Murray & Roberts

DELIVERING ON OUR PROMISE OF A NEW STRATEGIC FUTURE

OIL & GAS + UNDERGROUND MINING + POWER & WATER

ANNUAL INTEGRATED REPORT

2018

ABOUT THIS REPORT

Our integrated report, for the year ended 30 June 2018, presents the strategy, governance, performance and prospects of the Group, including our wholly-owned business platforms and the investments in which we have significant influence.

This is the first integrated report of a fundamentally reshaped Murray & Roberts. The Group has transformed from being a predominantly South African civil and building contractor, to a multinational engineering and construction Group focused on the natural resources market sectors.

The report is aimed primarily at providers of financial capital, our employees, clients and business partners. It is also likely to be of interest to a broader readership, as it covers our relationships and interactions with stakeholders deemed to be material to our ability to deliver on our strategy and to our reputation in the multinational markets in which we operate.

The report follows the same structure as last year, with the content index alongside setting out what is available in print and the supplementary information provided online. To better connect the information in different parts of the report, the Group chief executive's and financial director's report and business platform reviews are structured according to the material issues.

PG 38
Group chief executive's and financial director's report

ONLINE
Full business platform reports

PG 98
Summarised financial report

ONLINE
Full annual financial statements

Materiality

Murray & Roberts defines material issues as those issues that substantively affect its ability to sustain its strategic, operational and financial performance, and those that are most likely to affect stakeholders' assessments of the Group's ability to create value over time. The materiality determination process considered the top issues that the Board and management dealt with during the year, the Group's register of strategic risks, and issues raised through engagement with analysts and investors, business associations, non-governmental organisations and other civil society structures, as well as those reported on in the media. These issues were workshopped into four themes and related material issues for the Group and each business platform, and were approved by the Group executive leadership.
The material issues provided the basis for preparing the report, to support focused and connected reporting.

PG 22
Material issues

Integrated thinking

The Board committee structure, which has significant overlap in membership, the Group organisational framework and Group sustainability framework promotes integrated decision-making through defined policy, approval and assurance processes. The Group's approach to ethical leadership, corporate citizenship and sustainability, both in managing the pertinent risks and impacts, and in seeking competitive advantage as a contractor of choice and an employer of choice in its markets, are consolidated in the principle of *Engineered Excellence*, which embeds integrated approaches and stakeholder responsiveness at operational level.

PG 10
Delivering *Engineered Excellence*

Reporting frameworks

The information included in this integrated report is provided in accordance with IFRS, the South African Companies Act 2008, the JSE Listings Requirements and King IV. The Board has considered the requirements of King IV and complies with its principles. We have taken cognisance of the International Integrated Reporting Council's Integrated Reporting Framework published in December 2013, and subsequently adopted by the JSE Limited. Our sustainability reporting across the printed and online platforms has been prepared in accordance with the GRI Sustainability Reporting Standards.

ONLINE
King IV application register

ONLINE
GRI content index

ONLINE
Auditors' report

Assurance

IBIS ESG Assurance (Pty) Limited provided limited assurance over selected non-financial performance indicators. Accredited rating agency, EmpowerLogic, has verified the Group's BBBEE rating and scorecard.

ONLINE
Assurance statement

Approval

The audit & sustainability committee, responsible for overseeing the preparation and presentation of the integrated report and ensuring its integrity, believes that the integrated report addresses all the material issues that have a bearing on the Group's ability to create value over the short, medium and long term and have recommended it for Board approval, which was obtained on 29 August 2018.

PG 124
Important information on forward looking statements

CONTENTS

WWW ONLINE

Supplementary information online
www.murrob.com/inv-annual-reports.asp

FEEDBACK

This integrated report is intended to provide the basis for meaningful engagement with our stakeholders. We welcome your feedback which can be provided to Ed Jardim, Group investor and media executive at ed.jardim@murrob.com.

GLOSSARY

A glossary of acronyms and terms used in this report is provided on page 122.


Air Liquide
Liquide

GROUP OVERVIEW

DELIVERING ON THE PROMISE OF A NEW STRATEGIC FUTURE

- > Well diversified for sustainable growth through the cycle.
- > Strong medium-term growth profile across the portfolio.
- > Sustainable competitive advantage underpinned by ***Engineered Excellence.***
- > Financial position supports capacity for organic and acquisitive growth.
- > Clear strategy for focused value creation.
- > Well governed with proven leadership.

The essence of the *New Strategic Future*

- > Be a multinational specialised engineering and construction group focused on the natural resources sector (oil & gas, metals & minerals, power & water)
- > Provide services across the project life cycle
- > Achieve *Engineered Excellence* in all aspects of the business including health & safety, risk & commercial and project delivery
- > Achieve growth organically and through acquisition
- > Enhance shareholder value

PG 34
Chairman's statement

PG 38
Group chief executive's and financial director's report

DIVERSIFIED FOR SUSTAINABLE GROWTH

The Group's strategic focus on selected global natural resources market sectors is informed by the positive long-term demand drivers of global population growth, urbanisation and economic growth. Whereas this exposes the Group to commodity demand cycles, the geographic and project life cycle diversification of our business platforms provides a blend of revenue and earnings. Tactical diversification into complementary markets, based on the platforms' regional capabilities and footprint, further mitigates the impact on the Group at the bottom of the commodity cycle. The combination of portfolio diversification and strategic flexibility protects the resilience of our revenue and earnings through the cycle.

Murray & Roberts Holdings Limited

A GROUP OF WORLD-CLASS COMPANIES AND BRANDS ALIGNED TO THE SAME PURPOSE, VALUES AND VISION

STOP. THINK. ACT. 24/7: SAFETY FIRST IN EVERYTHING WE DO

PURPOSE

Enabling fixed capital investments that support the advancement of human development

VALUES

- Integrity
- Respect
- Care
- Accountability
- Commitment

VISION

To be a leading multinational engineering and construction group that applies our project life cycle capabilities to optimise clients' fixed capital investment

Full service offering across regions and project life cycle

	CAPABILITIES	GEOGRAPHIES
OIL & GAS	+ Detailed engineering + Procurement + Construction + Commissioning & maintenance	AFRICA AMERICAS ASIA AUSTRALIA EUROPE
UNDERGROUND MINING	+ Detailed engineering + Procurement + Construction + Commissioning & maintenance + Operations	AFRICA AMERICAS ASIA AUSTRALIA EUROPE
POWER & WATER	+ Detailed engineering + Procurement + Construction + Commissioning & maintenance	AFRICA

PROJECT LIFE CYCLE

Design and engineering/ technical consulting → Process engineering, procurement and construction → Construction → Service and operations

ENGINEERED EXCELLENCE

The Group's Purpose connects our capabilities to the investment our clients make in the project infrastructure that supports socioeconomic development in their industries and markets, which is the principal shared outcome of our business model. The Group's Values guide the execution of our conduct and capabilities, which are delivered according to the principle of *Engineered Excellence*. Together, they underpin the Group's reputation among our stakeholders, the primary point of reference for the leadership aspiration espoused in our Vision.

PG 38
Group chief executive's and financial director's report

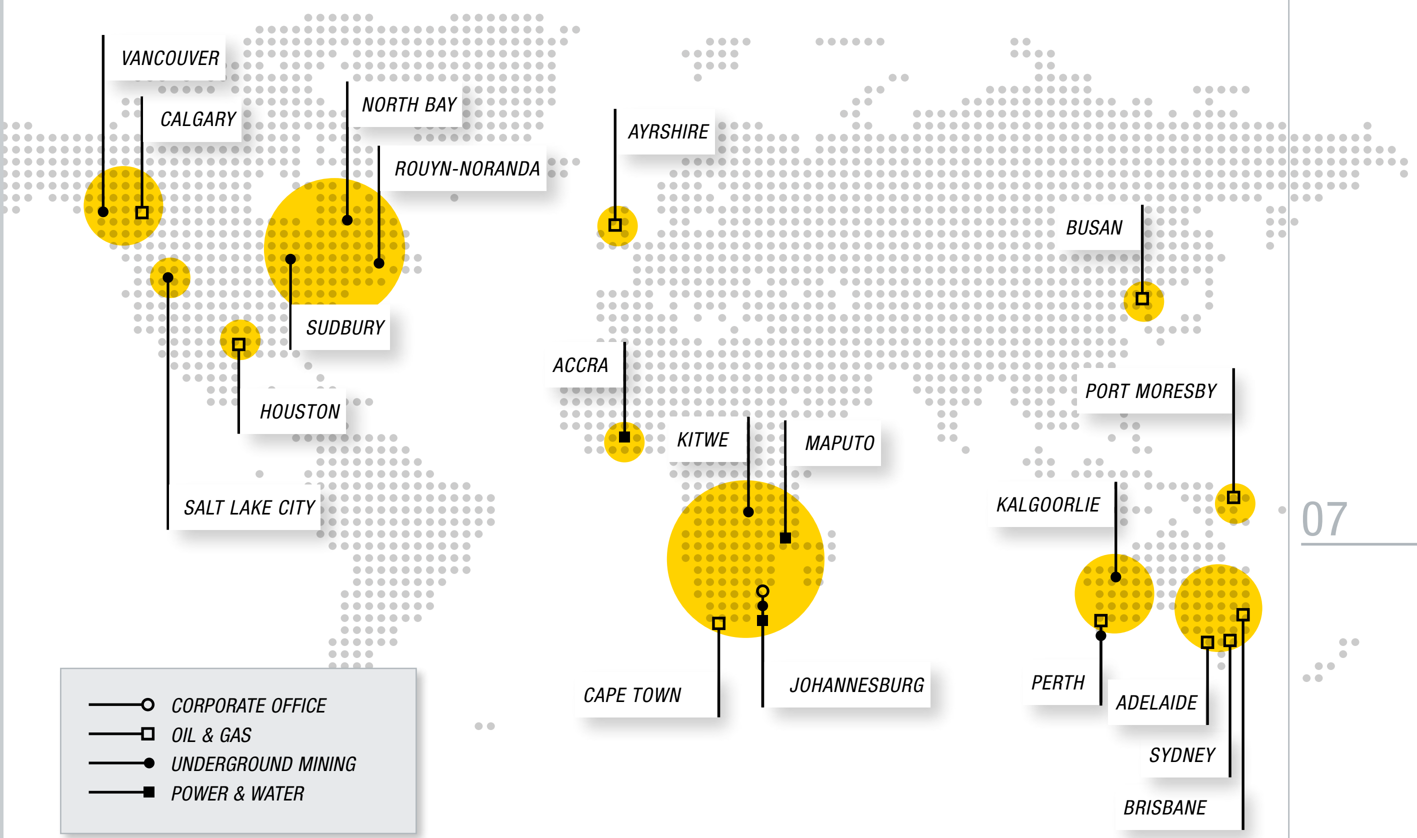
PG 44
Business platform overviews

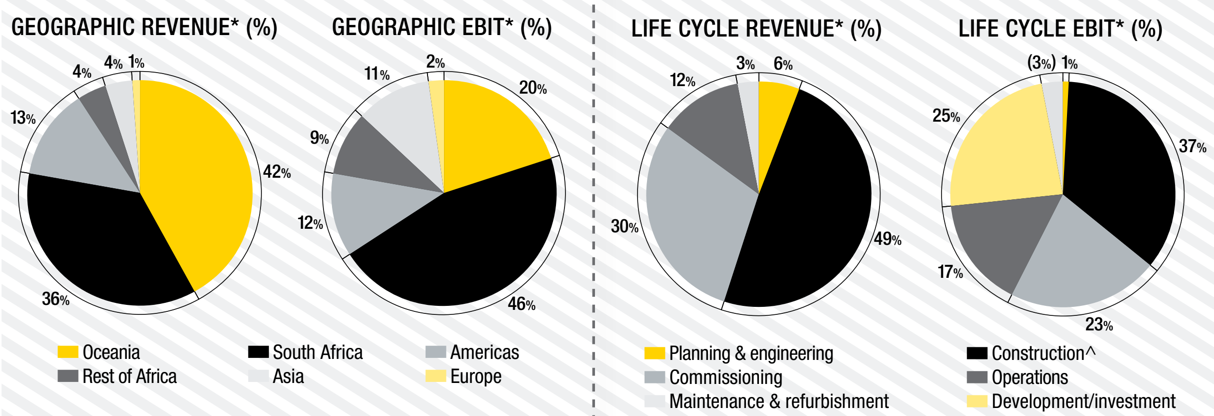
www **ONLINE**
Full business platform reports

Geographic and project life cycle diversification

Besides being a counter to cyclicality, geographic and project life cycle diversification are functions of client focus.

The Group's geographic footprint is focused on establishing a permanent presence in high-growth regions for our clients. We also support clients on an ad hoc basis in geographies where we do not have a permanent presence. The Group's capabilities across the project life cycle enables us to provide a seamless and competitive service offering, while diversifying our revenue and margin mix.





* Excluding Corporate, Middle East and BCJV.

^ Not civil and building construction.

PG 38
Group chief executive's and financial director's report

PG 44
Business platform overviews

ONLINE
Full business platform reports

STRONG MEDIUM-TERM GROWTH PROFILE

The diversification and growth potential of our business platforms display the progress the Group has made to deliver on the *New Strategic Future* plan, **to transform from a predominantly South African construction business to a multinational engineering and construction services group**, focused on selected natural resources market sectors.

An independent review of the *New Strategic Future* plan during the year confirmed the Group's strategic direction and clarified the business platforms' priorities for sustainable growth, profitability and competitiveness through the commodity cycle.

- Global LNG markets are set to remain in oversupply until at least 2020/21, and there is currently little opportunity for new greenfield LNG developments in Australia.
- Although activity remains subdued LNG, capital expenditure is expected to accelerate to US$25 billion in Australia and US$353 billion in North America by 2022.
- By extending into complementary markets the platform is set for significant growth in the short term and is mitigating the impact of low activity and high competition for significantly smaller projects in the core oil & gas market.

Key strategic responses:

- Establish strong position in complementary markets, focusing on Australia's metals & minerals and infrastructure sectors.
- Maintain current strong businesses in oil and gas markets in Australasia.
- Grow international businesses by actively pursuing acquisitions, specifically to gain credible EPC capability in the USA.

PG 46 Oil & Gas business platform overview
WWW **ONLINE** Full business platform reports

- Capital expenditure in the mining sector is forecast to rise to US$61 billion by 2022 across the Americas, Africa and Australasia, 94% of the global total.
- Key lead indicators suggest the sector is moving into an upturn as investment in exploration projects are at their highest level in six years and mining equipment delivery times are extending.
- Managing higher working capital requirements and competing effectively for the technical capacity to service a rapid upturn in activity are priorities.

Key strategic responses:

- Focus on organic growth, with targeted acquisitions being considered in Africa and North America.
- Enhance profitability through *Engineered Excellence*, strong financial discipline and maximising opportunities across the value chain.
- Leverage structured approach to innovation.
- Increase contract mining contribution.
- Enter into strategic partnerships and JVs to access target markets.

PG 50 Underground Mining business platform overview
WWW **ONLINE** Full business platform reports

- In the power sector, capital expenditure of US$11 billion is forecast in South Africa and US$45 billion in the rest of Africa. In the domestic water sector, spending of US$4 billion is expected by 2020.
- The completion of the power programme at Medupi and Kusile will create capacity to provide maintenance services on these sites, as well as capacity and capability that is transferable to new-build coal, solar and gas-to-power projects.
- Delays in infrastructure investment in South Africa, despite national infrastructure backlogs, continue to result in the deferral of contracts.

Key strategic responses:

- Targeted opportunities in the renewable energy sector and new generation coal power, solar and gas-to-power sectors.
- Expand offering in complementary resource and industrial markets, focusing on:
  - Transmission and distribution
  - Repairs and maintenance
  - Industrial water
  - Gas-to-power infrastructure.
- Focused organic growth will be supplemented by targeted bolt-on acquisitions.
- Enter into strategic partnerships and JVs to access target markets.

PG 54 Power & Water business platform overview
WWW **ONLINE** Full business platform reports

DELIVERING ENGINEERED EXCELLENCE

Engineered Excellence informs every aspect of our business, and supports our aspiration to be a contractor of choice and an employer of choice across our markets.

This operating principle drives continuous improvement in project risk management and delivery, to minimise losses and protect margins, and achieve industry leading health, safety and environmental performance, which is as important to our clients as it is to our people.

CONTRACTOR OF CHOICE

The Group aims to achieve excellence and deepen specialism in all areas of project delivery, from disciplined risk management to leveraging technology, to enhance our competitive advantage.

EMPLOYER OF CHOICE

Ethical leadership, employee health and safety, diversity and localisation are strategic priorities, enabling us to attract, retain and engage high-calibre and high-performing employees who live the Group's Values, in highly competitive markets.

PG 44
Business platform overviews

www
ONLINE
Full business platform reports

CONTRACTOR OF CHOICE

Our credibility and reputation as a leading multinational engineering and construction group, delivering project excellence, is an important differentiator in the competitive markets in which we operate, supporting our ability to win work. The disciplined management of commercial and execution risk in tendering for and delivering projects has minimised our loss-making projects and supports our profitability. Our competitiveness and profitability are in turn underpinned by our integrated governance, risk and sustainability management frameworks.

ORDER BOOK
(CONTINUING)

R30,1 BILLION ↑

30 JUNE 2017: R26,9 billion

ATTRIBUTABLE EARNINGS

R267 MILLION ↑

FY2017: R48 million

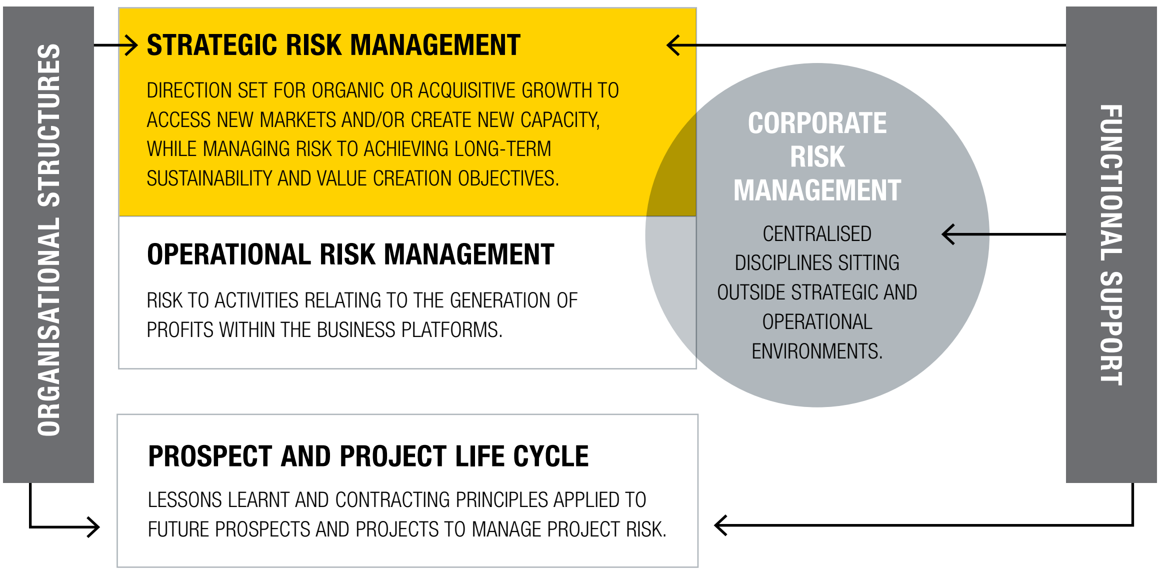
EBIT

R864 MILLION ↑

FY2017: R487 million

Group risk management framework

The business platforms deliver the Group's business aspirations and are held accountable for the non-negotiable operating principle of *Engineered Excellence*. Risk is managed by the platforms within the Group's defined risk tolerance framework and aligned to specific contracting principles. A well-constituted governance structure ensures effective strategic direction and oversight of the business platforms from the corporate office and the Board.



