 Joint venture arrangements		
A proportion of the Group's operations are performed through joint ventures. The Group operates through two types of joint ventures:		
Joint venture entities		
– these are incorporated arrangements such as jointly controlled companies.		
Joint venture operations		
– these are unincorporated arrangements such as partnerships and contracts.		
The Group's aggregate proportionate share of joint ventures included in the consolidated statement of financial position is:		
Non-current assets	**30,6**	55,9
Current assets	**5 899,5**	4 546,2
Total assets	**5 930,1**	4 602,1
Non-current liabilities	**67,5**	167,5
Current liabilities	**5 305,8**	3 799,6
Total liabilities	**5 373,3**	3 967,1
Net assets	**556,8**	635,0
The Group's aggregate proportionate share of joint ventures included in the consolidated statement of financial performance is:		
Revenue	**9 730,6**	9 455,6
Profit/(loss) after taxation	**893,2**	(414,2)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

37. JOINT VENTURES (continued)

		Operating platform	2012 %	2011 %
37.2	**Details of significant joint ventures**			
	Bombela Civils Joint Venture Proprietary Limited	Construction Africa and Middle East	**45,0**	45,0
	Medupi Civils Joint Venture*	Construction Africa and Middle East	**67,0**	67,0
	Mafraq Hospital Joint Venture	Construction Africa and Middle East	**30,0**	30,0
	St Regis Resort Joint Venture	Construction Africa and Middle East	**50,0**	50,0
	Al Habtoor — Murray & Roberts – Takenaka Joint Venture	Construction Africa and Middle East	**40,0**	40,0
	Clough Amec (Proprietary) Limited	Construction Australasia Oil & Gas and Minerals	**50,0**	50,0
	CBI Clough Joint Venture (Proprietary) Limited	Construction Australasia Oil & Gas and Minerals	**35,0**	35,0
	BAM Clough Joint Venture	Construction Australasia Oil & Gas and Minerals	**50,0**	50,0
	Clough Downer Joint Venture	Construction Australasia Oil & Gas and Minerals	**50,0**	–
	Clough Curtain Joint Venture*	Construction Australasia Oil & Gas and Minerals	**65,0**	65,0
	Kellogg Joint Venture – Gorgon	Construction Australasia Oil & Gas and Minerals	**20,0**	20,0
	Streicher Clough Joint Venture	Construction Australasia Oil & Gas and Minerals	**50,0**	50,0

The criteria used to determine significant joint ventures has been refined during the year under review. The criteria used includes contribution to revenue or the Group's share of obligations on a proportionately consolidated basis. A monetary threshold of R250 million has been used to determine significant joint ventures for both the current and prior year.

* *The Group does not have a controlling interest as unanimous decisions need to be made by all parties.*

38. CONTINGENT LIABILITIES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
The Group is from time to time involved in various disputes, claims and legal proceedings arising in the ordinary course of business. The Group does not account for any potential contingent liabilities where a back to back arrangement exists with the clients or subcontractors and there is a legal right to offset. The Board does not believe that adverse decisions in any pending proceedings or claims against the Group will have a material adverse effect on the financial condition or future of the Group.		
The Competition Commission engaged the construction industry in April 2011 and the Group submitted applications through the April 2011 Fast-Track process. A provision was raised based on the potential violations that were identified as a result of this process. The Board is of the opinion that the provision raised for this liability is adequate to cover any additional penalties that may arise as a result of the investigation. However, there is no guarantee as to the size of the penalty or the sufficiency of the provision.		
The ascertainable contingent liabilities at 30 June being	**1 445,3**	982,9
Total financial institution guarantees given to third parties on behalf of Group companies amounted to	**10 284,8**	10 408,2
The directors do not believe any exposure to loss is likely.		
Contingent liabilities and guarantees given to third parties arising from interest in joint ventures included above amounted to	**6 719,8**	5 393,2
Contingent liabilities comprise of claims against JVs either by clients or subcontractors which have not been brought to book.		
In the prior year the amount in this disclosure note included the JV's portion of guarantees only, this has been updated in the current year to include both the guarantee and contingent liability amounts.		
The directors do not believe any exposure to loss is likely.		

39. CAPITAL COMMITMENTS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Approved by the directors, contracted and not provided in the statement of financial position	**43,0**	52,8
Approved by the directors, not yet contracted for	**1 333,0**	799,2
	1 376,0	852,0
Capital expenditure will be financed from internal resources and existing facilities. The capital commitments relate primarily to the acquisition of project related capital expenditure.		
The Group's share of the capital commitments of its jointly controlled entities is as follows:	**2,0**	–

40. OPERATING LEASE ARRANGEMENTS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
40.1 General operating leases		
Operating lease payments represent rentals payable by the Group for certain of its office properties and certain items of plant and machinery, and furniture and fittings. These leases have varying terms, escalation clauses and renewal periods.		
Operating lease costs		
Operating lease costs recognised in the statement of financial performance is set out in note 27.		
Minimum lease payments due		
Due within one year	**403,0**	381,8
Due between two and five years	**846,8**	896,6
Due thereafter	**807,8**	876,1
	2 057,6	2 154,5

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41. FINANCIAL RISK MANAGEMENT

41.1 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings as disclosed in note 18 and 24 and equity attributable to owners of Murray & Roberts Holdings Limited, comprising issued reserves and retained earnings as disclosed.

The Board reviews the capital structure and as part of this review, considers the cost of capital and the risk associated with each class of capital.

The Group is subject to externally imposed capital requirements in the form of financial covenants which are actively managed by the Board.

The Group has restructured its South African term debt and bank facilities and now includes facilities ranging from on-demand to four-year facilities, achieving the objective of extending the average tenure of the Group's debt structure. The facilities are supported by cross guarantees from Group companies and have been secured by the pledging of Clough Limited shares.

41.2 Financial instruments

The Group does not trade in financial instruments but, in the normal course of operations, is exposed to currency, credit, interest and liquidity risk.

In order to manage these risks, the Group may enter into transactions that make use of financial instruments. The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short term investments, derivatives, accounts receivable and payable and interest bearing borrowings.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	2012	2011
Categories of financial instruments			
Financial assets			
Financial assets designated as fair value through profit and loss (level 3)	7	**456,7**	441,8
Loans and receivables		**14 229,2**	9 949,9
Available-for-sale financial assets carried at fair value (level 3)	7	**2,5**	2,7
Derivative financial instruments (level 2)		**–**	10,5
Financial liabilities			
Loans and payables		**13 953,1**	12 197,3
Derivative financial instruments (level 2)		**15,9**	45,1
The fair value hierarchy introduces 3 levels of inputs based on the lowest level of input significant to the overall fair values:			
Level 1 – quoted prices for similar instruments			
Level 2 – directly observable market inputs other than Level 1 inputs			
Level 3 – inputs not based on observable market data			

41.3 Market risk

The Group operates in various countries and is exposed to the market risks evident in each specific country. The primary market risks identified relate to foreign currency fluctuations and interest rate fluctuations. The sensitivities relating to these market risks are detailed in notes 41.4 and 41.5.

41.4 Foreign currency risk management

The Group has major operating entities in the Middle East, Australia and Canada and hence has an exposure to fluctuations in exchange rates. The Group may, from time to time, hedge its foreign currency exposure for either purchase or sale transactions through the use of foreign currency forward exchange contracts.

Foreign currency sensitivity

The Group is mainly exposed to the currencies of United Arab Emirates, Australia, United States of America, Canada and Europe. The following table details the Group's major foreign currency balances at year-end and the sensitivity of a 1% decrease in the Rand against the relevant currencies. The sensitivity includes only foreign currency denominated monetary items and adjusts their translation at the period end for a change in foreign currency rates. A positive number indicates an increase in profit and equity where the Rand weakens against the relevant currencies.

41. FINANCIAL RISK MANAGEMENT (continued)

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Assets		Liabilities	
	2012	2011	**2012**	2011
41.4 Foreign currency risk management continued				
Australian Dollar	**26,9**	13,4	**(11,4)**	(6,4)
Canadian Dollar	**4,7**	5,4	**(3,1)**	(2,9)
European Euro	**1,9**	2,0	**(0,5)**	(0,4)
UAE Dirham	**4,2**	8,8	**(11,4)**	(12,9)
US Dollar	**7,8**	5,0	**(4,3)**	(1,3)

Forward foreign exchange contracts

The Group may, from time to time, hedge its foreign currency exposure for either purchase or sale transactions through the use of foreign currency exchange contracts. Each operation manages its own trade exposure. In this regard the Group has entered into certain forward foreign exchange contracts. All such contracts are supported by underlying commitments, receivables or payables. The risk of having to close out these contracts is considered to be low.

All forward foreign exchange contracts are valued at fair value on the reporting date with the resultant gain or loss included in the statement of financial performance with the exception of effective cash flow hedges. The gains or losses on effective cash flow hedges are recorded in other comprehensive income and either transferred to income when the hedged transaction affects income or are included in the initial acquisition cost of the hedged assets or liabilities where appropriate.

The amounts represent the net Rand equivalents of commitments to purchase and sell foreign currencies. The majority of the contracts will be utilised during the next 12 months, and are renewed on a revolving basis as required.