PG 64
Risk management report

EMPLOYER OF CHOICE

The Board leads the Group in striving to achieve the highest standards of business integrity, ethics and corporate governance, in the pursuit of its strategic and business objectives. The Group's Values and sustainability management frameworks support its aspirations to be recognised as an employer of choice in our operations. This determines our ability to employ, develop and retain high-performing and engaged employees who are technically competent.

TRAINING SPEND[1]

R130 ↓ MILLION

FY2017: R144 million

BURSARIES AWARDED

R5,2 ↑ MILLION

FY2017: R4,8 million

CSI SPEND

R7,2 ↑ MILLION

FY2017: R5,7 million

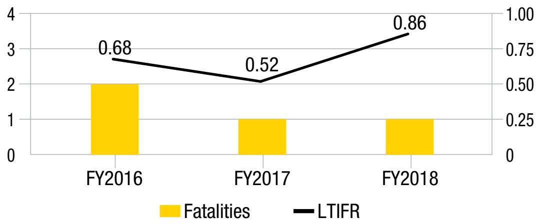
1 Reduction due to lower headcount, largely due to power programme demobilisation.

Health and safety

The Group maintained an industry-leading safety performance during the year. Regrettably, however, we experienced a fatality in the Underground Mining platform on 17 October 2017. The Oil & Gas and Power & Water platforms continued to improve their world-class performance.

www **ONLINE**
Our employees, transformation and economic development report

SAFETY PERFORMANCE



LTIFR[2]

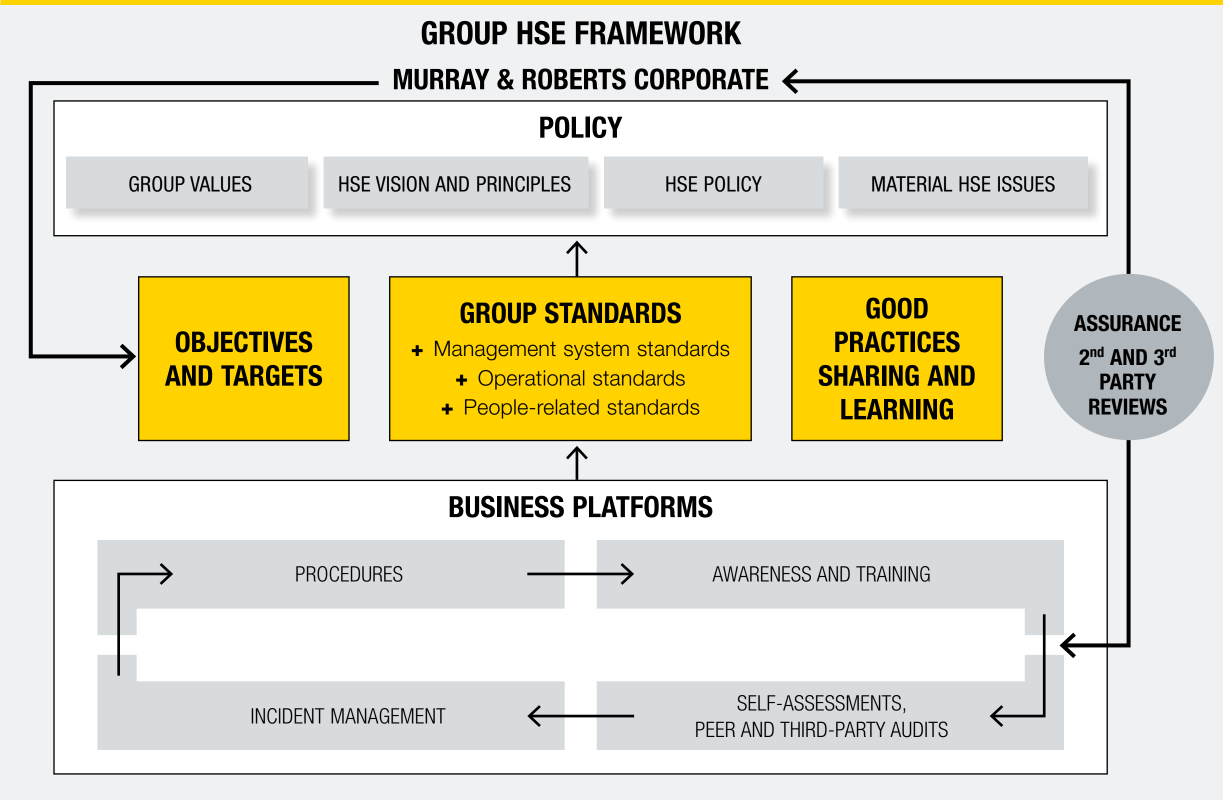
0,86

FY2017: 0,52

2 Lost Time Injury Frequency Rate.

Achieving Zero Harm

The Group remains firm in the belief that Zero Harm is possible, notwithstanding the challenging environments in which our people operate. We work towards continuous health and safety improvement by better understanding exposure risk, benchmarking ourselves against clients and peers, and by implementing lessons learnt from incidents and audits. Deploying technology that lowers the baseline risk at project level is also a focus. The Group health & safety framework outlines the role, responsibility and accountability of the corporate office and business platforms, and implements recommendations from independent experts and from ongoing risk assessments and audits.



www **ONLINE**
World-class health and safety performance

OUR CONTRIBUTION TO SOCIETY

The Murray & Roberts Community Development Programme prioritises education and skills development to support socioeconomic development. Effective partnerships and engagement with our host communities and employees has ensured that the programme responds to their needs and expectations.

Businesses across the Group participate in local corporate social investment initiatives as well as encouraging active employee volunteering programmes.

FINANCIAL POSITION SUPPORTS CAPACITY FOR GROWTH

The principle of *Engineered Excellence* underpins the Group's sustainable competitive advantage and its ability to deliver resilient financial performance, and protects margins and profitability through the cycle. The Group's financial position is strong, despite the impact of challenging markets on its performance in the last two years, with adequate capacity to fund our organic and acquisitive growth plans.

With a well-defined business model and strategy, and a focused portfolio of quality assets, the Group is positioned to deliver sustainable growth and earnings improvements.

REVENUE (CONTINUING)
R21,8↑ BILLION
FY2017: R21,4 billion

ORDER BOOK (CONTINUING)
R30,1↑ BILLION
30 JUNE 2017: R26,9 billion

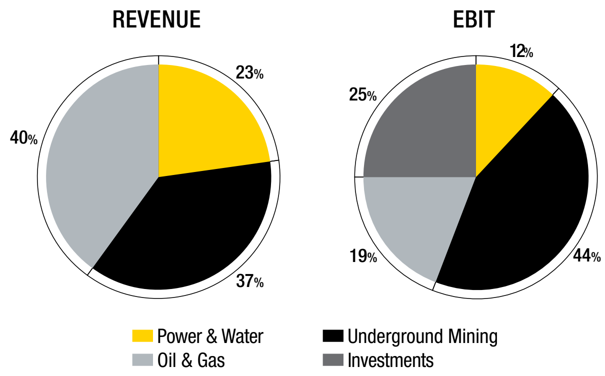
DIVIDEND
50↑ CENTS
FY2017: 45 cents

ATTRIBUTABLE EARNINGS
R267↑ MILLION
FY2017: R48 million

HEPS (DILUTED CONTINUING)
112↑ CENTS
FY2017: 72 cents

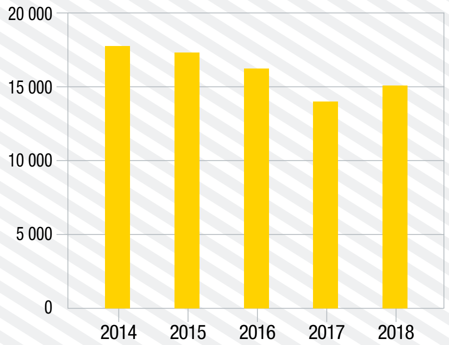
NET CASH
R2,0↑ BILLION
30 JUNE 2017: R1,8 billion

PLATFORM REVENUE AND EBIT CONTRIBUTION (%)*

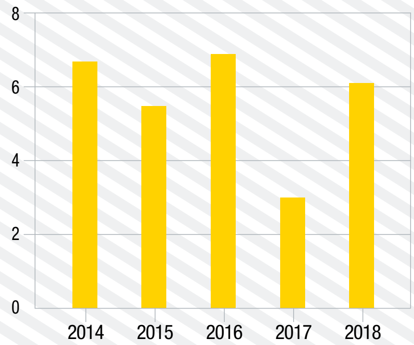


* *Excluding Corporate, Middle East and BCJV.*

CREATION OF VALUE
(R million)



RETURN ON AVERAGE TOTAL ASSETS
(%)



PG 114
Statement of value created

Investment margins and aspirations

Our aspirations for the medium to longer term remain unchanged, supported by the evolution of our strategy in response to market expectations across our portfolio.

CRITERIA & METHOD

MARGIN

EBIT[1] / Revenue

ASPIRATION 5% – 7.5%

RESULTS	
FY2018	**4.0%**
FY2017	2.3%
FY2016	4.9%

GEARING

Total interest bearing debt / Ordinary shareholders equity

ASPIRATION 20% – 25%

RESULTS	
FY2018	**7.3%**
FY2017	8.9%
FY2016	14.4%

ROE[2]

Net profit attributable to ordinary shareholders / Average ordinary shareholders' equity

ASPIRATION 17.5% through cycle

RESULTS	
FY2018	**4.0%**
FY2017	0.7%
FY2016	11%

ROICE[3]

(Taxed EBIT + Income from associates) / Total capital employed[5]

ASPIRATION WACC[4] (13%) plus 1% – 4%

RESULTS	
FY2018	**7.5%**
FY2017	2.6%
FY2016	10.9%

FREE CASH FLOW

Operating cash flow – Replacement CAPEX[6] + Proceeds on disposal of PPE & Intangibles / Number of shares

ASPIRATION N/A

RESULTS	
FY2018	**Cash positive**
FY2017	Cash positive
FY2016	Cash positive

RONA[7]

Taxed EBIT + Income from associates / Total net assets (excl tax and cash)

ASPIRATION 18% after Taxed EBIT

RESULTS	
FY2018	**11.1%**
FY2017	4.1%
FY2016	17%

TSR[8]

(Increase in share price year on year + Dividend per share) / Share price (PY)

ASPIRATION Relative to peers

RESULTS	
FY2018	**Above average**
FY2017	Above average
FY2016	Above average

KEY:

1. *Earnings before interest and tax*
2. *Return on equity*
3. *Return on invested capital*
4. *Weighted average cost of capital*
5. *Total capital employed = total equity + interest bearing debt – net assets held for sale – cash + advance payments*
6. *Capital expenditure*
7. *Return on net assets*
8. *Total shareholder return*

PG 38
Group chief executive's and financial director's report

PG 98
Summarised financial report

WWW **ONLINE**
Full annual financial statements

FOCUSED VALUE CREATION

PG 38 Group chief executive's and financial director's report

Value drivers	Corporate action	Key considerations	FY18	FY19	FY20
Strategy execution and delivery	Strategic focus	+ Focus on strategic oversight and capital allocation, to support the clear medium-term business plans across the business platforms.	✓	✓	✓
		+ Continue to expand internationally.	✓	✓	✓
		+ Close-out Middle East projects and office, and the Dubai Airport claim.	✓		
	Mergers and acquisitions	+ Identify and conclude value-accretive acquisitions in growth markets, specifically the USA and Asia.	✓	✓	
		+ Continue to reposition the business platforms in developed markets and higher margin segments of the project life cycle.	✓	✓	✓
Operational performance	Performance management	+ Hold business platforms accountable to non-negotiable operating principle of *Engineered Excellence.*	✓	✓	✓
		+ Deliver and exceed ROICE targets and earnings guidance.		✓	✓
Optimal capital structure	Balance sheet management	+ Target appropriate gearing level to support sustainable growth in context of commodity cycle and market volatility.		✓	✓
Cash returns to shareholders	Dividend policy	+ Maintain dividend policy and reinvest excess cash in value-creating acquisitive growth.	✓	✓	✓
Strong shareholder register	Shareholder engagement	+ Secure support from shareholders on strategy and value proposition and deliver returns despite challenging macroeconomic conditions.	✓	✓	✓

The progress made in de-risking the Group has allowed us to shift our strategic focus to optimising the competitive positions and earnings potential of our business platforms for the longer term, in line with their market opportunities. Our disciplined approach to managing the complex risks across our multinational operations, through robust and well-defined risk management processes and practices, supports our ability to deliver on our strategy and create value in the longer term. The table below shows the link between our strategic objectives and top risks, the mitigation of which are detailed in the actions we are taking to manage our material issues and in the risk management report.

Risk drivers PG 64 Risk management report	Link to material issues PG 22 Material issues
STRATEGIC RISK + Global economy remains depressed. + South African pipeline opportunities. + Order book replenishment. + Ongoing weakness in oil & gas markets and low oil prices. + Grow international businesses. + Slow pace of transformation within the Group. + Lack of leadership capacity. **CORPORATE RISK** + Complete Middle East projects and closure of this operation. + Recovery of uncertified revenues on the Dubai Airport claim. **OPERATIONAL RISK** + Resource capacity constraints impacting rapid organic growth in the Underground Mining platform as the commodity cycle outlook improves. + Securing new work in the Oil & Gas platform.	**Strategic delivery** + Manage constraints to growth in the short term (resolve claims and non-performing operations). + Effectively manage capital and liquidity. + Achieve business model maturity and optimise growth potential over the medium and longer term. **Employer of choice** + Develop quality management skill and succession depth. + Attract and retain high-performing talent. **Corporate reputation** + Maintain commercial and social legitimacy.
STRATEGIC RISK + Safety, health & wellness and environmental exposures. **OPERATIONAL AND PROJECT RISK** + Industrial unrest in South Africa. + Ineffective project management across the life cycle and project losses. + Unethical conduct and collusive behaviour. + Unsatisfactory commercial close-out on the South African power programme. + Unfavourable outcome of the Grayston temporary works collapse inquiry. + Inability to favourably settle disputes.	**Strategic delivery** + Manage constraints to growth in the short term (resolve claims). + Effectively manage capital and liquidity (ensure disciplined fixed cost management). + Achieve business model maturity and optimise growth potential over the medium and longer term. **Contractor of choice** + Achieve *Engineered Excellence*. + Accelerate digital readiness (process step change for technologically-enabled operations). **Employer of choice** + Maintain best people practices. **Corporate reputation** + Manage the impact of local dynamics on project delivery.
STRATEGIC RISK + Effectively manage Group liquidity.	**Strategic delivery** + Manage constraints to growth in the short term. + Effectively manage capital and liquidity.
STRATEGIC RISK + Effectively manage Group liquidity.	**Strategic delivery** + Manage constraints to growth in the short term. + Effectively manage capital and liquidity.
STRATEGIC RISK + Global economy remains depressed.	**Strategic delivery** + Manage constraints to growth in the short term. + Effectively manage capital and liquidity.

OUR LEADERSHIP

The Board leads an experienced management team in striving for the highest standards of business integrity, ethics and corporate governance. An effective governance structure, aligned to King IV, is in place and a clear organisational framework defines the relationships and decision-making rights between governing bodies and business platforms.

Succession planning over several years has systematically aligned Board competencies to Group strategy, resulting in a well-constituted and diverse Board with deep collective experience relevant to the macroeconomic and socioeconomic realities of our markets.

Independent non-executive directors

Suresh Kana

RHR
N

Chairman

QUALIFICATIONS
BCom Hons, BCompt, CA(SA), MCom

APPOINTED
1 July 2015

EXPERIENCE
Former territory senior partner for PwC Africa

OTHER DIRECTORSHIPS
Quilter; Imperial Holdings; JSE; King Committee on Corporate Governance; Financial Standards Reporting Council of South Africa

RELEVANT SKILLS AND EXPERTISE
Accounting, Finance, Strategic Leadership, Governance

Ntombi Langa-Royds

SE
RHR
N
RM

QUALIFICATIONS
BA Law (Lesotho), LLB (Lesotho)

APPOINTED
1 June 2013

EXPERIENCE
Human resources executive

OTHER DIRECTORSHIPS
Mpact; Redefine Properties; Kumba Iron Ore; Europe Assistance Worldwide Services (SA)

RELEVANT SKILLS AND EXPERTISE
Human Capital, Law

Alex Maditsi

SE
RHR
HSE

QUALIFICATIONS
BProc, LLB, LLM

APPOINTED
23 August 2017

EXPERIENCE
Former operations planning and legal director for Coca-Cola Southern and East Africa

OTHER DIRECTORSHIPS
Bidvest Group; African Rainbow Minerals

RELEVANT SKILLS AND EXPERTISE
Law, Commercial, Remuneration

Ralph Havenstein

Lead independent director

QUALIFICATIONS
MSc (Chemical Engineering), BCom

APPOINTED
1 August 2014

EXPERIENCE
Former chief executive officer Anglo American Platinum; Former chief executive officer Norisk Nickel International

OTHER DIRECTORSHIPS
Northern Platinum; Omnia Holdings

RELEVANT SKILLS AND EXPERTISE
Petrochemistry and Mining, Chemical Engineering, Strategic Leadership

SE
RHR
N
HSE

Emma Mashilwane

QUALIFICATIONS
BCom Hons, BCompt, CA(SA), MBA

APPOINTED
23 August 2017

EXPERIENCE
Former head of risk advisory services of Nkonki Inc; chief executive officer Masa Risk Advisory Services

OTHER DIRECTORSHIPS
Tiger Brands; Famous Brands

RELEVANT SKILLS AND EXPERTISE
Accounting, Finance, Risk Management, Internal Audit

RM
AS

PG 60 Governance report

Independent non-executive directors

RM | AS

Diane Radley

QUALIFICATIONS
CA(SA), MBA, AMP (Harvard)

APPOINTED
23 August 2017

EXPERIENCE
Former chief executive officer Old Mutual Investment Group

OTHER DIRECTORSHIPS
Transaction Capital; DG Murray Trust; Base Resources

RELEVANT SKILLS AND EXPERTISE
Accounting, Corporate Finance, Investment, Strategic Leadership

Xolani Mkhwanazi

RM | HSE | SE

QUALIFICATIONS
BSc, MA, PhD, EDP

APPOINTED
1 August 2015

EXPERIENCE
Former chairman of BHP Billiton SA Operations; Former head of National Energy Regulator

OTHER DIRECTORSHIPS
Public Investment Corporation; South 32

RELEVANT SKILLS AND EXPERTISE
Applied Physics, Power, Engineering, Mining

AS | HSE | RM

Keith Spence

QUALIFICATIONS
BSc Hons

APPOINTED
25 November 2015

EXPERIENCE
Former chairman of Clough; Former executive at Woodside; Former executive at Shell

OTHER DIRECTORSHIPS
Geodynamics; Base Resource; Oil Search Independence Group NL

RELEVANT SKILLS AND EXPERTISE
Oil & Gas, Strategic Leadership

Group Secretary

Bert Kok

Group secretary

QUALIFICATIONS
FCIS, FCIBM

APPOINTED
Joined the Group in 2011.
Appointed Group secretary in 2014.