At reporting date, the notional amounts of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	**2012**		2011	
Related to specific statement of financial position items	Foreign amount	Rand amount	Foreign amount	Rand amount
Bought:				
Australian Dollar	**5,3**	**44,5**	0,4	3,0
European Euro	**5,2**	**54,0**	10,5	103,3
Indonesian Rupiah	**139 387,3**	**124,5**	35 901,4	28,4
Singapore Dollar	**–**	**–**	2,0	11,1
Thai Baht	**–**	**–**	364,1	80,4
US Dollar	**10,1**	**83,9**	40,2	282,4
		306,9		508,6
Sold:				
Australian Dollar	**26,0**	**218,5**	36,3	263,7
Indonesian Rupiah	**6 746,0**	**6,0**	–	–
US Dollar	**5,9**	**48,3**	11,0	74,7
		272,8		338,4

At 30 June 2012, the fair value of the Group's currency derivatives is estimated to be a profit of approximately R5,3 million (2011: R5,8 million loss). These amounts are based on quoted market prices for equivalent instruments at the reporting date which comprise Rnil assets (2011: R10,5 million) and liabilities of R15,9 million (2011: R45,1 million).

R9,6 million relating to currency derivatives that have been designated as cash flow hedges have been recognised in the statement of comprehensive income during the year (2011: R17,0 million).

The Group does not currently designate any foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

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41. FINANCIAL RISK MANAGEMENT (continued)

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
41.4 Foreign currency risk management (continued)		
The carrying amounts of the significant financial assets are denominated in the following currencies:		
Cash and cash equivalents		
Australian Dollar	**1 470,3**	626,6
Bahraini Dinar	**50,5**	89,7
Botswana Pula	**78,8**	51,9
British Pound	**89,0**	52,7
Canadian Dollar	**61,8**	73,9
European Euro	**176,6**	197,8
Malaysian Ringgit	**34,4**	7,9
Qatari Rial	**22,5**	4,4
Saudi Arabia Riyals	**51,9**	26,9
Singapore Dollar	**20,2**	16,9
South African Rand	**631,2**	894,2
Thai Baht	**41,9**	51,9
UAE Dirham	**176,8**	528,0
US Dollar	**335,7**	311,5
Other	**146,8**	166,3
	3 388,4	3 100,6
Trade and net contract receivables		
Australian Dollar	**1 220,0**	714,7
Bahraini Dinar	**–**	51,1
British Pound	**26,4**	41,3
Botswana Pula	**60,8**	90,9
Canadian Dollar	**403,6**	468,4
European Euro	**17,8**	2,0
Ghanaian New Cedi	**42,0**	–
Malaysian Ringgit	**28,1**	2,2
Saudi Arabia Riyals	**24,5**	10,1
South African Rand	**2 475,6**	1 938,8
Thai Baht	**51,8**	20,8
UAE Dirham	**241,5**	354,0
US Dollar	**443,0**	190,1
Other	**120,9**	42,5
Gross receivables	**5 156,0**	3 926,9
Present value and other adjustments	**(53,3)**	(46,1)
	5 102,7	3 880,8
The carrying amounts of the significant financial liabilities are denominated in the following currencies:		
Bank overdrafts		
South African Rand	**33,9**	43,5
Other	**4,6**	3,3
	38,5	46,8

41. FINANCIAL RISK MANAGEMENT (continued)

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
41.4 Foreign currency risk management (continued)		
Trade payables and subcontractor liabilities		
Australian Dollar	**814,0**	591,1
Bahraini Dinar	**57,3**	37,5
Botswana Pula	**101,7**	109,2
British Pound	**25,4**	44,2
Canadian Dollar	**116,0**	89,0
European Euro	**28,3**	37,7
Singapore Dollar	**16,6**	34,3
South African Rand	**1 526,0**	1 387,5
Thai Baht	**26,0**	16,7
UAE Dirham	**1 137,0**	1 301,1
US Dollar	**391,5**	128,4
Other	**290,0**	129,1
Gross liabilities	**4 529,8**	3 905,8
Present value and other adjustments	**(4,4)**	(8,1)
	4 525,4	3 897,7
Interest bearing liabilities		
Australian Dollar	**143,4**	45,2
Canadian Dollar	**191,4**	196,8
South African Rand	**1 771,2**	2 052,9
US Dollar	**40,1**	0,2
	2 146,1	2 295,1
Non-interest bearing liabilities		
Australian Dollar	**179,0**	8,9
European Euro	**20,9**	–
Papua New Guinea Kina	**43,5**	–
South African Rand	**–**	0,7
	243,4	9,6

41.5 Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds on both fixed and floating interest rates through bank overdrafts and other interest bearing liabilities as well as borrows in local and foreign markets. The Group manages this risk by a central treasury function which looks at the cash requirements of the various businesses and meets these requirements internally. The Group's treasury function also considers future interest rate forecasts and borrows at a fixed rate where necessary.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at reporting date as well as changes to interest rates in both local and foreign markets. It assumes the stipulated change takes place at the beginning of the financial year and held constant throughout that reporting period in the case of instruments that have floating rates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

41. FINANCIAL RISK MANAGEMENT (continued)

41.5 Interest rate risk management (continued)

The table below illustrates the Group's sensitivity on profits had the interest rates been 100 basis points higher and all other variables were held constant. A positive number indicates an increase in profit and other equity as a consequence of change in interest rates.

Based on the prime interest rates of the countries listed below:

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
South Africa		
Basis points increase	**100,0**	100,0
Effect on profit and loss	**(14,5)**	(13,0)
Australia		
Basis points increase	**100,0**	100,0
Effect on profit and loss	**10,1**	5,8
United Arab Emirates		
Basis points increase	**100,0**	100,0
Effect on profit and loss	**1,0**	1,0
Canada		
Basis points increase	**100,0**	100,0
Effect on profit and loss	**(1,5)**	(1,2)
United States of America		
Basis points increase	**100,0**	100,0
Effect on profit and loss	**1,3**	3,1

41.6 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Potential areas of credit risk consist of cash and cash equivalents, trade and other receivables (net of provisions) and contract receivables (net of provisions).

Credit quality

Cash and cash equivalents: The Group only deposits its money with creditable financial institutions.

Trade and other receivables: Trade receivables consist mainly of a widespread customer base. Credit risk is managed by performing credit checks on customers and setting of credit limits where necessary. Group companies monitor the financial position of their customers on an ongoing basis and where appropriate, use is made of credit guarantee insurance. The credit quality of this category of financial assets that are neither past due nor impaired ("not past due") are considered appropriate.

Contract receivables (net of provisions): Contract receivables and retentions are usually secured by means of a lien over the property or payment guarantee from third party bank. The credit quality of this category of financial assets that are neither past due nor impaired ("not past due") are considered appropriate.

Included in trade receivables and amounts due from contract customers are amounts due from South African parastatals and Government of R83,8 million (2011: R165,0 million) and R604,9 million (2011: R237,0 million) respectively. An impairment of R0,8 million (2011: Rnil) was recognised on trade receivables. An amount of R69,7 million (2011: R28,0 million) is considered to be past due, but not impaired.

Provision is made for specific bad debts and at year-end, management believed that any material credit risk exposure was covered by credit guarantees or bad debt provisions.

The following represents the Group's maximum exposure, at reporting date to credit risk, before taking into account any collateral held or other credit enhancements and after allowance for impairment and netting where appropriate.

41. FINANCIAL RISK MANAGEMENT (continued)

41.6 Credit risk management (continued)

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Construction Africa and Middle East	Engineering Africa	Construction Products Africa	Construction Global Underground Mining	Construction Australasia Oil & Gas and Minerals	Corporate and Properties	Group
2012							
Cash and cash equivalents	**765,8**	**97,5**	**79,3**	**194,5**	**1 945,1**	**306,2**	**3 388,4**
Trade and other receivables (net of provisions)	**476,4**	**76,1**	**600,4**	**340,5**	**523,2**	**110,5**	**2 127,1**
Contract receivables (net of provisions)	**1 199,5**	**594,6**	**71,8**	**1 094,1**	**1 106,0**	**–**	**4 066,0**
Non-current receivables	**–**	**–**	**–**	**7,0**	**86,5**	**11,5**	**105,0**
Total assets subject to credit risk	**2 441,7**	**768,2**	**751,5**	**1 636,1**	**3 660,8**	**428,2**	**9 686,5**
Assets not subject to credit risk	**4 039,6**	**1 449,3**	**2 134,0**	**2 210,1**	**2 628,5**	**293,4**	**12 754,9**
Total assets	**6 481,3**	**2 217,5**	**2 885,5**	**3 846,2**	**6 289,3**	**721,6**	**22 441,4**
2011							
Cash and cash equivalents	1 178,0	136,5	84,7	174,7	1 038,6	488,1	3 100,6
Trade and other receivables (net of provisions)	357,0	35,8	656,8	403,3	267,8	126,4	1 847,1
Contract receivables (net of provisions)	1 281,1	77,7	96,9	802,9	506,8	–	2 765,4
Total assets subject to credit risk	2 816,1	250,0	838,4	1 380,9	1 813,2	614,5	7 713,1
Assets not subject to credit risk	3 619,4	1 124,9	2 457,6	1 502,2	2 846,7	296,6	11 847,4
Total assets	6 435,5	1 374,9	3 296,0	2 883,1	4 659,9	911,1	19 560,5
Financial assets subject to credit risk*							
2012							
Not past due	**1 976,9**	**755,6**	**662,8**	**1 368,8**	**3 629,0**	**424,3**	**8 817,4**
Past due	**487,7**	**13,9**	**160,3**	**279,8**	**50,8**	**4,2**	**996,7**
Provisions for impairments	**(22,9)**	**(1,3)**	**(71,6)**	**(12,5)**	**(19,0)**	**(0,3)**	**(127,6)**
Carrying value of financial assets	**2 441,7**	**768,2**	**751,5**	**1 636,1**	**3 660,8**	**428,2**	**9 686,5**
2011							
Not past due	2 643,7	240,0	790,4	1 370,7	1 805,4	612,6	7 462,8
Past due	194,4	10,0	115,1	25,9	20,6	3,4	369,4
Provisions for impairments	(22,0)	–	(67,1)	(15,7)	(12,8)	(1,5)	(119,1)
Carrying value of financial assets	2 816,1	250,0	838,4	1 380,9	1 813,2	614,5	7 713,1

* *Not past due relates to invoices not past the expected payment date for trade, contract receivables and other receivables. Included in not past due is also cash and cash equivalents. The credit quality of the financial assets that are neither past due nor impaired is considered appropriate.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

41. FINANCIAL RISK MANAGEMENT (continued)

41.6 Credit risk management (continued)

Financial assets that are past due, but not impaired

These are assets where contractual payments are past due, but the Group believes that impairment is not appropriate as there has not been a significant change in credit quality and the amounts are still considered to be recoverable.

The age of receivables that are past due, but not impaired is:

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	< Three months	Three to six months	Six to twelve months	> Twelve months	Total
2012					
Trade receivables	**106,5**	**20,4**	**35,1**	**192,3**	**354,3**
Contract receivables	**265,0**	**79,0**	**100,2**	**52,9**	**497,1**
Other receivables	**72,7**	**23,4**	**40,6**	**8,6**	**145,3**
	444,2	**122,8**	**175,9**	**253,8**	**996,7**
2011					
Trade receivables	43,2	11,6	27,1	47,6	129,5
Contract receivables	173,3	26,4	6,3	20,6	226,6
Other receivables	2,3	6,5	–	4,5	13,3
	218,8	44,5	33,4	72,7	369,4

Financial assets individually assessed to be impaired

In determining the recoverability of a trade or contract receivable the Group considers any change in the credit quality of the trade or contract receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debt.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Construction Africa and Middle East	Engineering Africa	Construction Products Africa	Construction Global Underground Mining	Construction Australasia Oil & Gas and Minerals	Corporate and Properties	Group
2012							
Trade receivables	**3,1**	**–**	**71,6**	**0,6**	**–**	**0,3**	**75,6**
Contract receivables	**19,8**	**1,3**	**–**	**11,9**	**19,0**	**–**	**52,0**
	22,9	**1,3**	**71,6**	**12,5**	**19,0**	**0,3**	**127,6**
2011							
Trade receivables	3,5	–	67,1	3,8	–	1,5	75,9
Contract receivables	18,5	–	–	11,9	12,8	–	43,2
	22,0	–	67,1	15,7	12,8	1,5	119,1

41. FINANCIAL RISK MANAGEMENT (continued)

41.6 Credit risk management (continued)

Reconciliation of total impairments

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Construction Africa and Middle East	Engineering Africa	Construction Products Africa	Construction Global Underground Mining	Construction Australasia Oil & Gas and Minerals	Corporate and Properties	Group
2012							
Balance at the beginning of the year	**22,0**	**–**	**67,1**	**15,7**	**12,8**	**1,5**	**119,1**
Raised during the year	**5,4**	**1,3**	**6,1**	**–**	**5,9**	**–**	**18,7**
Utilised during the year	**(5,9)**	**–**	**–**	**–**	**–**	**(1,4)**	**(7,3)**
Released during the year	**(0,9)**	**–**	**(1,6)**	**(4,0)**	**(2,0)**	**–**	**(8,5)**
Foreign exchange movements	**2,3**	**–**	**–**	**0,8**	**2,3**	**0,2**	**5,6**
	22,9	**1,3**	**71,6**	**12,5**	**19,0**	**0,3**	**127,6**
2011							
Balance at the beginning of the year	24,8	52,9	132,3	19,8	22,9	2,3	255,0
Acquisition of business	–	–	3,3	–	–	–	3,3
Transfer to assets held-for-sale	–	–	(183,6)	–	–	–	(183,6)
Raised during the year	19,2	–	122,0	0,3	0,4	–	141,9
Utilised during the year	(18,0)	(21,0)	(4,1)	(1,1)	(8,7)	(0,7)	(53,6)
Released during the year	(3,5)	(31,9)	(3,2)	(3,9)	(0,2)	–	(42,7)
Foreign exchange movements	(0,5)	–	0,4	0,6	(1,6)	(0,1)	(1,2)
	22,0	–	67,1	15,7	12,8	1,5	119,1

41.7 Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Board of directors. Liquidity risk is managed by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Additional borrowing facilities that the Group has at its disposal to reduce liquidity risk are listed in the table below.

Borrowing capacity

The Company's borrowing capacity is unlimited in terms of its articles of association.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Borrowing facilities		
Total borrowing facilities	**5 916,9**	7 073,0
Current utilisation	**(2 173,8)**	(2 677,9)
Borrowing facilities available	**3 743,1**	4 395,1

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41. FINANCIAL RISK MANAGEMENT (continued)

41.8 Maturity profile of financial instruments

The maturity profile of the recognised financial instruments are summarised as follows. These profiles represent the discounted cash flows that are expected to occur in the future.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	<1 year	1 – 6 years	Total
2012			
Financial assets			
Cash and cash equivalents	**3 388,4**	**–**	**3 388,4**
Contract receivables	**4 066,0**	**–**	**4 066,0**
Contracts-in-progress	**2 739,9**	**2 059,7**	**4 799,6**
Trade and other receivables	**2 127,1**	**–**	**2 127,1**
Non-current receivables	**–**	**105,0**	**105,0**
Other investments	**–**	**459,8**	**459,8**
Financial liabilities			
Bank overdrafts	**38,5**	**–**	**38,5**
Interest bearing liabilities	**1 652,5**	**493,6**	**2 146,1**
Non-interest bearing liabilities	**243,2**	**0,2**	**243,4**
Amounts due from contract customers	**3 018,9**	**–**	**3 018,9**
Trade and other payables	**5 898,5**	**–**	**5 898,5**
Derivative financial instruments	**15,9**	**–**	**15,9**
Subcontractor liabilities	**2 098,4**	**651,9**	**2 750,3**
Non-current payables	**–**	**67,5**	**67,5**
2011			
Financial assets			
Cash and cash equivalents	3 100,6	–	3 100,6
Contract receivables	2 765,4	–	2 765,4
Contracts-in-progress	2 524,6	–	2 524,6
Trade and other receivables	1 836,6	–	1 836,6
Derivative financial instruments	10,5	–	10,5
Non-current receivables	–	108,4	108,4
Other investments	–	445,0	445,0
Financial liabilities			
Bank overdrafts	46,8	–	46,8
Interest bearing liabilities	1 071,7	1 223,4	2 295,1
Non-interest bearing liabilities	7,8	1,8	9,6
Amounts due from contract customers	2 244,4	–	2 244,4
Trade and other payables	5 226,9	–	5 226,9
Derivative financial instruments	45,1	–	45,1
Subcontractor liabilities	2 171,4	141,1	2 312,5
Non-current payables	–	62,0	62,0

42. RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTEREST

42.1 Identity of related parties

The Group has a related party relationship with its subsidiary companies (Annexure 1), associate companies (note 6), joint ventures (note 37), retirement and other benefit plans (note 19) and with its directors, prescribed officers and key management personnel.

42.2 Related party transactions and balances

During the year the Company and its related parties, in the ordinary course of business, entered into various inter-group sale and purchase transactions. These transactions are no less favourable than those arranged with third parties.

Balances between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Amounts owed to related parties		
Unsecured interest bearing borrowings		
Amounts owing from joint ventures	**38,1**	35,0
Amounts owing to joint ventures	**(151,5)**	(184,3)
The amounts owing to the joint ventures are unsecured with no fixed terms of repayment and carrying interest at 10% (2011: 10%) per annum. The movement in amounts owing to and owing from joint ventures represent the transactions for the year.		
Amounts owed to related parties		
Trade and other receivables		
Amounts owing to joint ventures	**344,3**	239,0
Trade and other payables		
Amounts owing by joint ventures	**575,0**	406,5
Normal trading conditions for the trade and other receivables & payables will apply.		

42.3 Transactions with key management personnel

Interest of the directors in the share capital of the Company is set out in the directors' report.