EXPERIENCE
More than 10 years Listed Company Secretary; former (2010) President of Chartered Secretaries of Southern Africa

RELEVANT SKILLS AND EXPERTISE
Corporate Governance, Company Secretarial Administration

Executive directors

Henry Laas

Group chief executive

QUALIFICATIONS
BEng (Mining), MBA

APPOINTED
Joined the Group in 2001.
Appointed to the Board and as Group chief executive in 2011.

EXPERIENCE
Former chairman of Murray & Roberts Engineering SADC;
former managing director of Murray & Roberts Cementation.

RELEVANT SKILLS AND EXPERTISE
Mining and Engineering, Commercial Negotiations, Strategic Leadership

Daniël Grobler

Group financial director

QUALIFICATIONS
CA(SA)

APPOINTED
Joined the Group in 2010. Appointed to the Board and as Group financial director in 2017.

EXPERIENCE
Former managing director of Murray & Roberts Cementation. Various financial and leadership functions within the Group since 2010.

RELEVANT SKILLS AND EXPERTISE
Accounting, Commercial Negotiations, Strategic Leadership, Corporate Finance

Previous non-executives

Mahlape Sello
Former chairman
Resigned as chairman and director on 2 November 2017.

Dave Barber
Resigned as director on 2 November 2017.

N Nomination committee, Chairman: Suresh Kana	**RHR** Remuneration & human resources committee, Chairman: Ralph Havenstein	**RM** Risk management committee, Chairman: Keith Spence
SE Social & ethics committee, Chairman: Ntombi Langa-Royds	**HSE** Health, safety & environment committee, Chairman: Ralph Havenstein	**AS** Audit & sustainability committee, Chairman: Diane Radley

GROUP EXECUTIVE

Peter Bennett

Business platform chief executive officer

Peter joined the Group in 2016 and was appointed to the executive committee in February 2016. He is responsible for the Oil & Gas business platform.

- Booth Welsh
- CH•IV
- Clough
- Clough Enercore
- Clough Murray & Roberts
- e2o

COMMITTEE PARTICIPATION
- Health, safety & environment

Daniël Grobler

Group financial director

Daniël joined the Group in 2010 and was appointed to the executive committee in 2017. Daniël is a director of Murray & Roberts International, Bombela Concession Company and Clough.

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

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

Orrie Fenn*

Business platform chief executive officer

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

- Cementation AG
- Cementation Canada & USA
- Merit Consultants International
- Murray & Roberts Cementation
- RUC Cementation Mining

COMMITTEE PARTICIPATION
- Health, safety & environment

* *Retired 31 July 2018.*

Steve Harrison

Business platform chief executive officer

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

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

COMMITTEE PARTICIPATION
- Health, safety & environment

Ian Henstock

Commercial executive

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

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

COMMITTEE PARTICIPATION

- Audit & sustainability
- Risk management (until 30 June 2018)
- Social & ethics

Henry Laas

Group chief executive

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

- Sustainable delivery of Group strategy and performance

COMMITTEE PARTICIPATION

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

Thokozani Mdluli

Health, safety & environment executive

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

- Health, safety & environment
- Wellness
- BBBEE

COMMITTEE PARTICIPATION

- Health, safety & environment
- Social & ethics
- Risk management (from 1 July 2018)

Mike da Costa*

Business platform chief executive officer

Mike joined the Group and was appointed to the executive committee in 2018. He is the executive director responsible for the Underground Mining business platform.

- Cementation AG
- Cementation Canada & USA
- Merit Consultants International
- Murray & Roberts Cementation
- RUC Cementation Mining

COMMITTEE PARTICIPATION

- Health, safety & environment

* *Appointed 1 August 2018.*

MATERIAL ISSUES

1 STRATEGIC DELIVERY

- MANAGE CONSTRAINTS TO GROWTH IN THE SHORT TERM
- EFFECTIVELY MANAGE CAPITAL AND LIQUIDITY
- ACHIEVE BUSINESS MODEL MATURITY AND OPTIMISE GROWTH POTENTIAL OVER THE MEDIUM AND LONGER TERM

2 CONTRACTOR OF CHOICE

- ACHIEVE ENGINEERED EXCELLENCE
- ACCELERATE DIGITAL READINESS

3 EMPLOYER OF CHOICE

- ENSURE MANAGEMENT QUALITY AND SUCCESSION DEPTH
- ATTRACT AND RETAIN HIGH-PERFORMING TALENT
- MAINTAIN BEST PEOPLE PRACTICES

4 CORPORATE REPUTATION

- MANAGE THE IMPACT OF LOCAL DYNAMICS ON PROJECT DELIVERY
- MAINTAIN COMMERCIAL AND SOCIAL LEGITIMACY

SUSTAINABLE PROFITABILITY

1 STRATEGIC DELIVERY

CONTEXT TO THE MATERIAL ISSUES:

+ Conducted an independent assessment of the *New Strategic Future* plan, which validated the Group's strategic direction and clarified areas of growth potential within the platforms.
+ The review confirmed the importance of achieving maximum organic growth and the necessity of acquisitive growth, to achieve the Group's Vision.
+ Shareholder support for the long-term strategic direction is important.

MATERIAL ISSUE

MANAGE CONSTRAINTS TO GROWTH IN THE SHORT TERM

GROUP

+ **Manage cyclical impacts on working capital to ensure liquidity:**
  – Project delays and deferrals, and longer payment terms (especially among large clients), in soft markets.
  – Rapid upswings in activity as markets recover.
+ **Manage the impact of M&A on liquidity position:**
  – Identify appropriate funding mechanisms.
+ **Resolve claims and address non-performing operations:**
  – Unwind uncertified revenue and collect associated cash: close-out Dubai Airport claim and other claims recorded as uncertified revenue.
  – Manage legal costs: close-out remaining Middle East projects and office.
  – Seek conclusion to the Grayston temporary works collapse inquiry.
+ **Ability to resource market upturns and manage market cyclicality at platform level, and the capacity at Group level to identify, assess, close and integrate suitable acquisitions:**
  – Ability of leadership to anticipate and respond to market shifts.
  – Manage tactical move and time lag of positioning businesses in complementary markets to support order book.

UNDERGROUND MINING

+ **Manage project margins and cash flow to free up working capital for growth.**
+ **Compete for scarce specialised skills to resource growth.**
+ **RUC Cementation Mining:**
  – Consolidate, promote and expand mine development offering.
  – Maximise high-margin raise boring work.
  – Secure additional contract mining projects.
+ **Cementation Canada & USA:**
  – Diversify service offering across value chain and expand surface material handling business.
  – Grow contract mining portfolio.
+ **Murray & Roberts Cementation:**
  – Enhance capabilities in rapid mechanised mine development, embed new shaft sinking methodology and increase raise boring competitiveness.
  – Increase footprint in commodities where market outlook is positive.
  – Grow contract mining portfolio.

POWER & WATER

+ **Replace power programme order book with new segments in core markets and select opportunities in complementary markets.**
+ **Expedite claims resolution:**
  – Commercial close-out as the power programme nears completion.
  – Get uncertified revenue certified and paid.
+ **Mitigate lack of track record in new segments of core markets and complementary markets:**
  – Establish partnerships or acquire transmission capabilities.
  – Acquire technical capabilities for bespoke water and wastewater solutions.
  – Continued engagement on the development of IPP opportunities.
+ **Pursue short-term materials handling, minerals, sugar, pulp and paper and chemicals in SMEIPP construction market.**

OIL & GAS

+ **Due to decline in core markets in Australasia, expand into complementary markets:**
  – Complex infrastructure projects in Australia, based on previous project experience and success.
  – Mine surface infrastructure in Australia.
  – Water treatment and desalination plants and dam remediation.
+ **Seek growth opportunities in new international markets:**
  – Target USA due to strong growth in oil and gas.
+ **Enhance skills and contracting expertise in complementary markets of infrastructure, mining and water in line with expanding focus areas.**

MATERIAL ISSUE

EFFECTIVELY MANAGE CAPITAL AND LIQUIDITY

GROUP

+ Manage free cash flow in operations.
+ Manage short-term liquidity facilities per platform.
+ Target net debt to equity ratio of more than 25%.
+ Ensure disciplined cost management, achieve best-in-class overhead cost to revenue ratio (6% at Group level).

UNDERGROUND MINING

+ Manage overhead costs (particularly costs related to IT and training) to less than 6% of revenue through the cycle.
+ Reduce idle assets to release locked-up cash and improve asset utilisation.
+ Negotiate advance payments on new projects to improve working capital.

OIL & GAS

+ Reduce overhead costs to less than 6% of revenue through the cycle.
+ Negotiate advance payments on new projects to improve working capital.

POWER & WATER

+ Maintain overhead costs to less than 6% of revenue through the cycle.
+ Reduce working capital by settling uncertified revenues and claims.
+ Develop external funding solutions to drive project development opportunities.

MATERIAL ISSUE

ACHIEVE BUSINESS MODEL MATURITY AND OPTIMISE GROWTH POTENTIAL OVER THE MEDIUM AND LONGER TERM

GROUP

- **Target geographic diversification and growth opportunities.**
- **Encourage collaboration between platforms to enhance competitiveness.**
- **Continue to increase project life cycle exposure for optimal margin mix, especially operations and maintenance.**
- **Access new sources of annuity income as project developer, operator and investor.**
- **Maintain focus on complementary markets even during upturn in core markets to ensure long-term resilience.**

UNDERGROUND MINING

- **RUC Cementation Mining:**
  - Further develop opportunities in Asian and other markets together with the Oil & Gas platform.
- **Cementation Canada & USA:**
  - Increase North American market share.
  - Access opportunities in South America and with existing clients in Europe.
- **Murray & Roberts Cementation:**
  - Develop client relationships across the platform to enhance the Africa strategy (Central and West Africa), focusing particularly on raise boring opportunities.
  - Secure annuity income from contract mining projects.

OIL & GAS

- **Grow market share of hook-up and commissioning and shutdown work.**
- **Undertake acquisition in USA to expand LNG geographic footprint and capture opportunities in this high-growth market:**
  - Core market growth.
  - Midstream and commissioning and brownfields services.
- **Focus areas outside of the USA:**
  - Established office in Kazakhstan.
  - Further develop the business in the UK.

POWER & WATER

- **Further develop the business in Ghana and Kenya.**
- **Target new sectors in power market in sub-Saharan Africa:**
  - Transmission and distribution service.
  - Boiler repair and maintenance.
  - Gas-to-power infrastructure.
- **Establish scale in water business:**
  - Target municipal wastewater opportunities through the Organica Water resource recovery demonstration facility.
  - Industrial water treatment with bespoke solutions for mining and power sectors.
  - Secure annuity income through chemical supply contracts and operation of wastewater treatment plants.
- **Expand project development, EPC and operations & maintenance service offering.**
- **Develop Aquamarine client base across South Africa. Establish Aquamarine in Ghana.**
- **Continue to develop relationships with equity and funding partners.**

2 CONTRACTOR OF CHOICE

CONTEXT TO THE MATERIAL ISSUES:

+ To be a contractor of choice, the Group must achieve excellence in all areas of project delivery, from effective risk management to leveraging technological solutions.
+ A key driver of success is the Group's ability to attract and retain the best management and technical expertise.

MATERIAL ISSUE

ACHIEVE ENGINEERED EXCELLENCE

GROUP

+ **Maintain project losses within minimum tolerance levels:**
  - Embed effective project implementation methodologies.
  - Accurate pricing of project scope, for risk and minimum standards.
  - Conclude contracts with reasonable commercial terms, based on lessons learnt and Group contracting principles.
  - Effective resourcing (especially project personnel) and start-up of projects.
  - Effective project and risk management to achieve predictable outcomes in line with tender expectations.
+ **Continue to strive for Zero Harm:**
  - Focus on lead indicators.
  - Continued development, enhancement and sharing of effective interventions to maintain world-class safety performance.
  - Embed the MAP Programme across the business platforms.
  - Align with clients' safety systems.

UNDERGROUND MINING

+ **Further reduce levels of project losses.**
+ **Streamline safety and project management systems.**
+ **Provide ongoing commercial and project management skills training to enhance project performance.**
+ **Continue to develop innovative safety initiatives to prevent safety performance plateau:**
  - Cementation USA introduced 'safety pays' – a near miss reporting initiative – and will expand this into Canada.
+ **Focus on driving latest technology advances to reduce exposure to safety risks.**
+ **LTIFR deteriorated to 1.89 (FY2017: 1.23), however Cementation USA remained LTI-free for the fifth year running.**

OIL & GAS

+ **Manage client expectation that contractors assume greater commercial risk – less cost reimbursable and more lump sum work.**
+ **Strengthen reputation for complex project delivery capability through track record of successful projects.**
+ **Strong focus on client relationships.**
+ **Manage the shift to lump sum contracts in complementary markets and impact on revenue recognition.**
+ **LTIFR decreased to 0.14 (FY2017: 0.25) and TRIR increased to 1.71 (FY2017: 0.98).**
+ **While lag and lead indicators remain the focus for improvement, the low severity of incidents and the delivery of two EPC projects with Zero Harm is encouraging.**

POWER & WATER

+ **Manage demobilisations at Medupi and Kusile power programme projects:**
  - Potential impact on site stability.
  - Maintain productivity during demobilisation disruption.
+ **Maintain operational and commercial discipline in tendering process, avoiding projects with poorly defined scope.**
+ **Maintain world-class safety performance. LTIFR improved to a record-low 0.12 (FY2017:0.43), which translates to two lost-time injuries in more than 16 million work hours worked.**

MATERIAL ISSUE

ACCELERATE DIGITAL READINESS

GROUP

- **Understand extent of digital readiness.**
- **Accelerate technologically-enabled operations to achieve process step change:**
  - Develop the leadership mindset and capacity to adapt to technological advances.
  - Invest in innovative technology.
  - Use established partnerships to achieve technology advances.
  - Commercialise new technology.

UNDERGROUND MINING

- **Operationalise technology-enabled processes, such as wireless data communications, tele-remote loading and automated production processes.**
- **Expand technological advances across geographies.**
- **RUC Cementation Mining:**
  - Global technology partnership providing first access to new developments in remote control and auto systems.
- **Cementation Canada & USA:**
  - Five-year asset management plan incorporating innovative technology to increase reliability, productivity and return on investment.
- **Murray & Roberts Cementation:**
  - Enhance systems, skills and processes to be a leading mechanised mining contractor in Africa.

OIL & GAS

- **Implemented augmented reality to improve safety practices in the field by providing real-time visualisation for operators.**
- **Implement a global IT system (financial and quality) to enable consistent processes across geographies and businesses.**

POWER & WATER

- **Explore opportunities to digitalise processes.**
- **Driven by environmental concerns, the platform invested in class-leading Organica Water wastewater treatment technology:**
  - Organica Water is a global provider of innovative solutions for localised treatment and recycling of wastewater and the system can be monitored remotely via mobile phone with live data feeds from the plant.

3 EMPLOYER OF CHOICE

CONTEXT TO THE MATERIAL ISSUES:

- Being recognised as an employer of choice enables the Group to employ, develop and retain competent employees who embrace the Group's ethical and high-performance culture.
- A key driver of success is a workforce that resonates with the Group's Values of Integrity, Respect, Care, Accountability and Commitment.

MATERIAL ISSUE

ENSURE MANAGEMENT QUALITY AND SUCCESSION DEPTH

GROUP

- The concept of a Murray & Roberts leader has been defined.
- Annual Board and executive leadership succession review conducted.
- High-performing talent identified and development plans tracked.
- Group-wide performance contracts aligned to Group strategic objectives for senior management and above.
- Leadership development programmes delivered at all levels.

UNDERGROUND MINING

- RUC Cementation Mining:
  - Deliver leadership training to supervisory and future leaders.
- Cementation Canada & USA:
  - Invest in management and supervisor training, and maintain robust succession plan.
- Murray & Roberts Cementation:
  - Provide training programmes for first-line supervisors and managers.
- Emergency successors available for all executive roles.

OIL & GAS

- Formal annual capability review and succession planning.
- High-potential employees are coached and mentored to develop into future leadership roles.
- Emergency successors identified for all executive roles.

POWER & WATER

- Developing a high-performing core group of leaders and supervisors, with a particular focus on black talent.
- Emergency successors available for all executive roles.

MATERIAL ISSUE

ATTRACT AND RETAIN HIGH-PERFORMING TALENT

GROUP

- Safety first philosophy.
- Provide challenging job experiences through high-profile projects.
- Offer extensive skills development and career advancement.
- Recognised and established brands.
- Global online eRecruitment portal.
- Market-related remuneration and incentive schemes.
- Corporate social responsibility programmes.
- Employee wellness programmes.

UNDERGROUND MINING

- Mike da Costa and Trevor Naidoo appointed as platform CEO and CFO respectively.
- Sibulele Songca appointed as financial director for Murray & Roberts Cementation
- Tumi Mametse appointed as human resources director for Murray & Roberts Cementation.
- Murray & Roberts Training Academy offers industry best practice in technical and supervisory training.
- Mining internships, bursaries and graduate-in-training posts offered every year.

OIL & GAS

- Provide depth and variety of work experiences to attract and retain the right talent.
- Project Management and Construction Management Academies provide critical industry skills training for employees.

POWER & WATER

- Charmaine Mabuza appointed as Aquamarine managing director.
- Patrick Metswi promoted to platform human resources executive.
- 2 789 learners have been trained on the power programme with 173 learners still in training.
- Young engineers are supported in the business through a bursary scheme and graduate programme.

MATERIAL ISSUE

MAINTAIN BEST PEOPLE PRACTICES

GROUP

+ Comprehensive policies and procedures that are appropriate and relevant to working environments.
+ Induction sessions to share the Group's Values, culture, history and expectations.
+ Communication and engagement initiatives between Group leadership and employees.

UNDERGROUND MINING

+ ISO9001 accredited.
+ Internal audits conducted regularly.
+ Values-based assessments.

OIL & GAS

+ ISO9001 accredited.
+ Internal audits conducted regularly.
+ Structured human resource reporting.
+ Flexible employment options.

POWER & WATER

+ ISO9001 accredited.
+ Internal audits conducted regularly.
+ Safety, production, quality, cost, and people process used to communicate with employees.
+ Tool-box talks embedded at projects.

4 CORPORATE REPUTATION

CONTEXT TO THE MATERIAL ISSUES:

+ Trust and support from our stakeholders is critical to the Group's success and longevity.
+ Businesses are expected to align to the Group's frameworks, standards and Values despite local operating differences.
+ The Group's governance frameworks and reporting structures ensure visibility of and compliance across all platforms.
+ Managing the impact of local dynamics on project delivery to limit contagion risk when dealing with multinational clients is imperative for the Group.
+ A key value driver is being recognised as a responsible corporate citizen that responds to national objectives and complies with local laws, codes and standards.

MATERIAL ISSUE

MANAGE THE IMPACT OF LOCAL DYNAMICS ON PROJECT DELIVERY

GROUP

+ **Understand local requirements and norms across the jurisdictions where the Group delivers projects.**
+ **Comply with local requirements.**
+ **Manage impact of local factors on project delivery including safety, work culture, labour and community relations, local procurement practices and community development skills.**

UNDERGROUND MINING

+ **Murray & Roberts Cementation:**
  - Negotiate three-year wage agreements to mitigate the risk of protected stoppage.
  - Focused employee relations framework empowers operations to build meaningful relationships with employees and stakeholders.
+ **Cementation Canada & USA:**
  - Mexico: improve the safety culture through on-boarding and induction training.
  - Canada: respond to requirement for First Nation business partnerships.