The key management personnel compensation, excluding the directors and prescribed officers are:

	2012	2011
Salaries	**30,5**	33,7
Retirement fund contributions	**2,9**	2,8
Allowances	**2,7**	3,7
Other benefits	**2,0**	0,7
Total guaranteed remuneration	**38,1**	40,9
Gain on exercise of share options	**0,1**	1,2
Performance related	**23,6**	15,5
	61,8	57,6

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

42. RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTEREST (continued)

42.3 Transactions with key management personnel (continued)

Executive Directors

The remuneration of executive directors for the year ended 30 June 2012 was as follows:

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Total guaranteed remuneration R'000	Leave payouts R'000	Performance related* R'000	Contract payment R'000	Total R'000
2012					
AJ Bester[1]	**3 550**	**–**	**2 000**	**–**	**5 550**
O Fenn	**3 610**	**–**	**900**	**–**	**4 510**
HJ Laas[2]	**4 000**	**–**	**3 000**	**–**	**7 000**
	11 160	**–**	**5 900**	**–**	**17 060**
2011					
BC Bruce[3]	4 850	517	–	4 850	10 217
MP Chaba[4]	2 383	9	–	–	2 392
O Fenn	3 400	–	375	–	3 775
TG Fowler[4]	3 200	–	–	–	3 200
HJ Laas[2]	813	–	250	–	1 063
RW Rees[3]	3 750	179	–	3 750	7 679
	18 396	705	625	8 600	28 326

* *Performance bonuses are accounted for on an accrual basis to match the amount payable to the applicable financial year-end.*

1 *AJ Bester was appointed to the Board 1 July 2011 as Group financial director.*
2 *Appointed to the Board 1 April 2011 and Group chief executive 1 July 2011.*
3 *BC Bruce and RW Rees retired from the Board 30 June 2011. The contract payment represents 12 months guaranteed remuneration.*
4 *MP Chaba and TG Fowler resigned from the Board 14 February 2011 and 30 June 2011 respectively and as employees 31 May 2011 and 30 June 2011 respectively.*

The remuneration of executive directors and key management personnel is determined by the remuneration & human resources committee having regard to the performance of individuals and market trends.

Details of service on Board committees are set out in the Corporate Governance Report. Interest of the directors in the share capital of the Company is set out in the directors' report.

The executive directors of the Company hold in aggregate, directly or indirectly, grants of options from The Murray & Roberts Trust in respect of 0,66% (2011: 0,70%) of the ordinary shares of the Company. These options are subject to the terms and conditions of the employee share option scheme.

Prescribed Officers

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Total guaranteed R'000	Performance related* R'000	Contract payment R'000	Total R'000
2012				
PR Adams[5]	**2 839**	**1 300**	**–**	**4 139**
NWR Harvey[6]	**3 458**	**–**	**–**	**3 458**
IW Henstock	**2 770**	**1 300**	**–**	**4 070**
AR Langham[7]	**692**	**–**	**–**	**692**
RCC Noonan[8]	**2 550**	**–**	**2 550**	**5 100**
FP Saieva[9]	**2 600**	**1 100**	**–**	**3 700**
RAG Skudder	**2 290**	**1 200**	**–**	**3 490**

* *Performance bonuses are accounted for on an accrual basis to match the amount payable to the applicable financial year-end.*

5 *Remuneration is designated in GBP and converted to ZAR at the average exchange rate for the year.*
6 *Resigned 6 July 2012 and a portion of remuneration is designated in AED converted to ZAR at the average exchange rate for the year.*
7 *Resigned 29 August 2011.*
8 *Retired 31 July 2012 from the Group. The contract payment represents 12 months guaranteed remuneration.*
9 *Appointed 1 July 2011.*

42. RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTEREST (continued)

42.3 Transactions with key management personnel (continued)

Prescribed Officers

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Total guaranteed R'000	Performance related* R'000	Contract payment R'000	Total R'000
2011				
PR Adams	2 367	500	–	2 867
AJ Bester[10]	3 150	600	–	3 750
NWR Harvey	2 818	468	–	3 286
IW Henstock	2 600	500	–	3 100
HJ Laas[11]	2 104	750	–	2 854
AR Langham	2 600	–	–	2 600
RCC Noonan	2 550	–	–	2 550
RAG Skudder	2 000	450	–	2 450
KE Smith[12]	2 625	–	–	2 625

* *Performance bonuses are accounted for on an accrual basis to match the amount payable to the applicable financial year-end.*

10 *Appointed executive director 1 July 2011.*
11 *Remuneration to 31 March 2011.*
12 *Retired 31 March 2011.*

Non-Executive Directors

The level of fees for service as director, additional fees for service on the board committees and the chairman's fee are reviewed annually.

The remuneration of non-executive directors for the year ended 30 June 2012 was:

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Directors' fees R'000	Non-attendance R'000	Special board R'000	Committee fees R'000	Chairman's fee R'000	**Total 2012 R'000**	Total 2011 R'000
RC Andersen	–	–	–	–	1 060	**1 060**	1 025
DD Barber	168	–	148	270	–	**586**	519
TCP Chikane[13]	9	–	–	7	–	**16**	–
ADVC Knott-Craig[14]	83	(14)	88	88	–	**245**	346
N Magau	168	(14)	148	160	–	**462**	416
M McMahon	168	–	148	72	–	**388**	362
I Mkhize[15]	–	–	–	–	–	**–**	151
W Nairn	168	(15)	148	184	–	**485**	329
AA Routledge	168	–	148	259	–	**575**	482
SP Sibisi	168	–	60	180	–	**408**	407
M Sello	168	–	118	271	–	**557**	481
RT Vice	168	–	88	268	–	**524**	502
	1 436	(43)	1 094	1 759	1 060	**5 306**	5 020

13 *Appointed 15 June 2012.*
14 *Resigned 17 January 2012.*
15 *Resigned 27 October 2011.*

The remuneration of non-executive directors is submitted to the Annual General Meeting for approval in advance of such payment being made.

The chairman's fee includes attendance at committee meetings.

Details of service on board committees are set out in the Corporate Governance Report. Interest of the directors in the stated capital of the Company is set out in the directors' report.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

42. RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTEREST (continued)

42.3 Transactions with key management personnel (continued)

The movements in share options of executive directors during the year ended 30 June 2012 are:

Executive Directors

Grant date	Conditions	Outstanding options at 1 July 2011	Strike price (Rands)	Granted during the year	Adjustment as a result of rights issue
Bester, AJ					
06 Mar 2007	Special	500 000	50,60	–	170 000
20 Apr 2011	Hurdle	37 000	25,16	–	12 580
30 Aug 2011	Performance	–	27,70	259 000	88 060
30 Aug 2011	Retention	–	27,70	67 000	22 780
		537 000		326 000	293 420
Fenn, O					
8 Dec 2009	Hurdle	125 000	45,42	–	42 500
20 Apr 2011	Hurdle	37 000	25,16	–	12 580
30 Aug 2011	Performance	–	27,70	183 000	62 220
30 Aug 2011	Retention	–	27,70	42 000	14 280
		162 000		225 000	131 580
Laas, HJ					
28 Jun 2005	Standard	7 500	14,00	–	–
28 Jun 2005	Hurdle	10 000	14,00	–	–
03 Mar 2006	Standard	15 000	23,53	–	5 100
03 Mar 2006	Hurdle	15 000	23,53	–	5 100
06 Mar 2007	Special	385 000	50,60	–	130 900
20 Apr 2011	Hurdle	100 000	25,16	–	34 000
30 Aug 2011	Performance	–	27,70	337 000	114 580
30 Aug 2011	Retention	–	27,70	112 000	38 080
		532 500		449 000	327 760
Past Executive Directors					
Bruce, BC[15]					
06 Mar 2007	Special	800 000	50,60	–	272 000
Fowler, TG[16]					
26 Aug 2009	Hurdle	125 000	47,74	–	–
Rees, RW[15]					
28 Jun 2005	Standard	3 750	14,00	–	–
03 Mar 2006	Standard	37 500	23,53	–	–
03 Mar 2006	Hurdle	25 000	23,53	–	4 598
06 Mar 2007	Special	380 000	50,60	–	123 269
		446 250		–	127 867

* *In the event that the sixth anniversary of the option date falls within a period which is designated by Murray & Roberts Holdings Limited ("Company") to be a period during which directors of the Company may not deal in shares of the Company ("closed period"), then the option period in respect of those participants who are precluded from dealing shall be extended. Such extension shall be for the same number of business days after the end of the closed period as the number of business days between the beginning of the closed period and the sixth anniversary of the option date.*

15 *Retired 30 June 2011. The outstanding options will expire on 30 June 2013.*

16 *Resigned 14 February 2011.*

Adjusted option price per share (Rands)	Exercised during the year	Net gain (Rands)	Average exercise price (Rands)	Surrendered during the year	**Outstanding options at 30 June 2012**	Expiry date
42,33	–	–	–	–	**670 000**	06 Mar 2017
23,34	–	–	–	–	**49 580**	20 Apr 2017
25,24	–	–	–	–	**347 060**	30 Aug 2017
25,24	–	–	–	–	**89 780**	30 Aug 2017
	–	–		–	**1 156 420**	
38,46	–	–	–	–	**167 500**	08 Dec 2015
23,34	–	–	–	–	**49 580**	20 Apr 2017
25,24	–	–	–	–	**245 220**	30 Aug 2017
25,24	–	–	–	–	**56 280**	30 Aug 2017
	–	–		–	**518 580**	
14,00	(7 500)	96 979	27,04	–	**–**	28 Jun 2011*
14,00	(10 000)	129 305	27,04	–	**–**	28 Jun 2011*
22,13	(20 100)	80 567	26,24	–	**–**	31 May 2012
22,13	(10 050)	40 278	26,25	–	**10 050**	03 Mar 2013
42,33	–	–	–	–	**515 900**	06 Mar 2017
23,34	–	–	–	–	**134 000**	20 Apr 2017
25,24	–	–	–	–	**451 580**	30 Aug 2017
25,24	–	–	–	–	**150 080**	30 Aug 2017
	(47 650)	347 129		–	**1 261 610**	
42,33	–	–	–	–	**1 072 000**	06 Mar 2017
–	–	–	–	(125 000)	**–**	26 Aug 2015
14,00	(3 750)	27 185	26,19	–	**–**	28 Jun 2011*
22,13	(37 500)	76 365	26,90	–	**–**	31 May 2012
22,13	–	–	–	(11 475)	**18 123**	03 Mar 2013
42,33	–	–	–	(17 442)	**485 827**	06 Mar 2017
	(41 250)	103 550		(28 917)	**503 950**	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

42. RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTEREST (continued)

42.3 Transactions with key management personnel (continued)

Prescribed Officers

Grant date	Conditions	Outstanding options at 1 July 2011	Strike price (Rands)	Granted during the year	Adjustment as a result of rights issue
Adams, PR					
06 Mar 2007	Special	500 000	50,60	–	170 000
Harvey, NWR					
28 Jun 2005	Standard	28 750	14,00	–	–
28 Jun 2005	Hurdle	10 000	14,00	–	–
03 Mar 2006	Standard	45 000	23,53	–	15 300
03 Mar 2006	Hurdle	30 000	23,53	–	10 200
06 Mar 2007	Special	325 000	50,60	–	110 500
20 Apr 2011	Hurdle	37 000	25,16	–	12 580
30 Aug 2011	Performance	–	27,70	172 000	58 480
30 Aug 2011	Retention	–	27,70	53 000	18 020
		475 750		225 000	225 080
Henstock, IW					
01 Jul 2008	Standard	25 000	86,51	–	8 500
26 Aug 2009	Hurdle	190 000	47,74	–	64 600
20 Apr 2011	Hurdle	37 000	25,16	–	12 580
30 Aug 2011	Performance	–	27,70	124 000	42 160
30 Aug 2011	Retention	–	27,70	56 000	19 040
		252 000		180 000	146 880
Langham, AR					
06 Mar 2007	Special	400 000	50,60	–	–
20 Apr 2011	Hurdle	37 000	25,16	–	–
		437 000		–	–
Noonan, RCC					
13 Mar 2002	Standard	22 500	6,93	–	7 650
13 Mar 2002	Hurdle	22 500	6,93	–	7 650
06 Mar 2003	Standard	18 750	11,00	–	6 375
06 Mar 2003	Hurdle	35 000	11,00	–	11 900
15 Mar 2004	Standard	30 000	13,04	–	10 200
15 Mar 2004	Hurdle	25 000	13,04	–	8 500
28 Jun 2005	Standard	20 000	14,00	–	–
28 Jun 2005	Hurdle	30 000	14,00	–	–
03 Mar 2006	Standard	30 000	23,53	–	10 200
03 Mar 2006	Hurdle	30 000	23,53	–	10 200
06 Mar 2007	Special	375 000	50,60	–	127 500
		638 750		–	200 175
Saieva, FP					
30 Aug 2011	Performance	–	27,70	131 000	44 540
Skudder, RAG					
03 Mar 2006	Standard	37 500	23,53	–	12 750
06 Mar 2007	Hurdle	15 000	50,60	–	5 100
26 Feb 2008	Standard	12 500	92,01	–	4 250
26 Aug 2009	Hurdle	100 000	47,74	–	34 000
20 Apr 2011	Hurdle	37 000	25,16	–	12 580
30 Aug 2011	Performance	–	27,70	96 000	32 640
30 Aug 2011	Retention	–	27,70	51 000	17 340
		202 000		147 000	118 660

* *In the event that the sixth anniversary of the option date falls within a period which is designated by Murray & Roberts Holdings Limited ("Company") to be a period during which directors of the Company may not deal in shares of the Company ("closed period"), then the option period in respect of those participants who are precluded from dealing shall be extended. Such extension shall be for the same number of business days after the end of the closed period as the number of business days between the beginning of the closed period and the sixth anniversary of the option date.*

Adjusted option price per share (Rands)	Exercised during the year	Net gain (Rands)	Average exercise price (Rands)	Surrendered during the year	**Outstanding options at 30 June 2012**	Expiry date
42,33	–	–	–	–	**670 000**	06 Mar 2017
14,00	(28 750)	387 182	27,58	–	**–**	28 Jun 2011*
14,00	(10 000)	134 672	27,58	–	**–**	28 Jun 2011*
22,13	(60 300)	258 132	26,52	–	**–**	31 May 2012
22,13	(30 150)	128 530	26,50	–	**10 050**	03 Mar 2013
42,33	–	–	–	–	**435 500**	06 Mar 2017
23,34	–	–	–	–	**49 580**	20 Apr 2017
25,24	–	–	–	–	**230 480**	30 Aug 2017
25,24	–	–	–	–	**71 020**	30 Aug 2017
	(129 200)	908 516		–	**796 630**	
69,13	–	–	–	–	**33 500**	01 Jul 2014
40,19	–	–	–	–	**254 600**	26 Aug 2015
23,34	–	–	–	–	**49 580**	20 Apr 2017
25,24	–	–	–	–	**166 160**	30 Aug 2017
25,24	–	–	–	–	**75 040**	30 Aug 2017
	–	–		–	**578 880**	
–	–	–	–	(400 000)	**–**	06 Mar 2017
–	–	–	–	(37 000)	**–**	20 Apr 2017
	–	–		(437 000)	**–**	
9,74	(30 150)	517 814	27,02	–	**–**	13 Mar 2012
9,74	(30 150)	517 843	27,02	–	**–**	13 Mar 2012
12,78	–	–	–	–	**25 125**	06 Mar 2013
12,78	–	–	–	–	**46 900**	06 Mar 2013
14,30	–	–	–	–	**40 200**	15 Mar 2014
14,30	–	–	–	–	**33 500**	15 Mar 2014
14,00	(20 000)	258 622	27,04	–	**–**	28 Jun 2011*
14,00	(30 000)	387 933	27,04	–	**–**	28 Jun 2011*
22,13	(40 200)	192 408	27,02	–	**–**	31 May 2012
22,13	(30 150)	144 220	27,02	–	**10 050**	03 Mar 2013
42,33	–	–	–	–	**502 500**	06 Mar 2017
	(180 650)	2 018 840		–	**658 275**	
25,24	–	–	–	–	**175 540**	30 Aug 2017
22,13	(50 250)	289 281	28,00	–	**–**	31 May 2012
42,33	–	–	–	–	**20 100**	06 Mar 2013
73,23	–	–	–	–	**16 750**	26 Feb 2014
40,19	–	–	–	–	**134 000**	26 Aug 2015
23,34	–	–	–	–	**49 580**	20 Apr 2017
25,24	–	–	–	–	**128 640**	30 Aug 2017
25,24	–	–	–	–	**68 340**	30 Aug 2017
	(50 250)	289 281		–	**417 410**	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

42. RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTEREST (continued)

42.3 Transactions with key management personnel (continued)

Interest of directors in contracts

A register detailing directors' interests in the Company is available for inspection at the Company's registered office.

Directors' service contracts

Directors do not have fixed term contracts, but executive directors are subject to notice periods of between one and three months. A twelve month notice period was applied to the previous Group chief executive and Group financial director. There is no material liability to the Group with respect to the contract of any director. Normal retirement of executive directors is at age 63, while non-executive directors are required to retire at age 70.

43. SUBSIDIARY COMPANIES

A list of the major subsidiary companies is set out in Annexure 1.

Although the Group does not own more than half of the equity shares of the following companies, it has the power to govern the financial and operating policies via inter alia shareholder agreements and therefore has control. Consequently these companies are consolidated as subsidiaries.

	% direct ownership	
	2012	2011
Murray & Roberts Abu Dhabi LLC	**49**	49
Murray & Roberts Contractors (Middle East) LLC	**49**	49
Murray & Roberts (Qatar) LLC	**49**	–
Johnson Arabia LLC*	**–**	49
BRC Arabia FZC	**49**	49
BRC Arabia LLC*	**–**	49
The following entity is not consolidated as the Group does not have control:		
Entilini Concession Proprietary Limited**	**75**	75
Peritus International (Proprietary) Limited*	**–**	54

* *Disposed of during the year.*
** *The Group does not have voting rights on the 25% held by empowerment partners and as a result the investment is equity accounted.*

44. EVENTS AFTER REPORTING DATE

The Steel Business, including CISCO, was disposed of at book value subsequent to the year-end in two separate transactions. The Steel Business transaction, excluding CISCO, is subject to Competition Commission approval.

The directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the Group annual financial statements, which significantly affects the financial position at 30 June 2012 or the results of its operations or cash flows for the year then ended.

45. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The most significant estimates and assumptions made in the preparation of these consolidated financial statements are discussed below.

Revenue recognition and contract accounting
The Group uses certain assumptions and key factors in the management of and reporting for its contracting arrangements. These assumptions are material and relate to:

- The estimation of costs to completion and the determination of the percentage of completion
- The recoverability of over claims
- The recognition of penalties and claims on contracts
- The recognition of contract incentives

The scale and duration of major projects secured by the Group over the past few years presented a number of challenges, not least of which is revenue recognition, such that neither present nor future shareholders are unduly prejudiced or advantaged relative to one another.

The Group has recognised in prior years uncertified revenue relating to claims and variation orders on projects. This mainly related to Gautrain Rapid Rail Link (Gautrain), Dubai International Airport Concourse 2 (Dubai Airport) and Gorgon Pioneer Materials Offloading Facility contract (GPMOF).