OIL & GAS

+ **On international project sites, relevant local industrial frameworks are reviewed prior to commencing a project and an industrial relations strategy is developed and implemented.**

POWER & WATER

+ **Focus on maintaining strong BBBEE credentials to access opportunities in South Africa, especially in the public sector.**
+ **The Murray & Roberts Khula Nathi Enterprise and Supplier Development Experience develops entrepreneurs with potential to create employment and become part of the platform's supply chain.**

MATERIAL ISSUE

MAINTAIN COMMERCIAL AND SOCIAL LEGITIMACY

GROUP

- **Introduced a global diversity policy to be supported by locally adapted standards.**
- **Accelerate localisation and transformation to remain competitive and legitimate with clients, employees and communities.**
- **Defend reputation for responsible and ethical conduct:**
  - Comply with laws, standards and codes in all operations.
  - Compliance and ethics training.

UNDERGROUND MINING

- **RUC Cementation Mining:**
  - Continue to develop local skills in Indonesia – expats only 12% of workforce at Freeport in Indonesia.
  - JV with Mongolian company at Oyu Tolgoi project.
- **Murray & Roberts Cementation:**
  - Partnering on mining projects in Central Africa, developing a BBBEE underground mining contractor at Kalagadi and exploring local partnership in Zambia.
  - Dedicated CSI spending in local project areas and local procurement.
  - Industry training provided for unemployed members of local communities.
  - Murray & Roberts Training Academy provides accredited training and development enhancing industry skills.

OIL & GAS

- **A greater focus on improving workforce participation by indigenous communities and women.**
- **Clough Code of Conduct sets mandatory standards for decision-making.**
- **Compulsory annual employee Code of Conduct training programme and assessment.**

POWER & WATER

- **Restructuring for operations post power programme completed in consultation with labour agreements.**
- **Year-on-year improvement in black representation in senior, middle and junior management levels.**
- **Form BBBEE partnerships in power maintenance, transmission and distribution, and water.**
- **Develop local partnerships in East and West Africa.**

LEADERSHIP REVIEW

Suresh Kana
Group chairman

CHAIRMAN'S STATEMENT

Introduction

With a well-defined business model and strategy, and a focused portfolio of quality businesses the Group is well positioned for sustainable growth and earnings improvement. Management have substantially delivered on the intentions set in the *New Strategic Future* plan, which the Board approved in 2014. These have included dealing decisively with legacy issues, aligning the Group's portfolio of businesses to its strategic focus on engineering and construction services to selected international markets, and embedding *Engineered Excellence* as a Group-wide initiative, to drive continuous improvement in all aspects of the business.

"Effective leadership, financial capacity and the long-term demand trend for natural resources will enable a strategically repositioned Murray & Roberts to realise its Vision. The Group is focused on delivering its organic and acquisitive growth plans, strengthening its credibility as a preferred contractor and employer of choice, and accelerating innovation – a combination that will create sustainable value for all of our stakeholders."

Engineered Excellence also applies to safety performance. It is therefore deeply saddening to report a fatality in the Underground Mining platform. The Board extends its deepest sympathy to the family and colleagues of Hendry Munardi, who was overcome by blasting fumes at the Big Gossan mine in Indonesia.

Decline in the Underground Mining platform's overall safety performance marred an otherwise world-class performance for the Group as a whole. The improvement in the Group's safety record over several years has been a significant focus for the Board. While we acknowledge the challenge that management faces in constantly improving on already exceptional safety performances, we continue to emphasize Zero Harm.

The business plan for the next three-year period takes cognisance of the variable rates of upturn expected in the global natural resources markets, but remains subject to an uncertain outlook for global economic growth. Although macroeconomic and socioeconomic realities are difficult to predict and plan for, the Group's strategy to increase geographical and services diversification as a defence against the cyclicality of its markets, is well considered.

Of concern is the tension between the United States, given its increasingly protectionist stance, and China and the European Union, which threatens to undo global trade policies and hamper economic growth. This would undermine a sustained recovery in commodity demand, affecting prospects in the Group's markets. However, global economic growth is forecast to rise from 3.7% in 2017 to 3.8% for 2018 and 2019, according to the International Monetary Fund. Trade tensions, geopolitical concerns and political uncertainty are cited as downside risks to this forecast.

While dynamics in the Group's market sectors differ, the overall outlook is relatively optimistic. Capital expenditure in the mining sector is forecast to rise to US$61 billion by 2022 across the Americas, Africa and Australasia, which together will account for 94% of the global total. Although activity in the oil and gas sector remains subdued, capital expenditure is expected to accelerate to US$25 billion in Australia and as much as US$353 billion in North America, the latter comprising 57% of the global total forecast for 2022. Capital expenditure of US$11 billion is forecast in South Africa and US$45 billion in the rest of Africa in the power sector, with spending in the domestic water sector of US$4 billion expected by 2020.

Strategy execution

Each business platform has formulated plans for organic and acquisitive growth, which focus on expanding their geographic footprint and ability to deliver services across the full project life cycle. To optimise growth potential as the cycle turns will require selective acquisitions, either to gain a foothold in new growing markets or to achieve greater access to the entire engineering and construction services value chain.

Besides the smaller bolt-on acquisitions made over the past few years to increase project life cycle exposure, the transformative acquisitions the Group has sought have evaded it for a number of reasons. Among these have been high asset prices in developed markets, specifically North America, ahead of the imminent upturn in mining and revised expectations for recovery in oil and gas. The chief executive's and financial director's report addresses the actions envisaged in this regard, as well as the role of complementary markets in high-growth sectors to bolster the Group's financial position in the short to medium term.

Successful execution of the Group's strategy is contingent on management's ability to anticipate and adapt to market dynamics and to effectively manage relationships and resources, particularly finance and human capital. To this end, succession planning is critical to preserve the management capacity that we believe is a powerful differentiator for the Group.

We were pleased to welcome new executives to the Group during the year. Mike da Costa was appointed as chief executive officer of the Underground Mining platform on 1 August 2018, succeeding Orrie Fenn who retired at the end of July 2018 after a structured handover process. Orrie served for almost a decade on the Murray & Roberts Limited Board and was instrumental in guiding the Underground Mining platform in becoming a significant part of the Murray & Roberts Group. I'd like to take this opportunity to thank Orrie for his service and valuable contribution.

Mike joins the Group from Lonmin, where he fulfilled the role of executive vice president group technical services and is an experienced mining executive. Trevor Naidoo succeeded David Meyer as the chief financial officer of this platform. David relocated to Salt Lake City to assume the role of financial director of the businesses in the USA and Canada. Trevor, formerly finance director of Aveng Mining, is a Chartered Accountant (SA) and Chartered Management Accountant. At Murray & Roberts Cementation, Sibulele Songca was appointed as financial director and Tumi Mametse as human resources executive. In the Power & Water platform, Patrick Metswi was promoted to human resources executive and Charmaine Mabuza appointed as managing director of Aquamarine Water Treatment. The Board is confident that these new executives will rise to the challenge of delivering on the potential of their respective businesses.

Another feature of the Group's competitive advantage is its commitment to the principle of *Engineered Excellence*, which has supported its profitability in difficult operating conditions. *Engineered Excellence* pivots on the Group's value system, which comes alive in the organisation through prioritising best practices. Although it is difficult to achieve and requires continuous improvement, the Group has done well in making *Engineered Excellence* a key differentiator in its aspiration to be a contractor of choice. This is largely determined by also being an employer of choice.

Fundamental to these aspirations is the Group's management systems that govern and promote disciplined risk management, industry-leading health, safety and environmental performance, as well as its commitment to stakeholder inclusiveness and good corporate citizenship. As the Group grows its multinational operating base, ethical business practices are essential not only to its reputation, but also its ability to secure work. The Group mitigates the risk of unethical behaviour through its Code of Conduct, internal audit and an anonymous and independent fraud reporting and investigating function.

Taking a longer-term view, it is true that productivity levels in the engineering and construction sector have not kept pace with other industries, as the Fourth Industrial Revolution has taken hold. These gains are based in the efficiencies made possible by the digitalisation of processes, and the application of data to deliver real-time insights that inform more effective decision-making and resource allocation. In our sector, the agility this could potentially afford the Group in risk management and project delivery, and in reducing safety risk for our people by remote and automated processes, is compelling.

In advancing the Group's digital capabilities, we will be mindful of the broader socioeconomic ramifications of greater automation in line with our obligations as a responsible corporate citizen to support job creation in our markets, especially in developing countries.

Finally, the perception that the Group is systematically divesting from South Africa, following the Group's disposal of the Infrastructure & Building platform, necessitates some reflection. The Group has been clear that its strategic focus must for the sake of sustainable growth and profitability include the sectors, markets and service offerings that provide the most compelling business opportunities in the longer term. Should opportunities available in South Africa justify investment, within the scope of our strategy, we will embrace them.

Offer to acquire Murray & Roberts by ATON GmbH ("ATON")

Stakeholders will be aware of the announcements made in respect of ATON's intention to obtain control of Murray & Roberts through a formal offer to acquire the balance of shares from our other shareholders. ATON made an initial voluntary offer of R15 per share to shareholders in April 2018; the Independent Board constituted to respond to the ATON offer, recommended that shareholders reject the offer as materially undervaluing the shares. This followed an independent valuation by BDO Corporate Finance in its capacity as the appointed independent expert.

ATON have since increased their investment in the Group to about 44%, triggering a regulatory requirement to make a mandatory offer (a mandatory offer is triggered at 35%) to all shareholders, made on 4 June 2018 at R17 per share to purchase the remaining issued share capital. The offer remains open to shareholders for 10 days after the offer is declared unconditional in all respects.

The Independent Board acknowledges that ATON's significant investment in the Group secures their entitlement to ensure that the Group's strategic decisions correspond to their expectations of risk and return. However, this cannot be to the detriment of all our other shareholders. It is unfortunate that the fractious nature of the process thus far has created the impression that the Board is set on frustrating ATON's intentions, which is without basis. It is our duty to ensure that all our shareholders are made a fair offer for the value we believe is inherent in the Group, and full account is taken of the future value we believe will be created by the current strategy.

It is also regrettable for the Board that the misalignment between the aspirations set out in the strategy and the objectives of ATON, have restricted the Group's options in the acquisitions it can realistically pursue and in the proposed repurchase of Group shares, which has hampered the Group's longer-term strategic positioning and its ability to create immediate value for shareholders. That said, the Group's leadership remains open to engagement with ATON to clarify their intentions for Murray & Roberts in the longer term and obtain their input on the Group's strategic direction.

Governance and reputation

Given the recent governance failures at corporations, which have resulted in extraordinary value destruction for shareholders and deepened suspicion of the motives of business among other sectors of society, it is necessary to explicitly state my conviction in the effectiveness and independence of the Murray & Roberts Holdings Limited Board. I can attest to the fact that the principle of *Engineered Excellence* – of thorough and detailed planning and highly considered action – is not confined to operating level, but is also embraced by the competent and principled directors that serve with me on the Board.

The emphasis on Board succession planning over several years has resulted in a well-constituted and diverse Board, with collective expertise relevant to the Group's strategy and the macroeconomic and socioeconomic realities within our markets. The Board adopted a formal policy to guide and assist in attaining gender and race diversity at Board level. At present, the Board has 50% black and 33% women representation.

During the year, the Board also approved a diversity policy for the Group. The policy is based in our belief that diversity, of race, gender, skills and perspectives, can be a strength that propels performance. The policy sets the framework within which our operations respond to different localisation priorities, which include developing local leadership and skills, and entering into joint ventures with local contractors in line with local contracting conventions. For several of our operations in South Africa, accelerating transformation progress in relation to BBBEE requirements is a condition of their competitiveness, especially when tendering for work from state-owned enterprises and other public sector clients.

The Group's reputation as a responsible multinational organisation is a function of policy directives that set high standards for all its businesses, according to recognised best practice. The Board is comfortable that the Group's governance, risk management and sustainability frameworks and procedures provide adequate "line of sight" and the necessary assurance to the Board. The Group's governance structure and procedures reflect the principles of King IV. Of specific importance, we are pleased with the outcome of the shareholder vote on remuneration policy and directors' pay at the last AGM, with 89% and 99% approval respectively.

Clarity on the outcome of the Department of Labour's inquiry into the Grayston temporary works collapse has not yet been obtained. Conclusion of the inquiry is expected by the end of the calendar year. We welcome the clear timeframe to bring closure to this distressing incident for all parties involved.

Outlook and appreciation

The Group's strategic plans are aimed at achieving the growth potential in our markets over the medium term. Selected acquisitions across all platforms to meet the Group's growth aspirations will be pursued. Establishing a presence and growing scale in the most attractive markets will be prioritised, with the most suitable strategy for market entry applied, either by following existing clients, entering into local partnerships or by acquisition.

The Underground Mining platform is positioned to provide the highest earnings growth contribution in the next two years, as it leverages and strengthens its position in high-growth markets. Although a meaningful recovery in the Oil & Gas platform is not expected within this timeframe, the platform will retain and grow its presence and capabilities in its core market sector, with earnings growth supported in the interim by working in complementary markets. For the Power & Water platform, revenue substitution is critical post completion of the Medupi and Kusile power station projects, and the challenge will be to gain a foothold and rapidly acquire scale in new segments of the power market.

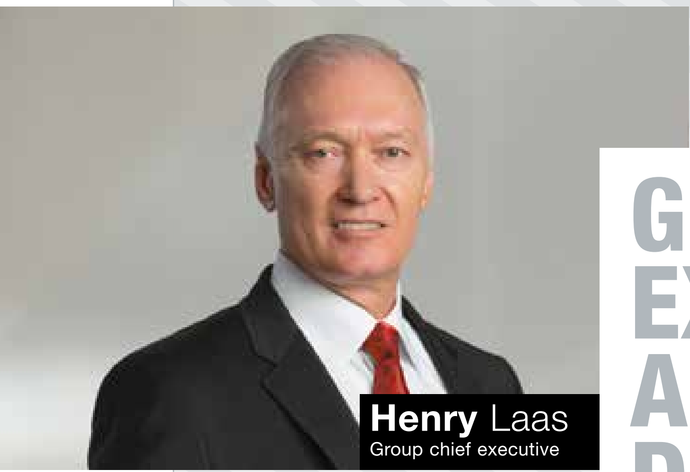
Scale will be critical as the digital era dawns in the global construction and engineering sector, and a step-change in productivity widens the gap between those that are digitally ready and able to compete, and those that cease to be relevant. Both these factors are considered in the Group's strategy.

Supporting these objectives, will be the firm commitment to strengthen the Group's reputation as a preferred contractor and employer of choice, through *Engineered Excellence*. More broadly, our reputation as a responsible multinational organisation that aims for the highest standards across all its operations in balance with being a responsible local corporate citizen, will continue to be the foundation for stronger relationships with our clients, our people and other stakeholders.

The Board remains of the opinion that the Group's strategy will create sustainable value for shareholders over the longer term. The strategic intentions that underpin this conviction, detailed in the chief executive's and financial director's report, are without doubt challenging. However, the Group's track record in the last four years should give our shareholders confidence that they are achievable, notwithstanding the volatile nature of its markets.

It bears saying, in closing, that we take seriously our duty as a Board to balance the best interests of all our stakeholders over time. On behalf of the Board, I convey our thanks to our shareholders for their support, and to the Group's executive teams and all our employees for their extraordinary commitment to delivering excellence, even at this uncertain time in the Group's development.

Suresh Kana
Group chairman



Henry Laas
Group chief executive

Daniël Grobler
Group financial director

GROUP CHIEF EXECUTIVE'S AND FINANCIAL DIRECTOR'S REPORT

Introduction

With this being the first full financial year of a fundamentally reshaped Murray & Roberts, we commissioned an independent assessment of the *New Strategic Future* plan adopted in 2014. This review confirmed the long-term viability of the Group's strategic direction and clarified the growth priorities of our business platforms, to support the market leadership and performance aspirations associated with the Group's Vision. To move closer towards achieving this aspiration and considering current expectations for our market sectors and their variable growth potential in different regions, organic growth will be supplemented by acquisitive growth.

> "The progress made over several years in de-risking the Group, defining its business model and optimising its portfolio of businesses, has allowed our focus to shift towards enhancement of the strategic positioning and earnings potential of our three business platforms for the longer term. The evolution of our strategy in anticipation of and response to market dynamics, specifically the cyclicality of the international natural resources market sectors in which we operate, has provided a clear roadmap for shareholder value growth in the years ahead."

With each of our platforms at different stages in their strategic development, they continue to diversify their specialist service offerings, to capture growth and margin opportunity and to spread risk across different international regions and phases of the project life cycle. Whereas their primary focus is to achieve this within their respective core natural resources market sectors, the reality of market volatility and slower-than-expected recovery in these markets make it necessary to maintain strategic flexibility. This enables platforms to leverage their competitive advantages and reputation to secure work in selective complementary markets, especially during protracted down-cycles in core markets.

Whereas strategic flexibility is imperative at platform level, it is equally so at Group level, as we seek to secure the long-term shareholder support and financial capacity required to deliver on our strategy. This will underpin the Group's ability to maximise organic growth potential and accelerate acquisitive growth on the road to achieving our Vision even within the constraints of variable market dynamics.

Despite the challenges we anticipate, the Group's focused position provides an already strong springboard. The portfolio alignment of the last few years, culminating in the disposal of the Infrastructure & Building platform and our last remaining non-core asset, the steel fabricator Genrec – both of which were closed-out in the year – will serve the Group well. The close-out of the operations in the Middle East are also progressing according to plan, although the arbitration ruling of the Dubai Airport claim has been delayed to November 2018. We remain hopeful that the resolution of this claim will realise value in FY2019.

The Group has performed well in strengthening operational and commercial discipline, thereby protecting project margins and achieving a marked improvement compared to previous reporting periods. We believe this is reflective of the progress made in instilling disciplined management of risk in tendering for and delivering projects, which has enhanced our credibility as a service provider that gets the job done in line with the conditions and client expectations specified at the outset – an important differentiator given the competitive nature of the contracting environment in our target markets.

Financial performance

In FY2016 the Board decided to close the business in the Middle East as part of the Group's strategic decision to exit the civil engineering and building market. In terms of IFRS, the business in the Middle East is to be abandoned and cannot be classified as a discontinued operation. Its financial results accordingly continue to be reported as part of the continuing operations.

As the business in the Middle East recorded a substantial loss of R570 million in the prior year, Group revenue, EBIT, HEPS and EPS are reported as 'including and excluding' the Middle East. This is to enable a clear understanding of the negative impact that the Middle East business had on the continuing operations' earnings profile of the Group, and in order to separate the earnings profile of the sustainable platforms within the Group going forward.

Current year losses in the Middle East relate to overhead costs and legal fees associated with pursuing the Dubai Airport claim. All projects are substantially completed and are expected to be handed over by December 2018. The arbitration ruling for the Dubai Airport claim has been delayed to no later than 4 November 2018.