The Group utilises experts and probabilities in determining the amount to be recognised relating to uncertified revenues and that the amounts currently recognised are recoverable. A cumulative balance of R2 billion, net of on account payments has been recognised in the statement of financial position (refer to note 9).

The level of revenue recognition on construction contracts, which includes a portion of the claims submitted, is prudent and justifiable in terms of each contract, given the complexity and magnitude of claims and variation orders still to be resolved.

Estimated impairment of goodwill
Assumptions were made in assessing any possible impairment of goodwill. Details of these assumptions and risk factors are set out in note 4.

Estimation of the fair value of share options
Assumptions were made in the valuation of the Group's share options. Details of the assumptions used are set out in note 13.

Estimated value of employee benefit plans
Assumptions were made in the valuation of the Group's retirement and other benefit plans. Details of the assumptions and risk factors used are set out in note 19.

Other estimates made
The Group also makes estimates for the:

- Calculation of the provision for doubtful debts
- Determination of useful lives and residual values of items of property, plant and equipment
- Calculation of the provision for obsolete inventory
- Calculation of any provision for claims, litigation and other legal matters
- Calculation of any other provisions including warrantees, guarantees and bonuses
- Assessment of impairments and the calculation of the recoverable amount of assets
- Recognition of deferred taxation asset
- Calculation of the fair value of financial instruments including the service concessions (refer to note 7)
- Calculation of the fair value of assets, identifiable intangible assets and contingent liabilities on acquisition of businesses, and the determination of taxation liabilities

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

46. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

46.1 Standards and interpretations that are not yet effective

Set out below are the significant new and revised accounting standards and interpretations that apply in the future. Management is currently assessing the impact of these amendments and new interpretations.

Accounting Standard/Interpretation	Type	Effective date
IAS 1: Presentation of Financial Statements	Amendment	Financial years commencing on or after 1 January 2013
IAS 12: Deferred Tax: Recovery of Underlying Assets	Amendment	Financial years commencing on or after 1 January 2012
IAS 16: Property, Plant and Equipment	Amendment	Financial years commencing on or after 1 January 2013
IAS 19: Employee Benefits	Amendment	Financial years commencing on or after 1 January 2013
IAS 27: Separate Financial Statements	New	Financial years commencing on or after 1 January 2013
IAS 28: Investments in Associates and Joint Ventures	New	Financial years commencing on or after 1 January 2013
IAS 32: Financial Instruments – Presentation	Amendment	Financial years commencing on or after 1 January 2013
IAS 34: Interim Financial Reporting	Amendment	Financial years commencing on or after 1 January 2013
IFRS 7: Financial Instruments – Disclosure	Amendment	Financial years commencing on or after 1 January 2013
IFRS 9: Financial Instruments	New	Financial years commencing on or after 1 January 2015
IFRS 10: Consolidated Financial Statements	New	Financial years commencing on or after 1 January 2013
IFRS 11: Joint Arrangements	New	Financial years commencing on or after 1 January 2013
IFRS 12: Disclosure of Interest in Other Entities	New	Financial years commencing on or after 1 January 2013
IFRS 13: Fair Value Measurement	New	Financial years commencing on or after 1 January 2013
IFRIC 20: Stripping Costs in the production Phase of a Surface Mine	New	Financial years commencing on or after 1 January 2013
Certain improvements to IFRS 2012	Improvement	Each improvement has its own effective date the earliest being 1 January 2013

47. DISCLOSURE UPDATE

In the annual financial statements for the current year the Group enhanced certain disclosures required by IFRS. Comparative disclosures for the year ended 30 June 2011 were also included as part of this enhancement process. The notes impacted are as follows:

2. Property, plant and equipment
- Separate disclosure of impairment loss and impairment reversal recognised in the year and detail regarding the nature of the impairment and reversal.

8. Inventories
- Disclosure of amounts written down and reversal of such write downs as well as inventory carried at net realisable value.

10.2 Finance lease receivable
- Details regarding leasing arrangements.

14. Hedging and translation reserve
- The taxation effects of cash flow hedges have been separately disclosed.

19.3 Defined benefit plan – retirement benefit
- Movement in the present value of the funded liability.
- Movement in the fair value of plan assets.
- Disclosure of experience adjustments for the current year and previous four years.
- Major categories of plan assets.

19.4 Defined benefit plan – post retirement medical aid
- Movement in the present value of the funded liability.
- Movement in the fair value of plan assets.
- Disclosure of experience adjustments for the current year and previous four years.
- Major categories of plan assets.
- Sensitivity analysis of 1% change on current service cost and interest expense.

19.5 Defined benefit plan – disability benefit
- Movement in the present value of the funded liability.
- Movement in the fair value of plan assets.
- Disclosure of experience adjustments for the current year and previous four years.
- Major categories of plan assets.

19.6 Defined benefit plan – pension scheme
- Movement in the present value of the funded liability.
- Movement in the fair value of plan assets.
- Disclosure of experience adjustments for the current year and previous four years.
- Major categories of plan assets.

39. Capital commitments
- Detail regarding the Group's share of capital commitments in jointly controlled entities.

41.6 Credit risk management
- Disclosure of assets past due, but not impaired into more detailed ageing categories.

Annexure 3
- Disclosure of the inter-segmental revenue for the different operating segments.
- Disclosure of geographical information relating to revenue and non-current assets excluding deferred taxation assets.

MURRAY & ROBERTS HOLDINGS LIMITED

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Notes	2012	2011
STATEMENT OF FINANCIAL POSITION			
as at 30 June 2012			
ASSETS			
Non-current assets			
Investment in subsidiary company	2	**0,4**	0,4
Total non-current assets		**0,4**	0,4
Current assets			
Amount owing from subsidiary company	2	**3 355,5**	1 408,0
Amount owing from The Murray & Roberts Trust	3	**133,0**	188,9
Trade and other receivables		**–**	0,3
Cash and cash equivalents		**1,7**	1,0
Total current assets		**3 490,2**	1 598,2
TOTAL ASSETS		**3 490,6**	1 598,6
EQUITY AND LIABILITIES			
Equity			
Stated capital (2011: share capital and share premium)	4	**3 582,8**	1 672,8
Non-distributable reserve		**0,9**	0,9
Retained earnings		**(96,2)**	(78,7)
Total ordinary shareholder's equity		**3 487,5**	1 595,0
Current liabilities			
Trade and other payables		**3,1**	3,6
Total current liabilities		**3,1**	3,6
TOTAL EQUITY AND LIABILITIES		**3 490,6**	1 598,6

		2012	2011
STATEMENT OF FINANCIAL PERFORMANCE			
for the year ended 30 June 2012			
Revenue			
Dividends received from subsidiary companies		**–**	175,9
Fees received from subsidiary company		**5,3**	5,9
Total revenue		**5,3**	181,8
Total expenses		**(22,8)**	(80,2)
Impairment of loan		**(16,5)**	(74,3)
Auditors' remuneration		**(0,8)**	(0,7)
JSE fees		**(0,1)**	(0,1)
Other		**(5,4)**	(5,1)
(Loss)/profit before taxation		**(17,5)**	101,6
Taxation		**–**	–
(Loss)/profit for the year		**(17,5)**	101,6
Other comprehensive (loss)/income		**–**	–
Total comprehensive (loss)/income for the year		**(17,5)**	101,6

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Stated capital, share capital and share premium	Capital redemption reserve	Retained earnings	Attributable to owners of the parent
STATEMENT OF CHANGES IN EQUITY				
for the year ended 30 June 2012				
Balance at 30 June 2010	1 672,8	0,9	(4,4)	1 669,3
Total comprehensive income for the year	–	–	101,6	101,6
Dividends declared and paid	–	–	(175,9)	(175,9)
Balance at 30 June 2011	**1 672,8**	**0,9**	**(78,7)**	**1 595,0**
Total comprehensive loss for the year	**–**	**–**	**(17,5)**	**(17,5)**
Proceeds from rights issue to shareholders (net of transaction costs)	**1 910,0**	**–**	**–**	**1 910,0**
Balance at 30 June 2012	**3 582,8**	**0,9**	**(96,2)**	**3 487,5**

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
STATEMENT OF CASH FLOWS		
for the year ended 30 June 2012		
(Loss)/profit before taxation	**(17,5)**	101,6
Adjustment for:		
Dividends received	**–**	(175,9)
Impairment of loan	**16,5**	74,3
Changes in working capital	**(0,2)**	–
Decrease in trade and other receivables	**0,3**	–
Decrease in trade and other payables	**(0,5)**	–
Operating cash flow	**(1,2)**	–
Dividends paid	**–**	(175,9)
Cash flows from operating activities	**(1,2)**	(175,9)
Dividends received	**–**	175,9
Cash flows from investing activities	**–**	175,9
Proceeds on rights issue to shareholders	**1 910,0**	–
Increase in amounts owing from subsidiary company	**(1 947,5)**	(18,2)
Decrease in amounts owing from The Murray & Roberts Trust	**39,4**	18,4
Cash flows from financing activities	**1,9**	0,2
Net increase in cash and cash equivalents	**0,7**	0,2
Net cash and cash equivalents at beginning of the year	**1,0**	0,8
Net cash and cash equivalents at end of the year	**1,7**	1,0

NOTES TO THE MURRAY & ROBERTS HOLDINGS FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

These annual financial statements are prepared according to the same accounting policies used in preparing the consolidated financial statements of the Group other than accounting policy 1.3 which deals with the basis of consolidation.

The accounting policies are set out on pages 136 – 148.

2. INVESTMENT IN SUBSIDIARY COMPANY

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Shares at cost	**0,4**	0,4
Amount due	**3 355,5**	1 408,0
	3 355,9	1 408,4

The amount due from the subsidiary company is unsecured, interest free and does not have any fixed repayment terms (refer to Annexure 1 for details).

3. AMOUNT OWING FROM THE MURRAY & ROBERTS TRUST

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Amount due	**361,5**	400,9
Impairment of amount owing	**(228,5)**	(212,0)
Total due	**133,0**	188,9

The amount due from The Murray & Roberts Trust ("Trust") is unsecured, interest free and does not have any fixed repayment terms.

The Company has subordinated its claims against the Trust in favour of all other creditors of the Trust. The agreement between the Trust and the Company will remain in force and effect for as long as the liabilities of the Trust exceed its assets, fairly valued.

4. STATED CAPITAL (2011: SHARE CAPITAL AND PREMIUM)

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Authorised		
500 000 000 ordinary shares with a par value of 10 cents each	**–**	50,0
Issued and fully paid		
331 892 619 ordinary shares at par value of 10 cents each	**–**	33,2
Share premium	**–**	1 639,6
Total share capital and share premium	**–**	1 672,8
Authorised		
750 000 000 shares of no par value	**75,0**	–
Issued and fully paid		
444 736 118 shares of no par value		
Net stated capital	**3 582,8**	–

Changes in authorised and issued share capital

The Company has converted its share capital and share premium to no par value stated capital by means of a special resolution.

A rights issue was undertaken in April 2012 in which the Company issued 112 843 499 shares at a price of R18,00 per share resulting in gross proceeds of R2 031,2 million, with transaction costs of R121,2 million offset against stated capital.

5. EMOLUMENTS OF DIRECTORS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
Executive directors (paid by subsidiary companies)	**11,2**	28,3
Non-executive directors (paid by the Company)	**5,3**	5,0
Number of directors at year-end	**13**	16*

***Executive directors**
BC Bruce and RW Rees retired from the Board on 30 June 2011. TG Fowler resigned from the Board on 30 June 2011.

Non-executive directors
ADVC Knott-Craig resigned from the Board 17 January 2012. TCP Chikane was appointed to the Board on 15 June 2012.

Details of individual director emoluments are disclosed in note 42 on the consolidated financial statements.

6. CONTINGENT LIABILITIES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
There are contingent liabilities in respect of limited and unlimited guarantees covering loans, banking facilities and other obligations of joint venture and subsidiary companies and other persons; the ascertainable contingent liabilities at 30 June covered by such guarantees amounting to:	**4 270**	1 400

7. DERIVATIVE FINANCIAL INSTRUMENTS: CALL OPTIONS

In terms of the Broad-based Black Economic Empowerment transaction approved by shareholders on 21 November 2005, the Company has one call option to repurchase the shares in Murray & Roberts Letsema Khanyisa Proprietary Limited and Murray & Roberts Letsema Sizwe Proprietary Limited ("BBBEE subco's") at market value and on the following condition:

- 31 December 2015 call option
  On 31 December 2015, being the date on which the lock-in-period expires, if the value of the shares owned by the BBBEE subco's is less than the aggregate redemption amount of the funding.

  No value has been placed on this call option as it provides the Company with an option to repurchase the shares at market value and therefore does not expose the Company to any potential loss or gain.

  Following a review, the 31 December 2010 call option was not exercised as the structure at that date was still economically viable.

ANNEXURE 1 – MAJOR OPERATING SUBSIDIARIES AND ASSOCIATE COMPANIES

a) Direct

	Issued share capital amount in Rand	Interest in issued share capital		Cost of investment		Loan account	
		2012 %	2011 %	**2012 Rm**	2011 Rm	**2012 Rm**	2011 Rm
Murray & Roberts Investments Limited	68 000	**100**	100	**0,4**	0,4	**3 355,5**	1 408,0

b) Indirect

		Issued share capital (in Rands unless otherwise stated)	Proportion ownership interest		Proportion of voting power held	
			2012 %	2011 %	**2012 %**	2011 %
Murray & Roberts Limited		59	**100**	100	**100**	100
Construction Africa and Middle East						
Concor Proprietary Limited		6 673 797	**100**	100	**100**	100
Murray & Roberts (Namibia) Limited (incorporated in Namibia)	NAD	80 000	**100**	100	**100**	100
Murray & Roberts (Botswana) Limited (incorporated in Botswana)	BWP	2	**100**	100	**100**	100
Murray & Roberts Contractors (Middle East) LLC (incorporated in Dubai)	AED	2 000 000	**49**	49	**100**	100
Murray & Roberts Abu Dhabi LLC (incorporated in Abu Dhabi)	AED	2 000 000	**49**	49	**100**	100
Johnson Arabia LLC (incorporated in Dubai)*	AED	300 000	**–**	49	**–**	50
Tolcon Lehumo Proprietary Limited		100	**74**	74	**74**	74
Toll Road Concessionaires Proprietary Limited		12 000	**100**	100	**100**	100
PT Operational Services Proprietary Limited		1 000	**100**	66,67	**100**	66,67
Engineering Africa						
Wade Walker Proprietary Limited		101	**100**	100	**100**	100
Construction Products Africa						
Murray & Roberts Steel Proprietary Limited**		100	**100**	100	**100**	100
BRC Arabia (FZC) Limited	AED	2 000 000	**49**	49	**50**	50
BRC Arabia (LLC) Limited*	AED	300 000	**–**	49	**–**	50
Union Carriage and Wagon Company Proprietary Limited		8 160 000	**100**	100	**100**	100
Construction Global Underground Mining						
Cementation Canada Inc (incorporated in Canada)	CAD	2 700 010	**100**	100	**100**	100
Murray & Roberts Cementation Proprietary Limited		1 750 000	**100**	100	**100**	100
Cementation Sudamérica SA (incorporated in Chile)	USD	2 036	**90**	90	**90**	90
Cementation USA Inc (incorporated in Nevada, United States of America)	USD	5 000	**100**	100	**100**	100
Construction Australasia Oil & Gas and Minerals						
Clough Limited (incorporated in Australia)	AUD	232 614 001	**62**	62	**62**	62
Corporate						
Murray & Roberts Australia (Proprietary) Limited	AUD	1	**100**	100	**100**	100
Murray & Roberts International Limited (incorporated in British Virgin Islands)	USD	5 000 000	**100**	100	**100**	100
Murray & Roberts (Malaysia) Sdn. Bhd. (incorporated in Malaysia)	MYR	250 000	**100**	100	**100**	100
Associate companies						
Forge Group Limited	AUD	42 836 560	**35,9**	33,3	**35,9**	33,3
Bombela TKC Proprietary Limited		100	**25,0**	25,0	**25,0**	25,0
Bombela Operating Company Proprietary Limited		100	**23,9**	23,9	**23,9**	23,9
Northmid Corporate Park Proprietary Limited		100	**25,0**	50,0	**25,0**	50,0

* *Disposed of during the year.*
** *Disposed of during August 2012.*

ANNEXURE 2 – INTEREST BEARING BORROWINGS

	Financial years of redemption	Closing interest rate (effective NACM) 2012 %	2011 %	Amount 2012 Rm	2011 Rm
Secured					
Bullet Repayment	2013	**9,49**	–	**120,0**	–
Bullet Repayment	2013	**8,09**	–	**250,0**	–
Bullet Repayment	2013	**10,45**	–	**300,0**	–
Bullet Repayment	2013	**10,28**	–	**150,0**	–
Bullet Repayment	2013	**9,73**	–	**72,0**	–
Bullet Repayment	2013	**8,29**	–	**150,0**	–
Bullet Repayment	2013	**9,24**	–	**8,0**	–
Bullet Repayment	2013	**10,99**	–	**100,0**	–
Bullet Repayment	2014	**4,13**	3,88	**179,4**	150,8
				1 329,4	150,8
Unsecured					
One bullet repayment	2011	**–**	8,79	**–**	300,0
One bullet repayment	2012	**–**	8,92	**–**	300,0
One bullet repayment	2012	**–**	9,25	**–**	300,0
One bullet repayment	2013	**–**	7,71	**–**	500,0
Equal monthly instalments	2012	**4,86**	5,70	**20,2**	14,3
No fixed terms of repayment		**2,45**	2,30	**52,3**	44,9
Various obligations each under R10 million at varying rates of interest and on varying terms of repayment				**111,9**	165,8
Bank overdrafts				**38,5**	46,8
				222,9	1 671,8
Capitalised finance leases					
Plant and equipment				**372,6**	195,0
IT Equipment rentals				**0,1**	0,5
Specific project plant and equipment				**250,0**	316,8
Various plant and equipment financing				**9,6**	7,0
				632,3	519,3
Total Group				**2 184,6**	2 341,9
Reflected in the notes under:					
Long term loans (note 18)					
Interest bearing secured loans				**117,1**	100,6
Interest bearing unsecured loans				**–**	800,0
Capitalised finance leases				**376,5**	322,8
Bank overdrafts (note 11)				**38,5**	46,8
Short term loans (note 24)					
Current portion of long term borrowings				**1 396,7**	875,2
Current portion of capitalised finance leases				**255,8**	196,5
				2 184,6	2 341,9

ANNEXURE 3 – GROUP SEGMENTAL REPORT

The operating segments reflect the management structure of the Group and the manner in which performance is evaluated and resources allocated as managed by the Group's chief decision maker, as required per revised IFRS 8: Operating Segments.