The Group reported revenue from continuing operations, excluding the Middle East, of R21,4 billion (FY2017: R20,8 billion), or R21,8 billion (FY2017: R21,4 billion) including the Middle East. Attributable earnings were R267 million (FY2017: R48 million). Diluted continuing HEPS, excluding the Middle East, decreased to 120 cents (FY2017: 212 cents), or increased to 112 cents (FY2017: 72 cents) including the Middle East. The Group is pleased to have maintained its strong cash position with cash, net of debt, of R2,0 billion (30 June 2017: R1,8 billion).

The Oil & Gas platform delivered an operating profit of R209 million (FY2017: R217 million). The Group has noted the stabilisation in the crude oil price at around US$70 per barrel. Meaningful earnings growth from this current low base is only expected in the medium term, as global energy producers' confidence returns and they start investing in new projects. Notwithstanding revenue growth, the platform's operating margin reduced to 2% (FY2017: 3%) reflective of both the different nature of work completed in FY2018 when compared to FY2017, as well as of lower margins in works completed in the hook-up and commissioning subsector.

The Underground Mining platform delivered an operating profit of R471 million (FY2017: R464 million), with a platform margin of 6% (FY2017: 6%). Excellent performance by Cementation Africa was largely offset by a decline in margins in Australasia as a result of the non-extension of a contract on a major project. Strong order book in the Americas and Australasia reflects the improving market conditions in these jurisdictions.

The Power & Water platform delivered an operating profit of R134 million (FY2017: R171 million). This overall reduction is due to the phased completion of the Medupi and Kusile power station projects, which for the last seven years underpinned the platform's financial performance.

The Group increased its investment in BCC to 50%, which continued to yield strong cash returns of 18.5% after tax. The current year comprised a R277 million (FY2017: R253 million) fair value adjustment.

Net financing costs marginally decreased to R41 million (FY2017: R42 million).

The high effective taxation rate of 36% (FY2017: 36%) was due to profits earned in higher tax jurisdictions, foreign withholding taxes and losses incurred in the Middle East, a tax free jurisdiction.

Income from equity accounted investments increased to R21 million (FY2017: R7 million), largely made up of the Group's investment in BOC which was sold in the current financial year.

The loss from discontinued operations was R278 million (FY2017: R253 million). The Infrastructure & Building businesses disposed of in FY2017 recorded an operating loss of R141 million due to a claim awarded against Murray & Roberts as a retained liability and an updated view on the forecast cost to close out retained assets and liabilities. Genrec, disposed of on 1 May 2018, recorded an operating loss of R128 million for the period until the effective date of disposal.

Capital expenditure for continuing operations for the year was R436 million (FY2017: R511 million) of which R358 million (FY2017: R395 million) was for expansion and R78 million (FY2017: R116 million) for replacement. The capital expenditure was largely incurred in the Underground Mining platform.

The order book for continuing operations increased to R30,1 billion (30 June 2017: R26,9 billion).

Strategic performance

Driving organic growth

For the Oil & Gas platform, the swift decline in large project opportunities in its Australasian core market combined with the sluggish recovery in the global LNG market, continues to subject this business to significantly lower levels of investment by energy companies and increased competition in winning new projects, which are also far smaller in size. Although the consensus view holds that investment activity will accelerate over the next 18 months as the global supply surplus moderates and demand increases, the platform is tactically repositioning itself to take advantage of the spending boom underway in the complementary public infrastructure market in Australia. In this regard, the platform is distinguished by its ability to deliver large and complex projects in, for instance, marine settings and remote locations. Management is aware of the importance of not diluting its emphasis on internationalising this business, specifically noting the strong growth prospects in the North American core oil and gas market. The metals and minerals sector is also showing strong recovery both in Australia and abroad, and the platform is targeting projects aligned with its capabilities. Early project awards from BHP validate this strategy and the sector will provide significant opportunities for the platform going forward.

In the Power & Water platform, the lack of infrastructure investment in South Africa, despite national infrastructure backlogs, continues to hamper its ability to substitute the significant drop-off in revenue as the Medupi and Kusile power projects near completion. Similar to the Oil & Gas platform, it must balance its allocation of resources between positioning itself for work in complementary markets, while it seeks longer-term opportunities in new segments of the power and water markets on the African continent.

This platform has signed memorandums of understanding to establish joint ventures with selected partners in pursuit of projects in identified high-growth segments of the power market, such as transmission and distribution infrastructure. Opportunities exist to enter the large EPC market for power transmission in South Africa and other Southern Africa countries. The platform also aims to leverage its capability and track record at Medupi and Kusile to secure boiler repairs and maintenance work on power stations, which will require a BBBEE partner.

It is important for the platform to develop scale and credibility to compete effectively in the industrial water market sector. We anticipate that its recently constructed and commissioned Organica Water resource recovery demonstration facility will achieve a breakthrough in municipal wastewater treatment, and unlock new opportunities in industrial water re-use.

That the Oil & Gas and Power & Water platforms succeed in striking the balance between establishing competitive market positions in both core and complementary markets, could not be more profound. Complementary markets provide the earnings support needed to endure protracted periods of market softness, to avoid the fate of too many businesses in our sector that have stalled or failed in the period since the oil price collapse in 2011.

The challenge for the Underground Mining platform, our strategically best positioned platform to achieve accelerated organic growth, is similar in terms of the call on its resources, but for entirely opposite reasons. As commodity demand and prices recover and producers commit to investing in expansion and exploration, this platform will be confronted with higher levels of working capital and competition for technical skills, as activity in its core market sector increases. The platform will also continue to bid for annuity income opportunities such as contract mining, mindful of the impact should clients revert to owner-miner operating models.

Local partnerships are a prerequisite to work in certain jurisdictions. In South Africa, the platform is developing a BBBEE underground mining contractor at one of its major operations and has established local partnerships to access mining projects in central Africa and within its existing operation in Zambia. This approach extends to First Nation partnerships in Canada and with local companies in selected South America markets. In all these cases, local partners are chosen and retained on the basis that they align to the operating standards and Values of the Group.

Whereas our market focus requires strategic flexibility over time, in which short-term tactics must be played off against long-term strategic direction, it is important to understand what is non-negotiable. This pertains to our Values and what the Group stands for, which preserves our competitiveness and our reputation, and ultimately the quality of our earnings and the investment returns our shareholders expect.

To this end, we continue to hold our business platforms accountable for our non-negotiable principle of *Engineered Excellence* in everything we do. This principle informs every aspect of how we do things – from the way we manage commercial and execution risk in delivering projects, which underpins our aspiration to be a contractor of choice, to the best practices that underpin our aspiration to be an employer of choice. It is gratifying that what started as a philosophy and a slogan is steadily becoming a reality that is tangible and measurable, as the quality of our people and our management systems have matured.

Our success in systematically minimising project risk has resulted in a marked reduction in the number of loss-making projects. This has come primarily from being disciplined in pricing properly for execution risk in tendering for projects, even at the risk of being less price competitive, and negotiating the most appropriate commercial terms and being prepared to turn down an opportunity if these are not granted.

The improvement in commercial risk management is particularly pleasing given that market conditions have been characterised by negotiating strength being almost entirely vested in the client. This is irrespective of the implications for project delivery of sometimes dysfunctional adjudication processes, poorly defined scoping of projects, and emphasis on price at the expense of value – all of which introduce untenable levels of risk, that may result in losses borne by the contractor.

A more recent market development is the increasing expectation from clients for contractors to provide funding solutions as part of the bid process, which is largely a feature of the power and water market sector on the African continent. The strong balance sheets and risk appetites of mainly Chinese and Indian contractors, which enable them to provide attractive equity funding solutions for projects, often provide them with a competitive advantage in winning large tenders.

In response, the Power & Water platform has facilitated a new funding model for public private partnerships, particularly for energy projects in Africa, which is being considered in Ghana and Kenya. The model involves partnering with the Swedish Development Finance Institution to provide partial debt funding to local governments at competitive rates, in return for Swedish companies supplying an agreed percentage of project equipment and materials. This is an eloquent solution to unlocking market access and addressing funding constraints, in response to market realities.

Fundamental to *Engineered Excellence*, and particularly our reputation as an employer and contractor of choice, is our belief that Zero Harm is indeed possible. Although the principle of "safety first" circumscribes our business model and connects to our Values, achieving Zero Harm requires continuous commitment, innovation and improvement to avoid plateaus in safety performance, which are a reality at the level of the world-class standards we have achieved.

It is disappointing that the Underground Mining platform has slipped back from its record safety performance last year, with a fatality at RUC Cementation Mining in Indonesia, the first fatality recorded in this operation in more than 20 years. We are deeply saddened by the death of Hendry Munardi in the service of the Group and extend our sympathy to his family and friends.

Management continues to analyse the root causes of all incidents in order to implement appropriate corrective and preventative measures. This includes a specific focus on operations in South Africa where workplace culture and broader socioeconomic factors contribute towards safety risks. The sharing of lessons learnt to effectively manage safety and the application of technological solutions to reduce exposure to safety hazards, continue between and across all platforms.

The Oil & Gas platform's world-class HSE performance is driven by core programmes designed to proactively manage HSE risks. While lag indicators remain the focus for improvement, the low severity of incidents and the delivery of two EPC projects with Zero Harm is encouraging.

The Power & Water platform achieved an exceptional safety performance, with LTIFR of 0.12 and no severe injuries. This has been achieved by reaffirming the platform's commitment to Zero Harm at all levels, with personal accountability taken by leaders and managers for instilling safety discipline at operational level, together with the implementation of the MAP Programme at Medupi and Kusile.

These elements of our employment value proposition have important strategic implications. Market up-cycles require rapid recruitment and upskilling, which if not effective become a constraint to business performance. This risk is being managed through employee retention, internal collaboration to transfer skills and robust succession planning, not only at management level but also for specialised technical skills that are a critical success factor to project delivery.

The unfortunate counterpoint is managing the process of headcount reduction when major projects come to an end, and the possible impact on site stability and performance during the final phases of completion. This is the reality facing the Power & Water platform as the Medupi and Kusile projects draw to a close. This process is being carefully managed in consultation with employees and various labour unions.

In both these extremes, it is the Group's frameworks for achieving employer of choice status in all our operations that underpin our ability to respond effectively to the human capital capacity challenge. This is as much a value driver as financial capacity in managing cyclicality.

To deepen the competitive advantage that *Engineered Excellence* affords us, a strategic focus for all platforms is to invest in technology-enabled operations and, for the Group, to increase our understanding of the impact of digital technologies and accelerate digital readiness. The engineering and construction sector worldwide lags other industries in implementing digital technologies and there is significant "first mover" advantage given the productivity benefits they promise. We have committed to develop the management mindset and capacity to accelerate and adapt to technological advances, and to increase our investment in the requisite skills and partnerships to develop and commercialise new technology.

While we acknowledge the need to move swiftly, we also recognise the pockets of industry-leading digitalisation and innovation within the Group. The Underground Mining platform has introduced promising initiatives, including a world-first in implementing a wireless solution for real-time underground equipment tracking, safety compliance and production; a global partnership with Remote Control Technologies that gives it first access to new developments in remote control and automation systems for underground mines; and the use of virtual reality in engineering design to improve processes and reduce risks prior to implementation.

The Oil & Gas platform has implemented augmented reality to improve safety practices by providing real-time visualisation for operators and linking them to anyone on the network to share onsite information and receive immediate support.

The Power & Water platform is the exclusive licence partner of Organica Water in South Africa, and has successfully demonstrated this innovative technology. The Organica system can be monitored remotely via mobile phone with live data feeds from the plant.

Accelerating acquisitive growth

The need to accelerate our acquisitive growth strategy, across all three platforms, requires executive capacity, specifically at Group level, to provide support in identifying and assessing prospects and negotiating transactions. The balancing act of allocating capital that will generate maximum return and the intended strategic outcome, relative to the variable rates of growth in our core market sectors, is also a consideration that we are mindful of.

The potential combination of Murray & Roberts and Aveng, an opportunity under consideration since the fourth quarter of 2017, was announced in May 2018. The proposed combination of Murray & Roberts' Oil & Gas and Underground Mining platforms with Aveng's McConnell Dowell (infrastructure) and Moolmans (mining) businesses was compelling and would have established Murray & Roberts as a significant multinational engineering and construction group.

The Group obtained the requisite approvals from the Takeover Regulation Panel and our shareholders to further develop this transaction. The Takeover Special Committee then overturned the Takeover Regulation Panel approval and ruled that Murray & Roberts may not develop the potential transaction while the ATON mandatory offer remains in place. As part of Aveng's recent rights offer, ATON acquired 25.42% of Aveng's equity, thereby establishing negative control of Aveng. ATON was not supportive of the combination of Murray & Roberts and Aveng, and with its shareholding in Aveng it has the ability to block any such combination. Following these developments, the Murray & Roberts Board withdrew from the potential Aveng transaction in early August 2018.

The planned acquisition of a USA-based EPC contractor in the oil and gas sector will give the Oil & Gas platform the ability to deliver projects to a rapidly growing market in the USA. Potential acquisition targets for the Underground Mining platform will aim to consolidate its presence in Australia and Canada, the latter specifically in British Columbia and Quebec, where it is under-represented.

The Power & Water platform is targeting transmission projects in sub-Saharan Africa, with its joint-venture partners being potential targets for bolt-on acquisitions. A bolt-on acquisition in South Africa to strengthen its repairs and maintenance service offering to Eskom is under investigation, while the platform is considering bolt-on acquisitions to secure the required scale and credentials to pursue municipal wastewater treatment opportunities.

Unlocking shareholder value

We are confident that the Group's organic and acquisitive growth plans for the next three-year planning period are achievable, given current expectations for our market sectors. Cost management will continue to be a focus and all platforms are targeting levels of overhead costs of about 5% of revenue, through the cycle.

The Underground Mining platform is set to benefit from the major projects coming to market in regions in which it is well established. Near-term growth in the Oil & Gas platform will be primarily through acquisition to expand its international footprint in advance of the recovery in its core market sector. In the interim, the platform is well positioned to secure sizeable projects in complementary markets. The Power & Water platform will focus on diversifying its revenue streams, entering into partnerships and making acquisitions to secure the necessary capabilities in its target markets. An acquisition or a breakthrough in the municipal waste-water treatment is required to achieve competitive scale.

Our efforts to communicate the repositioning of the Group to the investment community will continue with an expectation of achieving a more reflective market rating.

It will be clear to our stakeholders from the emphasis we apply to *Engineered Excellence* that we are cognisant that the Group's sustainable competitive advantage, and therefore its ability to deliver returns to shareholders, is premised on the value we create for all our stakeholders. All dimensions of the *New Strategic Future* plan, particularly our aspirations to be a contractor and employer of choice, relevant and reputationally beyond reproach, are inseparable if we are to achieve the Group's Vision.

We thank the Board, our executive team and all our employees for their contribution to the progress we have made in pursuit of a *New Strategic Future* for the Group.

Henry Laas
Group chief executive

Daniël Grobler
Group financial director

BUSINESS PLATFORM OVERVIEWS

OIL & GAS

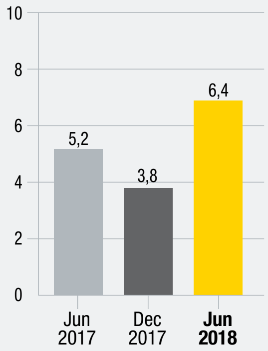
PETER BENNETT | *BUSINESS PLATFORM CEO*

"IN RESPONSE TO CHALLENGING OIL AND GAS MARKET CONDITIONS, CLOUGH'S TACTICAL SHIFT TO COMPLEMENTARY GROWTH MARKETS SUCH AS AUSTRALIA'S METALS & MINERALS AND INFRASTRUCTURE MARKETS WAS REWARDED. IN FY2018 IT GAINED SIGNIFICANT PROJECT AWARDS FOR BHP AND ALCOA IN AUSTRALIA AND RIO TINTO IN MONGOLIA."

GEOGRAPHIC DISTRIBUTION
REVENUE PER REGION

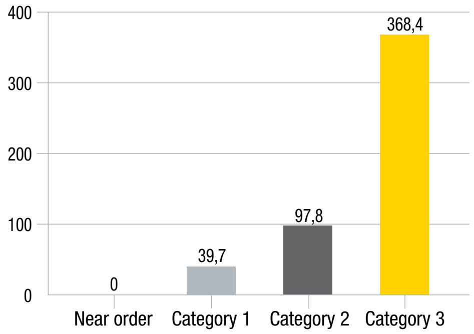
ORDER BOOK

HISTORY
(R billion)



ORDER BOOK TIME DISTRIBUTION
(R billion)

NEAR ORDERS AND PIPELINE
(R billion)



Near orders: *Tenders where the Group is the preferred bidder and final award is subject to financial/commercial close – there is more than a 95% chance that these orders will be secured.*

Category 1: *Tenders submitted or tenders the Group is currently working on (excluding near orders) – projects developed by clients to the stage where firm bids are being obtained – chance of being secured as firm a function of final client approval as well as bid win probability.*

Category 2: *Budgets, feasibilities and prequalification the Group is currently working on – project planning underway, not at a stage yet where projects are ready for tender.*

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

R million	Engineering		Construction		Global Marine		Commissioning & Maintenance		Corporate & Other		Total	
June	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	**971**	1 297	**504**	30	**–**	425	**6 894**	4 862	**173**	100	**8 542**	6 714
Operating profit/ (loss)	**77**	28	**4**	(52)	**(26)**	71	**466**	576	**(312)**	(406)	**209**	217
Margin (%)	**8%**	2%	**1%**	(173%)	**–**	17%	**7%**	12%	**–**	–	**2%**	3%
Order book	**639**	492	**3 552**	1 070	**–**	–	**2 245**	3 589	**–**	–	**6 436**	5 151
Segment assets											**2 808**	2 528
Segment liabilities											**2 334**	1 978
LTIFR (Fatalities)											**0.14(0)**	0.25(0)

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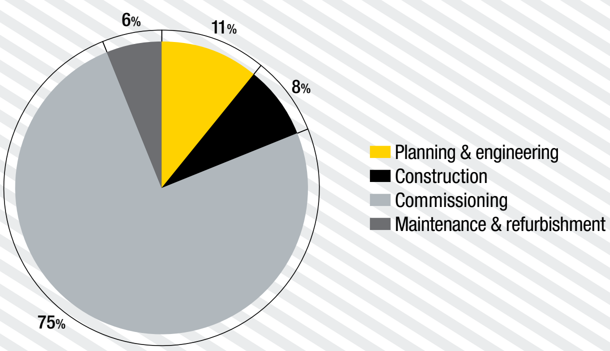
Full business platforms reviews

PROJECT LIFE CYCLE REVENUE DISTRIBUTION (%)



PLATFORM BRANDS

CLOUGH
BOOTH WELSH Integrated Engineering Services
CH·IV THE LNG SPECIALISTS
CLOUGH ENERCORE
CLOUGH MURRAY & ROBERTS
e2O engineering to operations

OIL & GAS *– continued*

STRATEGIC GOAL

Establish strong businesses in complementary growth markets

STRATEGIC OBJECTIVES

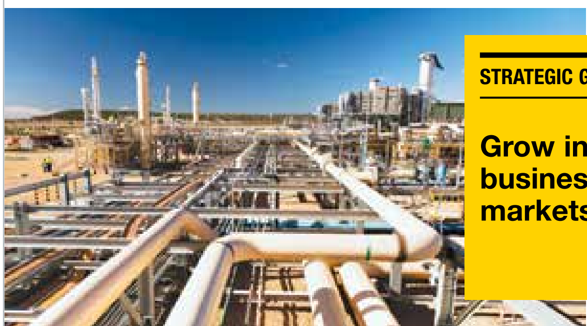
- Australian infrastructure and mining EPC business
- HUC & shutdowns business

STRATEGIC GOAL

Maintain current strong businesses in core markets

STRATEGIC OBJECTIVES

- Oil and gas EPC business
- Marine, water and power EPC business
- Maintenance opportunities with compelling value proposition



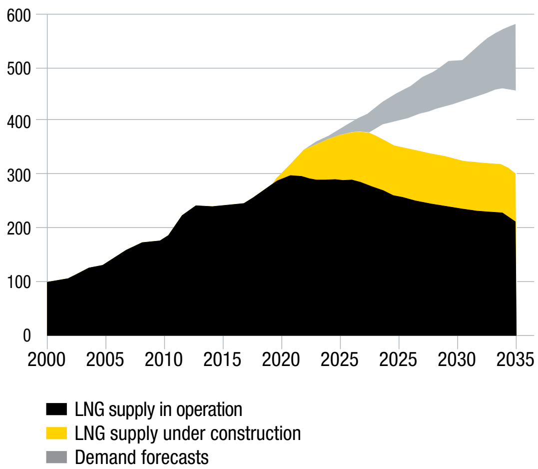
STRATEGIC GOAL

Grow international businesses in core markets

STRATEGIC OBJECTIVES

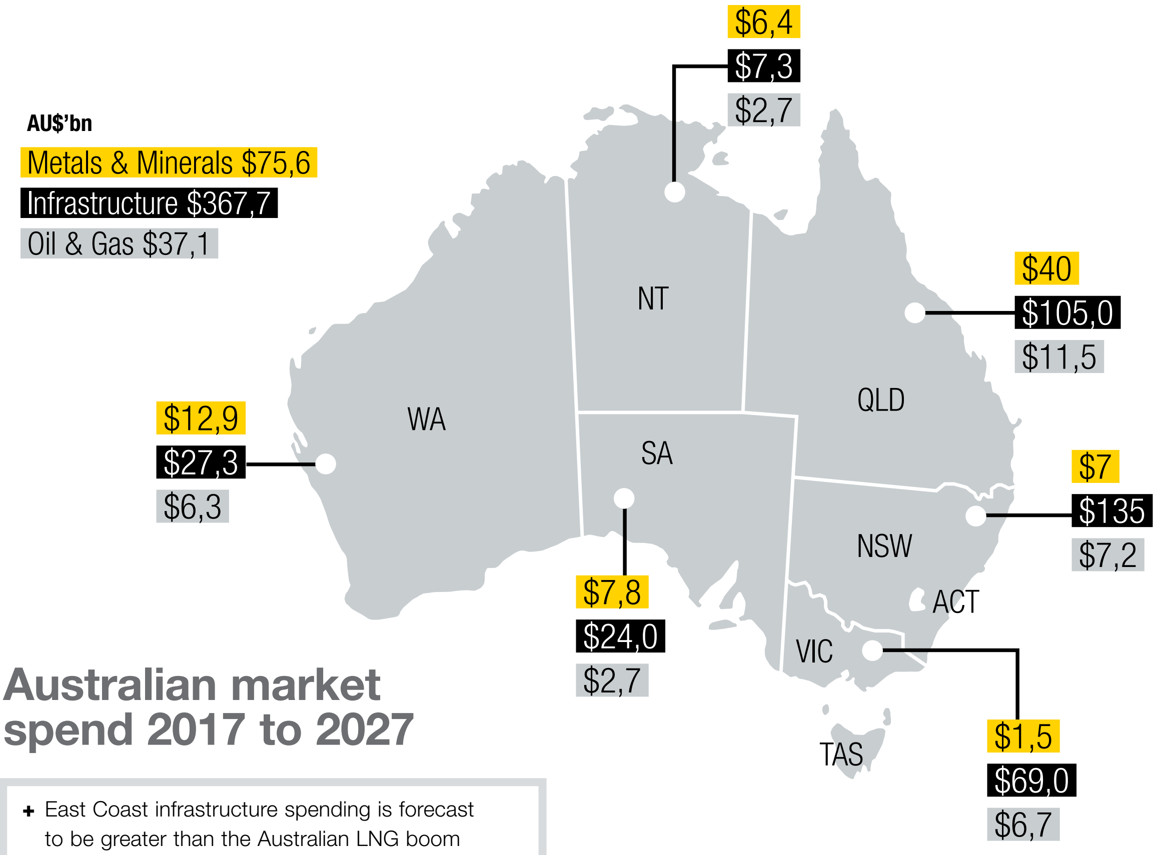
- North America midstream and petrochemical EPC business (CH•IV, Enercore + acquisition)
- Establish African EPC business
- Build United Kingdom business (Booth Welsh)
- Establish credible South East Asian marine business

EMERGING LNG SUPPLY-DEMAND GAP
MILLION TONNES PER ANNUM (DES)



LNG market outlook

- Over the medium term new markets will emerge, and Australia is forecast to hold its current production rates with Qatar, the USA and Russia each seeking to expand LNG production.
- Driven by East Asian nations, actual demand for LNG is higher than previously forecasted, though markets are currently in oversupply.
- This demand is driving a new LNG supply-demand gap, with markets falling into deficit from 2020/21, which is earlier than previously forecasted.



Australian market spend 2017 to 2027

- East Coast infrastructure spending is forecast to be greater than the Australian LNG boom (2008 – 2018).
- Most major project opportunities will be in transport infrastructure.
- Water treatment and desalination plants, and dam remediation opportunities offer niche markets.
- Western Australian transport infrastructure is also attractive to Clough.
- Mining spending has rebounded faster than oil and gas due to stronger price recoveries.
- Large-scale oil and gas opportunities in Australia remain distant.

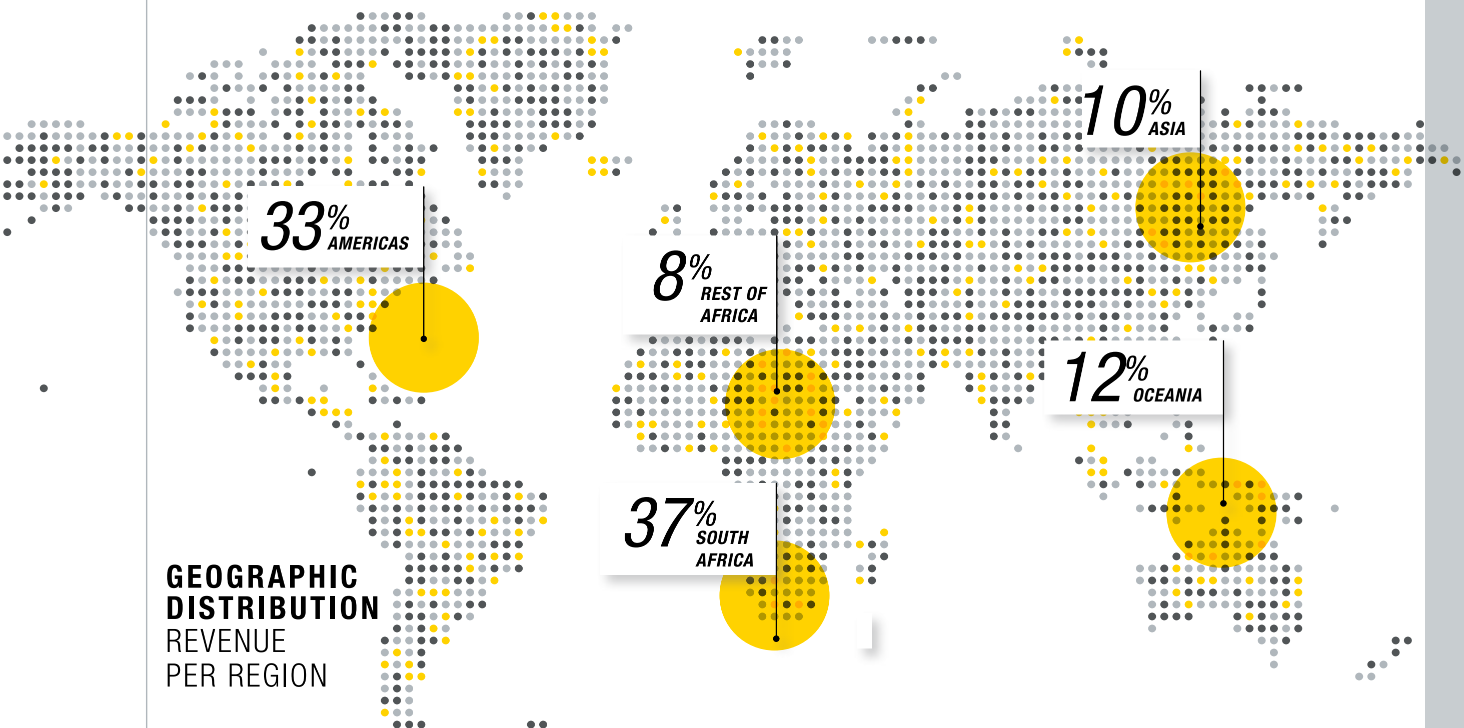
KEY GROWTH DRIVERS

- The crude oil price has stabilised above US$70 per barrel and global LNG markets are expected to remain in oversupply until 2020/21.
- New supply capacity must be developed in the near term to meet LNG forecast demand as from 2021/22.
- Extending the platform's service offering to complementary markets with active investment programmes is critical for growing earnings and mitigating exposure to the cyclicality of the resources sector.
- The platform secured significant projects with BHP and Alcoa in Australia and with Rio Tinto in Mongolia.
- The capital expenditure on infrastructure in Australia is forecast to be more than 10 times the oil and gas spend over the next 10 years.
- The platform is expanding its international footprint (planned USA acquisition), which will enable it to extend its construction services to the growing oil and gas sector in the USA.

UNDERGROUND MINING

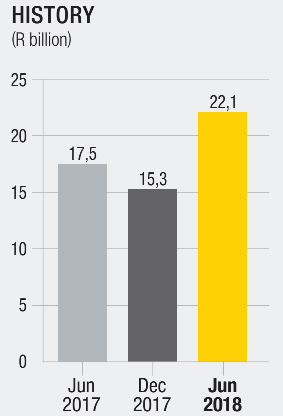
ORRIE FENN | *BUSINESS PLATFORM CEO*

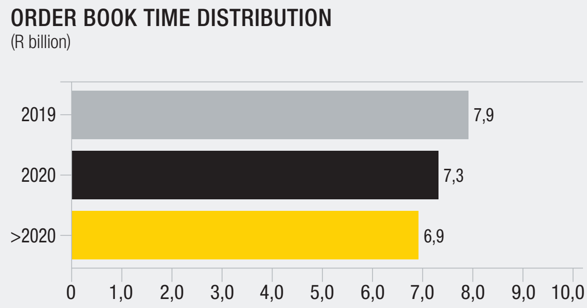
"EXPLORATION IS AT ITS HIGHEST LEVEL IN SIX YEARS AND MINING EQUIPMENT DELIVERY TIMES ARE EXTENDING. THESE KEY LEAD INDICATORS SUGGEST THAT THE INDUSTRY HAS MOVED INTO AN UPTURN."

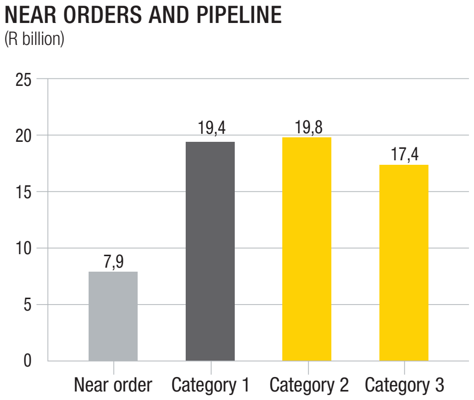


GEOGRAPHIC DISTRIBUTION
REVENUE PER REGION

ORDER BOOK







Near orders: *Tenders where the Group is the preferred bidder and final award is subject to financial/commercial close – there is more than a 95% chance that these orders will be secured.*

Category 1: *Tenders submitted or tenders the Group is currently working on (excluding near orders) – projects developed by clients to the stage where firm bids are being obtained – chance of being secured as firm a function of final client approval as well as bid win probability.*

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

R million	Africa		Australasia		The Americas		Total	
June	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	**3 524**	3 565	**1 779**	1 727	**2 701**	2 754	**8 004**	8 046
Operating profit	**215**	124	**109**	217	**147**	123	**471**	464
Margin (%)	**6%**	3%	**6%**	13%	**5%**	4%	**6%**	6%
Order book	**10 738**	11 021	**4 799**	3 117	**6 533**	3 368	**22 070**	17 506
Segment assets	**879**	1 139	**1 167**	982	**1 711**	1 494	**3 757**	3 615
Segment liabilities	**1 007**	1 093	**484**	377	**504**	439	**1 995**	1 909
LTIFR (Fatalities)	**1.75(0)**	1.15(0)	**1.49(1)**	0.96(0)	**3.0(0)**	1.97(0)	**1.89(1)**	1.23(0)

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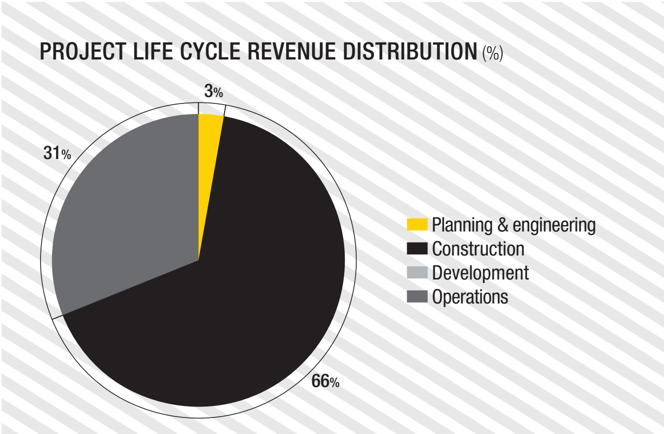


PLATFORM BRANDS

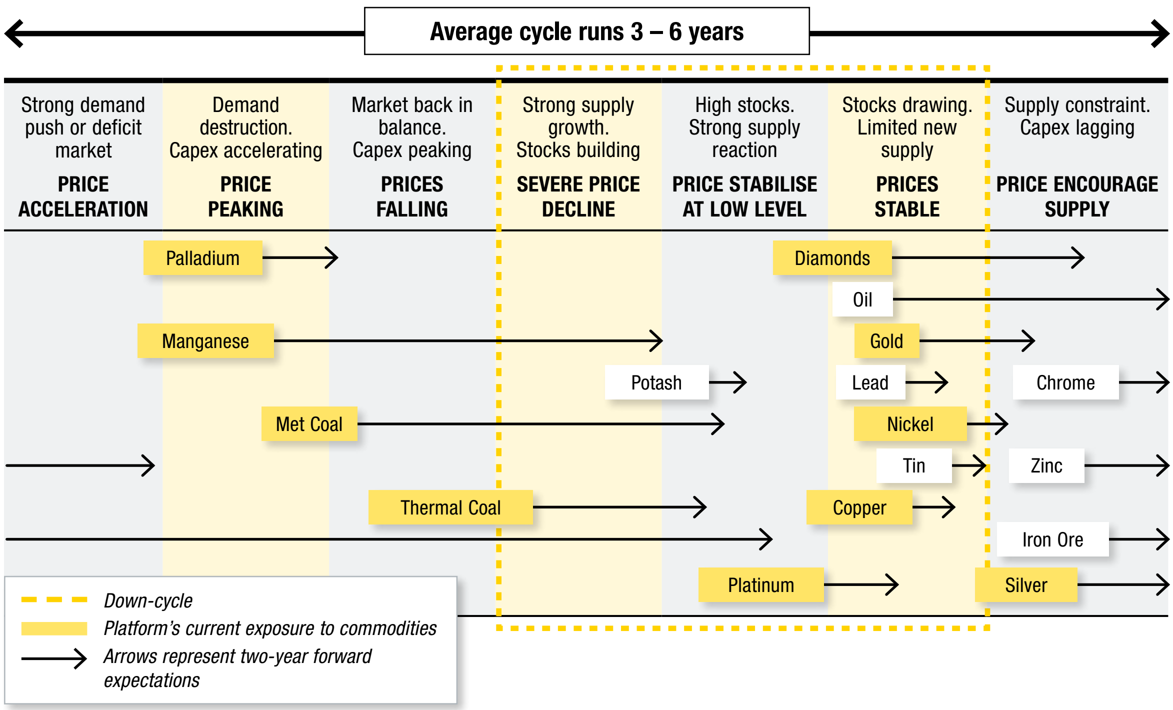
Murray & Roberts Cementation

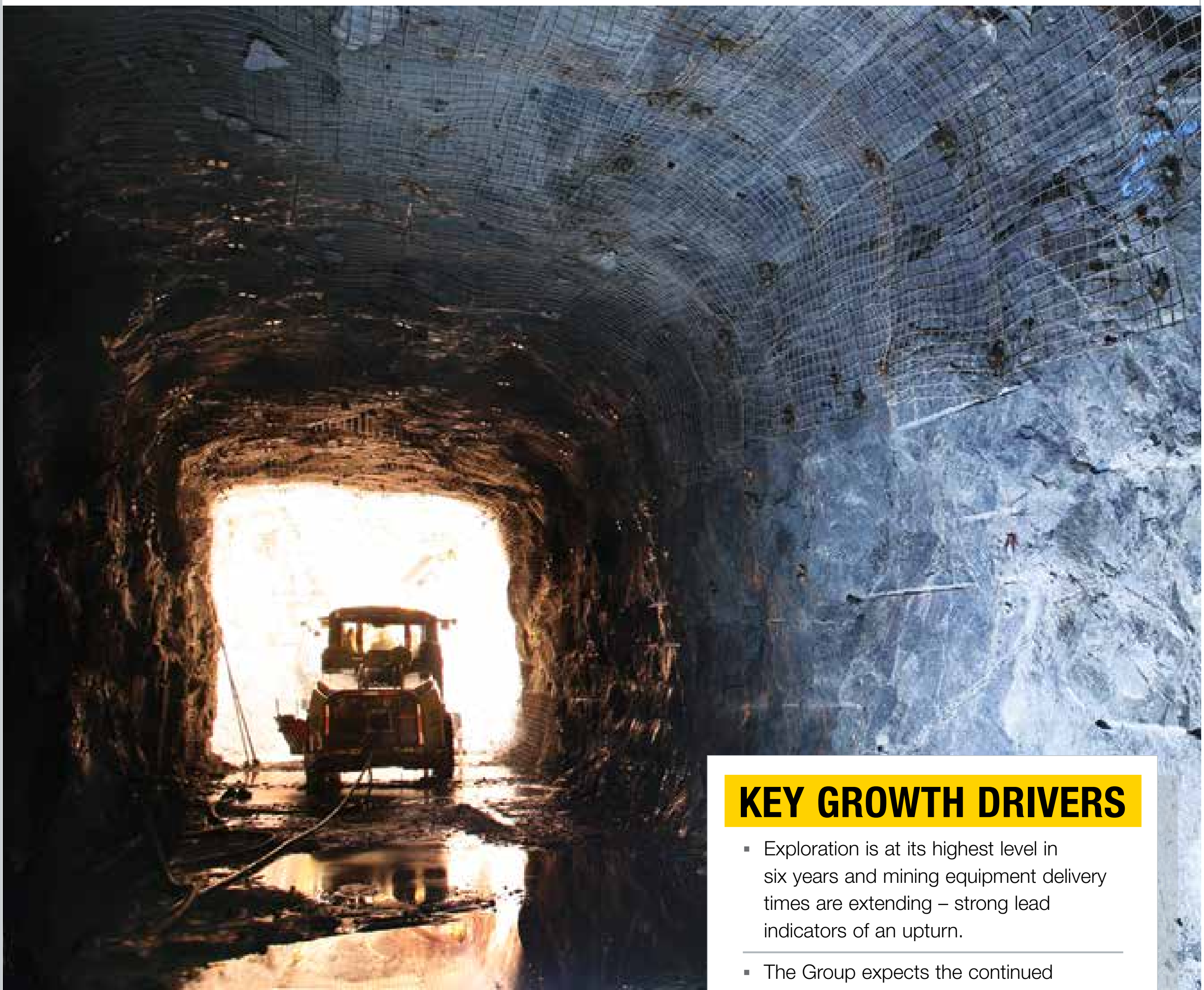
UNDERGROUND MINING – *continued*

AFRICA	AUSTRALASIA	AMERICAS
+ Grow African footprint (outside Zambia) by leveraging Ghana office and growing Central Africa opportunity through targeted client engagement. + Enhance rapid access development capability to achieve preferred contractor status among clients. + Enhance systems, skills and processes to become the leading mechanised mining contractor in Africa.	+ Continue to promote and expand mine development service offering. + Maximise high-margin (large hole) raise boring work. + Further develop Asia Pacific Rim market (India, Indonesia, PNG, New Zealand, Philippines, Mongolia). + Secure additional long-term orders in block cave projects (Indonesia).	+ Increase North America (Canada) market penetration. + Adopt a 'selective' engineering-driven (client engagement) approach to pursue ad hoc international opportunities. + Focus on growing Cementation AG and Merit Consultants International.