The Group's operating segments are categorised as follows:

Construction Africa and Middle East
The Construction Africa and Middle East operating segment comprises of the following elements:

- **SADC Construction** engages the large to medium sector building, civil engineering, industrial and roads & earthworks construction markets of South Africa, Botswana and Namibia and pursues selected project opportunities elsewhere in SADC
- **Middle East** market is coordinated out of Dubai in the United Arab Emirates and projects are engaged through separate companies established in each jurisdiction and in joint venture with appropriate local partners. The primary market focus is major commercial facilities and selected infrastructure projects
- **Marine** engages the Africa, Middle East and Australasia markets to design and construct the marine infrastructure
- **PPP Investments & Services** includes the Tolcon Group of companies who operate various tollroad and rail concessions throughout South Africa and investment in selected concession companies

Engineering Africa engages large scale engineer, procure, construct and manage ("EPCM") and engineer, procure and construct ("EPC") projects in the industrial, mining and power markets.

Construction Products Africa manufacture and supply value-added construction products to the infrastructure and building markets of South Africa and the rest of Africa. Principal raw material inputs are steel, cement, aggregate, bitumen and clay.

Construction Global Underground Mining comprises of five constituents based in Johannesburg South Africa, North Bay in Ontario Canada, Salt Lake City USA, Kalgoorlie Western Australia and Santiago Chile which are coordinated out of London. The segment provides specialist engineering, construction and operational services in the underground mining environment worldwide.

Construction Australasia Oil & Gas and Minerals is based in Perth, Western Australia and delivers a variety of engineering, procurement and construction services.

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

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

Segmental assets
All operating assets used by a segment, principally property, plant and equipment, investments, inventories, contracts-in-progress and receivables, net of allowances. Cash and taxation balances are excluded. Segment assets are allocated to the geographic segments based on where the assets are located.

Segmental liabilities
All operating liabilities of a segment, principally accounts payable, subcontractor liabilities and external interest bearing borrowings. Bank overdrafts and taxation balances are excluded.

ANNEXURE 3 – GROUP SEGMENTAL REPORT CONTINUED

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Construction Africa and Middle East	Engineering Africa	Construction Products Africa	Construction Global Underground Mining	Construction Australasia Oil & Gas and Minerals	Corporate and Properties	Group
2012							
Revenue*	**8 108**	**5 213**	**3 738**	**9 859**	**8 484**	**4**	**35 406**
Inter-segmental revenue	**57**	**36**	**28**	**27**	**10**	**–**	**158**
Gross revenue	**8 165**	**5 249**	**3 766**	**9 886**	**8 494**	**4**	**35 564**
Results							
(Loss)/profit before interest and taxation	**(1 317)**	**200**	**197**	**605**	**286**	**(132)**	**(161)**
Net interest (expense)/income	**(69)**	**(71)**	**(122)**	**(1)**	**28**	**(13)**	**(248)**
(Loss)/profit before taxation	**(1 386)**	**129**	**75**	**604**	**314**	**(145)**	**(409)**
Taxation (expense)/credit	**(79)**	**(61)**	**(15)**	**(177)**	**(53)**	**140**	**(245)**
(Loss)/profit after taxation	**(1 465)**	**68**	**60**	**427**	**261**	**(5)**	**(654)**
Income from equity accounted investments	**9**	**–**	**–**	**–**	**134**	**–**	**143**
(Loss)/profit from discontinued operations	**(1)**	**–**	**(78)**	**–**	**(60)**	**58**	**(81)**
Non-controlling interests	**(9)**	**(4)**	**(1)**	**1**	**(131)**	**–**	**(144)**
(Loss)/profit attributable to owners of Murray & Roberts Holdings Limited	**(1 466)**	**64**	**(19)**	**428**	**204**	**53**	**(736)**
2011							
Revenue*	9 108	4 094	4 157	7 789	5 387	–	30 535
Inter-segmental revenue	3	189	58	22	12	–	284
Gross revenue	9 111	4 283	4 215	7 811	5 399	–	30 819
Results							
(Loss)/profit before interest and taxation	(1 399)	(51)	192	602	269	(291)	(678)
Net interest (expense)/income	(44)	(19)	(189)	14	29	15	(194)
(Loss)/profit before taxation	(1 443)	(70)	3	616	298	(276)	(872)
Taxation (expense)/credit	(106)	98	(1)	(189)	(17)	19	(196)
(Loss)/profit after taxation	(1 549)	28	2	427	281	(257)	(1 068)
(Loss)/income from equity accounted investments	(2)	–	(12)	–	91	9	86
(Loss)/profit from discontinued operations	(132)	–	(517)	–	(45)	28	(666)
Non-controlling interests	(6)	(4)	6	3	(86)	–	(87)
(Loss)/profit attributable to owners of Murray & Roberts Holdings Limited	(1 689)	24	(521)	430	241	(220)	(1 735)

* *Segmental revenue reported above represents revenue generated from external customers.*

ANNEXURE 3 – GROUP SEGMENTAL REPORT CONTINUED

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Notes	Construction Africa and Middle East	Engineering Africa	Construction Products Africa	Construction Global Underground Mining	Construction Australasia Oil & Gas and Minerals	Corporate** and Properties	Group
Operating segments								
2012								
Statement of financial position								
Segmental assets	1	**5 683**	**2 102**	**2 755**	**3 606**	**3 995**	**188**	**18 329**
Segmental liabilities	2	**5 086**	**1 792**	**1 169**	**2 312**	**2 906**	**1 650**	**14 915**
Investments in associate companies*		**30**	**–**	**–**	**–**	**855**	**–**	**885**
Assets classified as held-for-sale*		**32**	**–**	**656**	**–**	**185**	**32**	**905**
Liabilities directly associated with a disposal group held-for-sale*		**–**	**–**	**211**	**–**	**38**	**–**	**249**
Other information								
Purchases of property, plant and equipment		**174**	**67**	**79**	**548**	**72**	**19**	**959**
Purchases of other intangible assets		**1**	**–**	**–**	**4**	**10**	**2**	**17**
Depreciation		**141**	**140**	**82**	**250**	**31**	**21**	**665**
Amortisation of other intangible assets		**8**	**1**	**–**	**10**	**2**	**4**	**25**
Impairment of property, plant and equipment		**1**	**–**	**30**	**–**	**–**	**–**	**31**
Reversal of impairment on property, plant and equipment		**4**	**–**	**2**	**1**	**–**	**–**	**7**
Impairment of receivables		**19**	**2**	**36**	**1**	**4**	**–**	**62**
People		**7 723**	**8 283**	**5 191**	**18 613**	**4 785**	**115**	**44 710**
2011								
Statement of financial position								
Segmental assets	1	5 201	1 241	3 166	2 708	3 354	236	15 906
Segmental liabilities	2	5 300	1 224	1 448	1 708	2 039	2 046	13 765
Investments in associate companies*		35	–	2	–	527	–	564
Assets classified as held-for-sale*		505	–	1 026	–	1 298	31	2 860
Liabilities directly associated with a disposal group held-for-sale*		123	–	395	–	663	1	1 182
Other information								
Purchases of property, plant and equipment		132	174	76	356	80	14	832
Purchases of other intangible assets		1	–	–	4	3	4	12
Depreciation		164	86	121	173	65	20	629
Amortisation of other intangible assets		3	1	1	9	8	4	26
Impairment of property, plant and equipment		–	–	270	7	–	23	300
Reversal of impairment on property, plant and equipment		–	–	–	22	–	–	22
Impairment of receivables		568	–	107	–	–	–	675
People		10 140	5 193	6 377	16 952	3 636	124	42 422

* *Amounts included in segmental assets and liabilities.*

** *Corporate segmental assets include the inter-segment eliminations of group loans and receivables.*

ANNEXURE 3 – GROUP SEGMENTAL REPORT CONTINUED

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2012	2011
NOTES		
1. RECONCILIATION OF SEGMENTAL ASSETS		
Total assets	**22 442**	19 560
Cash and cash equivalents	**(3 388)**	(3 101)
Current taxation assets	**(91)**	(83)
Deferred taxation assets	**(634)**	(470)
Segmental assets	**18 329**	15 906
2. RECONCILIATION OF SEGMENTAL LIABILITIES		
Total liabilities	**15 340**	14 239
Bank overdrafts	**(39)**	(47)
Current taxation liabilities	**(175)**	(116)
Deferred taxation liabilities	**(211)**	(311)
Segmental liabilities	**14 915**	13 765

Geographical information

The Group operates in four principal geographical areas – Southern Africa, with South Africa as the country of domicile, Middle East, Australasia & Southeast Asia and North America & other.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Revenue		Non-current assets*	
	2012	2011	2012	2011
Southern Africa	**20 504**	18 479	**4 635**	3 833
Middle East	**1 356**	2 494	**1 182**	12
Australasia & Southeast Asia	**10 332**	7 276	**1 424**	882
North America & other	**3 214**	2 286	**519**	366
	35 406	30 535	**7 760**	5 093

* *Non-current assets exclude deferred tax assets.*

Major customers

There were no customers in the year under review or in the prior year that individually made up greater than 10% of the Group's revenue.