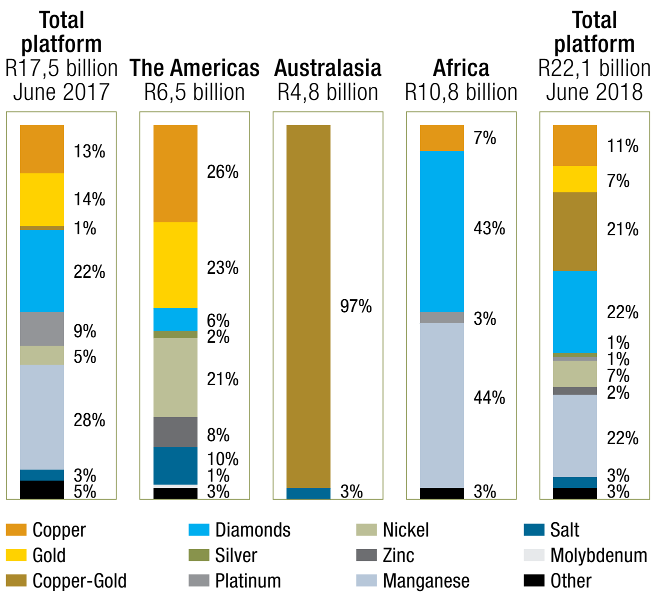
GROW CONTRACT MINING TO AT LEAST 50% OF PLATFORM REVENUE

Key commodities position in the cycle





Platform's projects represent most key commodities



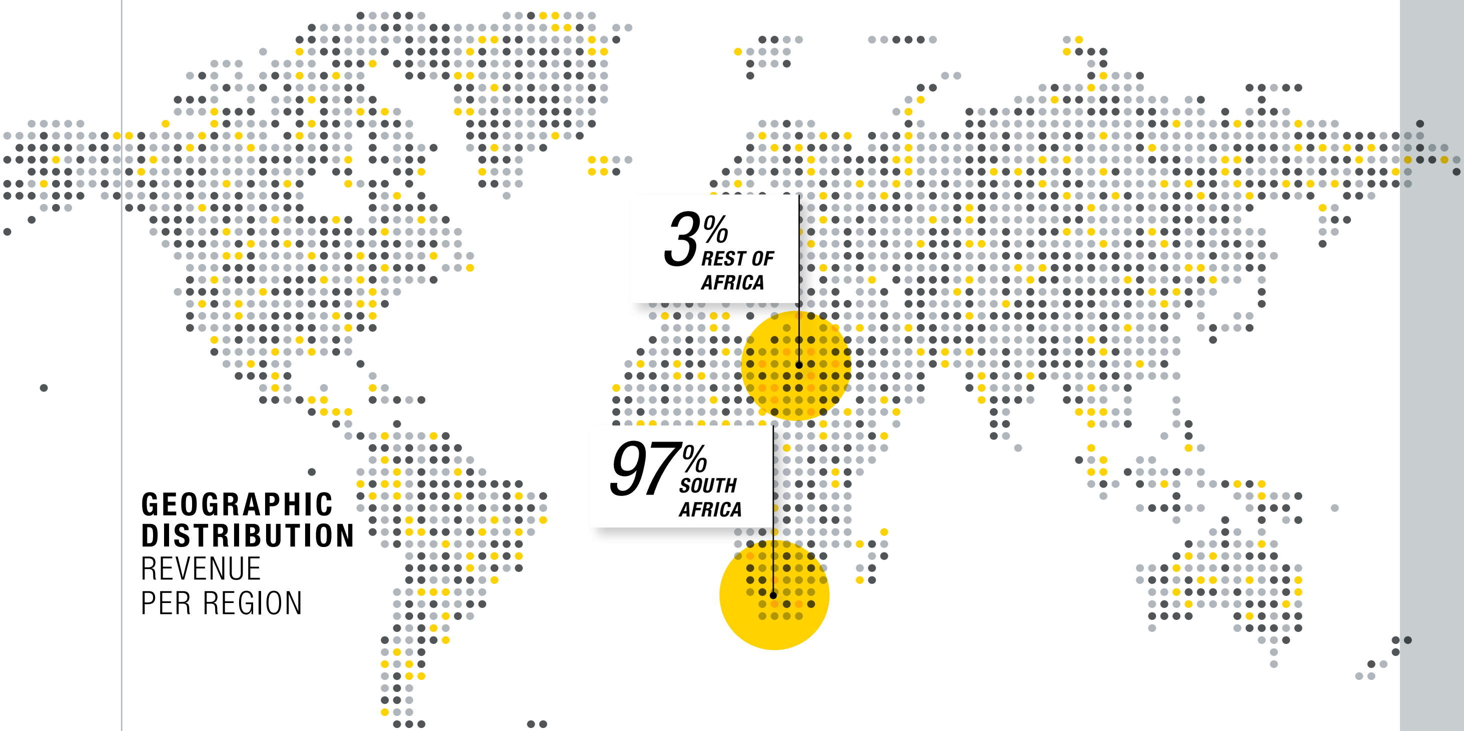
KEY GROWTH DRIVERS

- Exploration is at its highest level in six years and mining equipment delivery times are extending – strong lead indicators of an upturn.
- The Group expects the continued improvement in commodity prices and increased investment by mining companies.
- The platform continues to secure ongoing infrastructure replacement and development projects (a function of 'stay-in-business' capital spending by mining companies), as well as contributions from contract mining work.
- Recently completed and current projects include the construction or rehabilitation of 20 vertical shafts and some 30 decline shaft projects in Australia, Canada, Indonesia, Mongolia, South Africa, USA and Zambia.
- The platform has contract mining projects in Australia, Canada, Indonesia, South Africa and the USA and is pursuing new contract mining opportunities, primarily in South Africa and the USA.
- Collaboration between Group companies recently contributed to the award of the 1 000m deep twin shafts at Rio Tinto's Oyu Tolgoi copper mine in Mongolia.

POWER & WATER

STEVE HARRISON | *BUSINESS PLATFORM CEO*

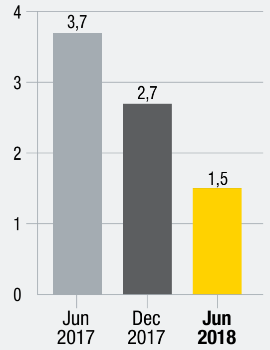
"GROWTH FOR THE PLATFORM WILL BE MAINLY ORGANIC, SUPPORTED BY TARGETED BOLT-ON ACQUISITIONS – SPECIFICALLY TRANSMISSION, INDUSTRIAL WATER TREATMENT AND PETROCHEMICAL MAINTENANCE – TO BETTER POSITION THE PLATFORM FOR OPPORTUNITIES IN THESE MARKETS, AS WELL AS TO EXPAND AND COMPLEMENT ITS EXISTING SERVICE OFFERING."



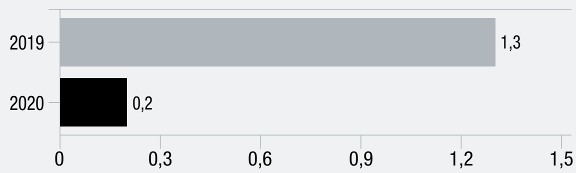
GEOGRAPHIC DISTRIBUTION
REVENUE PER REGION

ORDER BOOK

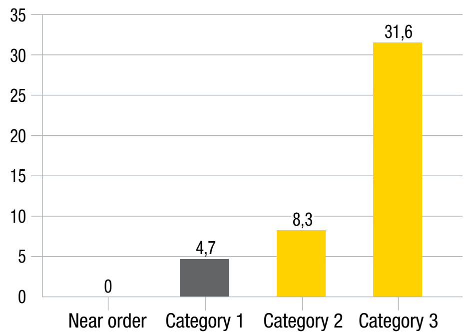
HISTORY
(R billion)



ORDER BOOK TIME DISTRIBUTION
(R billion)



NEAR ORDERS AND PIPELINE
(R billion)



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R million	Power[1]		Water		Oil & Gas		Electrical & Instrumentation		Corporate & Other		Total	
June	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	**4 180**	5 063	**95**	56	**412**	669	**138**	106	**4**	14	**4 829**	5 908
Operating profit/(loss)	**287**	243	**(8)**	(20)	**(87)**	5	**32**	35	**(90)**	(92)	**134**	171
Margin (%)	**7%**	5%	**(8%)**	(36%)	**(21%)**	1%	**23%**	33%	**–**	–	**3%**	3%
Order book	**1 278**	3 198	**–**	–	**188**	483	**13**	26	**–**	–	**1 479**	3 707
Segment assets											**1 292**	1 527
Segment liabilities											**956**	1 341
LTIFR (Fatalities)											**0.12(0)**	0.43(0)

1 *Including power programme contracts.*

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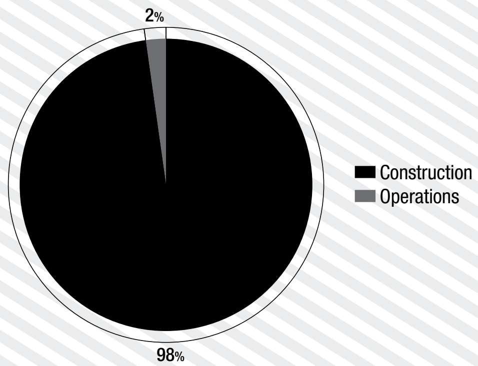
PROJECT LIFE CYCLE REVENUE DISTRIBUTION (%)



PLATFORM BRANDS

Murray & Roberts — Murray & Roberts Power & Energy, Engineers and Constructors

Murray & Roberts — Murray & Roberts Water, Engineers and Constructors

aquamarine water treatment

POWER & WATER *– continued*

In the absence of major thermal coal power station build opportunities, the platform is extending services to broader power sector and complementary markets.

Enter repairs and maintenance market (Eskom and Sasol)

- Boilerserve JV being formed, bolt-on acquisition targets for maintenance.

Enter power transmission and distribution market

- Bidding commenced, acquisition targets identified and JVs being formed.

Establish Organica Water technology in wastewater treatment

- Organica Water demonstration plant established at the Verulam wastewater treatment plant to showcase this innovative technology.

Establish water sector chemical supply business

Extend SMEIPP service offering to mining, pulp, paper, chemical industries

Business model

BUSINESS	CAPABILITIES	GEOGRAPHY	PROJECT VALUE CHAIN
Murray & Roberts Power & Energy • Power • Electrical and instrumentation • Transmission and distribution • Resources and industrial • Oil and gas **Murray & Roberts Water** • Murray & Roberts Water • Aquamarine – Chemicals	+ Feasibility studies + Detailed engineering + Procurement + Construction + Commissioning + Repair and maintenance + Operations (opportunities coming in to play)	SOUTH AFRICA WEST AFRICAN HUB Ghana (primary) Ivory Coast Senegal EAST AFRICAN HUB Kenya Tanzania Uganda SUB-SAHARA AFRICA Botswana Namibia Mozambique Angola Zimbabwe Swaziland	Design and engineering/ technical consulting ↓ Process EPC ↓ Construction/ manufacturing/ fabrication ↓ Repairs/operations/ maintenance/ service

KEY GROWTH DRIVERS

- Reduction in revenue, operating profit and order book is due to the phased completion of the Medupi and Kusile mega projects.
- The platform's overhead function was restructured to prepare it for a lower revenue base, without compromising its capacity to deliver on its strategic objectives and to pursue new work.
- Baseload coal independent power producer procurement programme continues to be delayed.
- The platform is targeting the broader power sector by pursuing power plant repair and maintenance work in South Africa and high-voltage transmission and distribution projects in South Africa and sub-Saharan Africa.
- In the complementary oil and gas market, the platform is supporting Sasol's operations at Secunda with structural, mechanical and piping construction services.
- Successful completion of an EPC fuel storage project in Takoradi Port, Ghana, has created opportunities in refined products storage facilities.
- Murray & Roberts Water erected and commissioned an Organica Water resource recovery demonstration facility at the Verulam wastewater treatment plant, to showcase this innovative technology.
- The Aquamarine business performed well with supply of containerised water treatment plants to hospitals, industrial and agricultural users.

GOVERNANCE, RISK AND REMUNERATION REPORTS

GOVERNANCE REPORT

Statement of commitment

The Board strives to achieve the highest standard of business integrity, ethics and corporate governance, in pursuit of the Group's strategic and business objectives. It is ultimately accountable for the effective governance of the Group. The Board requires the executive team to conduct the business of the Group in accordance with the Group's Code of Conduct.

The Group complies with all principles of King IV. A narrative based report, referencing each of the King IV principles and an explanation of the practices employed to each principle, is available online at **www.murrob.com**.

Board of directors

The Board is the Group's highest governing body and has ultimate responsibility for corporate governance across the Group. It appreciates that strategy, risk, performance and sustainability are interdependent and the Board is responsible for approving the strategic direction of the Group, which addresses and integrates each of these elements.

Murray & Roberts has a unitary Board with 10 directors, of whom eight are independent non-executive directors and two are executive directors. The composition of the Board promotes a balance of authority and prevents any one director from exercising undue influence over decision-making. In line with King IV principles, Ralph Havenstein is the lead independent director.

The Board acknowledges the importance of diversity and a formal policy was adopted in order to guide the Board in attaining gender and race diversity at Board level. The Board adopted the following diversity targets, which it has achieved:

50%
BLACK REPRESENTATION
(WHICH INCLUDES INDIAN AND COLOURED PERSONS)

30%
WOMEN MEMBERS

The Board is governed by a charter ("the Board Charter") that sets out its accountability, responsibility and duty to the Group through the Company.

The Board's key responsibilities in terms of the Board Charter include:

- Providing ethical leadership and direction to the Group in all matters;
- Approving and monitoring the implementation of the strategic plan developed by management;
- Responsibility for risk governance and monitoring key risk areas;
- Responsibility for IT governance;
- Directing the commercial and economic fortunes of the Group;
- Ensuring the Group is a responsible corporate citizen by considering the impact of its business operations on its employees, society and the environment;
- Monitoring that the Group complies with all relevant laws, rules, codes and standards of business practice through a compliance framework;
- Monitoring that the Group's communications with all relevant stakeholders are open and prompt;
- Ensuring shareholders are treated equitably and equally;
- Ensuring that disputes are resolved effectively and expeditiously; and
- Monitoring performance through the various Board committees established to assist in the discharging of its duties while retaining full accountability and without abdicating its own responsibilities.

The duties of individual Board members include:

- Acting in the best interest of the Group;
- Acting in good faith and honesty;
- Exercising due care and diligence; and
- Be independent in judgment and decision-making.

Board meetings

The Board formally meets five times a year. In addition, directors meet ahead of the scheduled meeting at which the Group's budget and business plan is considered. At this meeting, the directors engage with senior executives on the development and implementation of the Group's business plan and strategy.

Between meetings directors are kept informed, by the Group chief executive, of major developments affecting the Group.

The Board's policy of visiting the Group's operations on an annual basis has continued. During the year under review, the Board visited the Booysendal Mine in Mpumalanga Province, South Africa.

Selection of directors

The Board has an approved policy on the selection and continuation of office for directors, and the nomination and evaluation processes to be followed. One third of all directors are required to retire annually by rotation and if put forward for re-election, are considered for re-appointment at the AGM. All directors are appointed at the AGM by shareholders' resolution. The Board is permitted to remove a director without shareholder approval for due cause.

The nomination committee makes recommendations to the Board on the appointment and re-election of directors, based on an assessment of skills, knowledge, experience and diversity. All recommended new director appointments are subject to background and reference checks. Re-election of directors to the Board is made according to a formal and transparent process. Each non-executive director is provided with a formal letter of appointment.

Newly appointed non-executive directors undergo an induction process to familiarise them with the Group. This includes extensive meetings and discussions with Group management.

Changes to the Board

Ralph Havenstein was appointed as lead independent director and Diane Radley, Emma Mashilwane and Alex Maditsi, were appointed to the Board. Emma and Diane have been appointed to both the audit and risk committees, with Diane assuming chairmanship of the audit committee. Alex has been appointed to the health, safety & environment; remuneration & human resources and social & ethics committees. In addition, Xolani Mkhwanazi has been appointed to the social & ethics committee and Ntombi Langa-Royds was appointed to the nomination committee.

Mahlape Sello and Dave Barber retired from the Board at the conclusion of the 2017 AGM and at the same time, stepped down from all committees. Suresh Kana took over as chairman of the Group.

Chairman and Group chief executive

The roles of chairman and Group chief executive are separate. They operate under distinct mandates issued and approved by the Board that clearly differentiate the division of responsibilities within the Group and ensure a balance of power and authority.

The chairman, an independent non-executive director, presides over the Board, providing it with effective leadership and ensuring that all relevant information is placed before it for decision. The Group chief executive is responsible for the ongoing operations of the Group, implementing its long-term strategy, and recommending the business plan and budgets to the Board for consideration and approval.

The Board appoints the chairman and the Group chief executive. The Board appraises the chairman annually and the remuneration & human resources committee appraises the Group chief executive annually. This committee also assesses the remuneration of the Board, the chairman and the Group chief executive. The nomination committee is responsible for Board succession planning.

Group secretary

Bert Kok is the company secretary, and is responsible for ensuring the proper administration of the Board and that sound corporate governance procedures are followed. All directors have access to the advice and services of the company secretary and have full and timely access to information that may be relevant for the proper discharge of their duties.

The Board evaluates the competency and effectiveness of the company secretary, as required in terms of the JSE Listings Requirements. The evaluation process includes an assessment of the company secretary's eligibility, skills, knowledge and execution of duties. The Board has considered and is satisfied that the company secretary is competent and has the requisite qualifications and experience to effectively execute his duties. Bert has more than 10 years' experience as a company secretary in a listed company environment. He was previously a director of Chartered Secretaries Southern Africa and its past president in 2010. He is also the secretary of the BCC, in which the Group holds a 50% shareholding.

The Board confirms that the company secretary maintains an arm's length relationship with the Board and the directors, noting that the company secretary is not a director of the Company and is not related to any of the directors. The company secretary is independent from management and does not have executive duties and responsibilities, aside from the core responsibilities of a company secretary. He is not a material shareholder of Murray & Roberts and is not party to any major contractual relationship with Murray & Roberts.

Board committees

The Board has established and mandated a number of permanent standing committees to perform specific work on its behalf in various key areas affecting the business of the Group. **They are the:**

+ Executive committee;
+ Audit committee;
+ Health, safety & environment committee;
+ Nomination committee;
+ Remuneration & human resources committee;
+ Risk management committee; and
+ Social & ethics committee.

Shareholders elect the members of the audit committee at each AGM. The audit committee still forms part of the unitary Board even though it has statutory duties over and above the responsibilities set out in its terms of reference.

Although all the committees assist the Board in the discharge of its duties and responsibilities, the Board does not abdicate its responsibilities. The Board and each committee give attention to new and existing governance and compliance matters according to their respective mandates.

Each committee operates according to Board-approved terms of reference, which are regularly reviewed and updated where necessary. With the exception of the executive committee, an independent non-executive director chairs each committee.

The committee chairmen are appointed by the Board.

Each committee chairman participates fully in setting the committee agenda and reporting back to the Board at the following Board meeting. As mandated by the individual committee's terms of reference, each committee chairman attends the AGM and is available to respond to shareholder questions on committee activities.

www
ONLINE
Board committee reports and Record of attendance

Board and committee effectiveness

King IV recommends that "Every alternate year, the governing body should schedule in its yearly work plan an opportunity for consideration, reflection and discussion of its performance and that of its committees, its chair and its members as a whole."

As the Board completed an external effectiveness review of the Board in the previous year, it was decided that the committees undertake a self-evaluation by means of an effectiveness discussion in a committee meeting. The Board received feedback from each committee chairman on these discussions and concluded that all committees are effective in all aspects.

In addition, it has been a long standing practice that, at every Board and committee meeting, the non-executive directors meet without management present. It provides an opportunity for the non-executive directors to share thoughts and insights with their peers. The chairman provides the necessary feedback from the closed sessions to the Group chief executive to action.

Executive committee

The directors of Murray & Roberts Limited serve as members of the executive committee of the Board, which is chaired by the Group chief executive.

The directors of Murray & Roberts Limited support the Group chief executive in:

- Implementing the strategies and policies of the Group;
- Managing the business and operations of the Group;
- Prioritising the allocation of capital, technical know-how and human resources;
- Establishing best management practices and functional standards;
- Approving and monitoring the appointment of senior management; and
- Fulfilling any activity or power delegated to the executive committee by the Board that conforms to the Company's memorandum of incorporation.

Independent Board

Following ATON's announcements to initially make a general offer and later a mandatory offer to acquire shares in Murray & Roberts, in accordance with the requirements of the Companies Act, 71 of 2008, the Board has constituted an Independent Board comprising the following independent non-executive directors:

- Suresh Kana (chairman);
- Ralph Havenstein;
- Alex Maditsi; and
- Diane Radley.

The Independent Board's duties are set out in the Takeover Regulations and they are assisted by the Board appointed financial advisors: Deutsche Bank, as well as the legal advisors: Webber Wentzel.

Risk management, systems of control and internal audit

Details of the Group's risk management process, systems of control and internal audit are set out in the risk management report on page 60.

Conflicts of interest and share dealings

Directors are aware that when a matter is considered by the Board in which they individually or they know a related person that may have a personal financial interest, this interest is to be disclosed prior to the Board meeting. These disclosures are noted by the Board when necessary, and recorded in the minutes of the Board meeting. The director concerned would be recused and not take part in the board's consideration of the matter.

In accordance with the JSE Listings Requirements, the Group has a policy requiring directors and officers who may have access to price-sensitive information, to be precluded from dealing in the Group's shares during closed periods. Such closed periods commence from the end of December until the release of the Group's interim results in February of each year and from the end of June until the release of the Group's annual results in August of each year.

To ensure that dealings are not carried out at a time when other price-sensitive information may be known, directors, officers and participants in the share incentive scheme must at all times obtain permission from the chairman, Group chief executive or Group financial director, as the case may be, before dealing in the shares of the Group. The company secretary is notified of any share dealings and, in conjunction with the corporate sponsor, publishes the details of dealings in the Group's shares by directors and officers that have been approved on the Stock Exchange News Service of the JSE Limited.

JSE sponsor

In terms of the JSE Listings Requirements, Deutsche Securities (SA) Proprietary Limited acted as sponsor.

RISK MANAGEMENT REPORT

Primary responsibility for risk awareness and mitigation has been embedded across the Group's business platforms. Given the scale and complexity of the Group, Murray & Roberts cannot comprehensively eliminate all risk from its internal and external business and commercial interfaces.

For this reason, management manages and maintains a planned, coordinated and structured approach to identify, assess, mitigate, monitor, communicate and report the Group's risks, prioritising those that are complex and large. This includes governance structures (such as the Board risk management committee, the executive risk committee and the business platform committees), organisational leadership, strategic planning and effective management to ensure that the appropriate operational and functional capacities, as well as systems, controls and processes, are in place to manage and mitigate risk. Guiding this approach is the Group Risk Management Framework.

The Group Risk Management Framework constitutes one of three pillars on which the Group Integrated Assurance Framework stands, and aims to:

+ Align strategy with risk tolerance;
+ Improve and streamline decision-making which improves the Group's risk profile;
+ Promote the strategic and coordinated procurement of a quality order book, which contains a known and planned level of risk and a commensurate level of reward;
+ Ensure equitable commercial terms and conditions are contracted based on a predetermined set of acceptable contracting principles, together with the rational pursuit of commercial entitlement;
+ Promote early and rigorous project reviews, and timeous responses to projects showing early signs of deviation from planned and tendered expectations;
+ Promote continuous improvement through the institutionalisation and application of key past lessons learnt;
+ Reduce operational surprises, improve predictability and build shareholder confidence;
+ Build robust organisational risk structures and facilitate timeous interventions, to promote long-term sustainable growth; and
+ Promote the efficient and proactive pursuit of opportunities.

The Group risk management framework

01 ORGANISATIONAL STRUCTURES

In addition to the various Group operating board responsibilities, organisational structures have been created and tasked with risk governance and include the business platform risk committees, the Murray & Roberts Limited risk committee and the Murray & Roberts Limited project oversight committee.

02 FUNCTIONAL SUPPORT

Dedicated risk management support has been created at Group level and within businesses. This includes enterprise-wide risk leadership, risk management monitoring, risk-based auditing and operational and risk committees.

03 STRATEGIC RISK MANAGEMENT

Strategic risk is evaluated as a hurdle to achieving the Group's long-term strategy. Direction is set for organic and acquisitive growth to access new markets and create new capacity, and is also applied to acquisitions, disposals, new business development and timely and necessary leadership intervention.

04 OPERATIONAL RISK MANAGEMENT

Operational risk is a potential barrier to achieving planned profits within the Group's business platforms. Methodologies for identifying, evaluating, mitigating, monitoring and communicating risk are applied in the operational business environment. Business plans with a three-year horizon are developed and performance against these is subject to quarterly review.

05 PROSPECT AND PROJECT LIFE CYCLE

Project risk is evaluated as a potential barrier to delivering contracted scopes against cost, time and technical performance targets, while maintaining health, safety and environmental performance at acceptable levels. A project management framework sets the minimum standard for project management required in the delivery of projects across the Group.

A project management development programme is in place to enhance and refresh project management skills across the Group. The framework also provides internal audit with a consistent set of processes and controls against which project performance is tested. Project risk management activities include the Group risk tolerance filters, lessons learnt and contracting principles schedules, project reviews and project dashboards.

06 CORPORATE RISK MANAGEMENT

Corporate risk management relates to a range of portfolios within the corporate office, which address various forms of risk including risk management standards and procedures, the Group Code of Conduct, the Statement of Business Principles, regulatory compliance, commercial and legal oversight, integrated assurance, business continuity and information technology disaster recovery, treasury, bonds and guarantees, tax, insurance, crisis communication and forensic investigations.

Regulatory compliance

Regulatory compliance constitutes the second pillar of the Group Integrated Assurance Framework. With the continued growth and expansion of the Group, especially in new geographies and disciplines, regulatory compliance is a large and complex area to understand. This in turn requires a structured approach to evaluate compliance failures and ensure adequate responses are initiated timeously to mitigate and avoid any negative impact on the Group's operations and/or performance. The regulatory compliance function provides specific focus on regulatory compliance risk within the context of the Group Integrated Assurance Framework.

The key imperative of regulatory compliance is to ensure compliance across the Group with every law, rule, code and standard where non-compliance could materially impact the Group's performance and/or continued existence, whether from a financial, legal or reputational perspective.

The implementation of the Group Regulatory Compliance Framework focuses on the seamless integration of regulatory compliance (with risk management and internal audit) into business planning, execution and management.

Internal audit

Internal audit is a key element of the Group's assurance structure, and constitutes the third pillar of the Group Integrated Assurance Framework. Internal audit has established a robust, risk-based approach to identify the critical risk management control environment which is relied on by management, and which is to be tested and evaluated for the purposes of providing the Board with the risk management and regulatory compliance assurance it requires to meet its governance objectives. Internal audit follows a planning and execution process through which its risk-based approach is delivered in a consistent manner, followed by detailed reporting and issue tracking.

It is through implementation of the Group Integrated Assurance Framework that the critical risk processes and responses to be included in the internal audit plan are developed. These include interactions with the Group risk executive and the Group legal executive, and with specific reference to their respective mitigation objectives, strategies and plans. The audit plan also encompasses the assessment of Group-wide corporate governance, internal financial controls and risk management procedures, as well as specific areas highlighted by the audit & sustainability committee, Group executive committee and by executive and operational management for separate and dedicated review.

Risk management practices

Corporate leaders, tasked with overall governance but who are not involved in the engine room of the business they govern, require line-of-sight to the mechanics for which they are ultimately accountable.

Likewise with risk management, the Board is responsible for the performance of the Group it governs, but is remote from the details that influence (positively or negatively) the outcomes of the Group. For this reason, leadership requires line-of-sight to the controls, procedures, processes and systems that deliver the outcomes to ensure that they are appropriate, complete, robust and timeously applied.

The Group considers a number of factors to determine its risk tolerance for each risk category. This Risk Appetite Statement characterises the Group's tolerance for each risk as low, moderate or high, according to the following definitions:

+ **Low** – The level of risk will not impede the ability of the Group to achieve its strategic objectives.
+ **Moderate** – The level of risk may delay or disrupt achievement by the Group of its strategic objectives.
+ **High** – The level of risk will impede the ability of the Group to achieve its strategic objectives.

Where applicable, controls are in place to reduce the likelihood, or alternatively the impact, of risk events.

Key risk categories:

HSE: The Group has a low appetite for health, safety and environment risk and strives for Zero Harm in the workplace. This is supported by the Group HSE Framework.

FINANCIAL: The Group has a moderate appetite for financial risk as it is willing to accept risk in order to achieve its financial objectives. The risks are managed and mitigated to an acceptable level through a number of controls, with oversight from Group executive leadership.

LEGAL AND COMPLIANCE: The Group strives to achieve the highest standards of business integrity, ethics and governance in the pursuit of its strategic and business objectives. It has zero tolerance for any unethical behaviour and has a Code of Conduct and a number of related procedures in place to address this risk.

PROJECT PERFORMANCE: The Group is prepared to accept a moderate level of risk in the pursuit of projects in order to be able to achieve its financial objectives. Projects are delivered within a Project Management Framework against a set of contracting principles and lessons learnt from previous projects.

TECHNOLOGY: The Group has a moderate appetite for innovative technology solutions and for exploring digital trends which could add value and assist in meeting strategic objectives. However, the Group has a low appetite for cyber risk and data breaches and has an IT Security Framework in place to manage this risk.

The Group has defined four discrete risk environments, being: Strategic, Corporate, Operational and Project. Each risk has a specific owner, be it a business platform, operating board or an executive manager.

In addition, the risk management and internal audit functions, located in the corporate office (and which advise on risk management approaches, methodologies and systems), monitor that risk management is diligently exercised at every level across the Group, and in turn separately report to various constituted boards and committees on both inherent and residual risks in each risk area across the Group. This reporting is on a materiality basis, so the higher the level of authority, the greater the level of risk filtration.

As a project-based group, the predominant source of risk for the Group is in the project area. Murray & Roberts is an international contractor that contracts on a variety of projects, which differ in contract terms, specification, scope and size, which all introduces significant risk into the Group.

Critical to the preparation of tenders and successful project delivery is the application of two standards to each bid which have been formulated on the basis of the Group's past performance:

- Group Schedule of Contracting Principles; and
- Group Schedule of Lessons Learnt.

All bids submitted are tested against the above two standards to ensure that the identified risks are correctly addressed and failures of the past are not repeated.

The three business platforms, which comprise the Murray & Roberts Group's project businesses, are also the source of operational risk. Risk exposures typically relate to infringement of laws, including competition, health and safety, environment, commercial, technical and logistical aspects of a project, through the ordinary course of them carrying out their business activities. Each business platform has its own risk committee or initiatives at which and through which project and operational risks are regularly reviewed and assessed, together with responsible management's mitigation actions.

To reduce project risk as far as possible, the following procedures are followed:

- Only competent and experienced executives prepare bids for submission.
- All opportunities are logged on an Opportunity Management System, which tracks and processes opportunities, subjecting them to a series of risk filters in order to develop a risk profile. These filters are in turn extracted from the delegation of authority matrix, which is approved by the Board.
- In preparing bids, based on first principles and on a bottom-up basis, the estimating tools used across the Group are proven and validated. The costing process is comprehensive, and subject to rigorous and independent internal reviews.
- Risks are identified based on past experience and carved out of bids contractually or retained but priced and then managed within budget.
- Critical bid requirements are:
  (i) the exclusion and/or pricing of known risks;
  (ii) projects must be cash positive;
  (iii) unacceptable risks and unusual contracting terms are prohibited; and
  (iv) limits of liability are always contracted.
- Where a lump sum project is accepted, the design must be mature, the scope and/or specification clear and an efficient mechanism for change management and dispute resolution must form part of the contract.
- An allowance for contingencies (unforeseen or unplanned risks) is added to the bid price to cater for possible risks (threats) that cannot be proactively priced and managed. These allowances are a hedge against risk, are utilised within the framework for which they are established and fall under the control of the project director. The use of a contingency allowance is ratified by the project review committee.
- Generally known suites of contracts are preferred, such as FIDIC, NEC, JBCC, GCC, and specific attention is placed on the special conditions. Bespoke contracts are negotiated based on the detailed guidance of internal and external attorneys.
- Large and complex project bids are subject to independent review and approval by the Murray & Roberts Limited risk committee, which issues a mandate that has to be followed by the project negotiation team. Projects above US$300 million are escalated to the Board for approval. Any deviation from a mandate is referred back to the relevant risk committee for a final decision.
- The Murray & Roberts Limited project oversight committee reviews large and complex projects to ensure performance is in line with the tendered terms and prevailing circumstances (to recognise changes in market conditions). Projects showing early signs of deviation from planned and tendered expectations are also reviewed by this committee, with the objective of preventing, as far as possible, projects entering into distress by identifying early signs of difficulty and ensuring corrective actions and interventions are initiated.

RISK MANAGEMENT REPORT – *continued*

Strategic and corporate risks are associated with the activities of the office of the Group chief executive and the executive committee members operating in the corporate office. Risks associated with macro factors, such as growth (organic and acquisitive), new markets, new products, accounting, taxation, banking/bonding, funds transfers and the like are managed within the corporate office, reviewed by the risk committee quarterly and reported to the boards of Murray & Roberts Limited and of Murray & Roberts Holdings Limited.

A Group business continuity standard and procedure has been developed and implemented within each business platform. The assurance required with regard to these business plans falls within the mandate of the internal audit function.

The discipline of risk management is embedded across the Group, and embedded risk management is overseen by executive management. As a final control over the management of risk across the Group, every Group area and activity is subject to audit, by both external auditors and internal auditors. The Murray & Roberts internal audit function is well resourced and qualified to carry out its mandated review and evaluation function, which includes assessment of risk management, and its findings are evaluated to corroborate the findings of the risk management function in its assessment of the adequacy of risk management across the Group.

The material Group risks, in no order of priority, are discussed on the following pages.

TREND KEY:

THREAT INCREASING

THREAT STABLE

THREAT DECREASING

STRATEGIC RISKS

MACRO ECONOMIES

Global demand for commodities (metals & minerals) continues to improve.

Changes in the global economy have a direct impact on the markets in which Murray & Roberts operates, particularly underground mining and oil & gas. The South African economy has been impacted by past ratings downgrades and business confidence remains low.

The threatened global trade war could also lead to volatility in the markets within which the Group operates.

MITIGATION

+ Focus on client relationships to promote negotiated contracts with equitable terms, focusing on value rather than price.
+ Grow further in the natural resources sector, particularly water and complementary markets.
+ Cost reduction across all business platforms and geographies to enhance profitability.
+ JVs with empowered companies have been established for projects where empowerment or indigenisation is required.
+ Diversification across the project life cycle, which includes an emphasis on development, front-end engineering and operations and maintenance.

OIL AND GAS MARKETS

Oil and gas is needed to fuel growing global energy demands. However, the continued soft and volatile oil price and fluctuating supply impacts the revenues of gas producers and has created a reduction in new capital projects and capital spend within the sector. Although oil and gas companies will have to start re-investing in the medium term, profit margins will be under pressure as these companies remain financially stressed.

MITIGATION

+ Establish a presence in geographic areas where the oil and gas majors are located.
+ Establish JVs with other Murray & Roberts business platforms to explore East African oil and gas opportunities.
+ Diversification across the project life cycle, which includes an emphasis on operations and maintenance.
+ Diversify oil and gas capability in Australasia markets into complementary water, power and infrastructure markets.
+ International organisational restructure aligned to drive market diversification.

RISK MANAGEMENT REPORT – *continued*

TREND KEY:

- THREAT INCREASING
- THREAT STABLE
- THREAT DECREASING

GROUP LIQUIDITY

While Murray & Roberts remains in a strong cash positive position, outstanding claims, project losses and working capital demands may constrain our ability to make additional acquisitions and meet growth targets.

MITIGATION

+ Resolve outstanding claims, including Dubai Airport and other Middle East projects.
+ Continue to manage overheads and improve project and commercial performance.
+ Procure advance payments on projects and ensure that all projects remain cash positive or at least cash neutral.

TRANSFORMATION

Lack of compliance with employment equity and BBBEE requirements could reduce the likelihood of Murray & Roberts being successful in winning South African public sector tenders and, in limited cases, private sector tenders.

MITIGATION

+ Continuous monitoring and responding to new developments in terms of new BBBEE legislation and other relevant laws.
+ Continue to focus on management control, employment equity, skills development and enterprise and supplier development within each South African business.

OPERATIONAL RISKS

HEALTH, SAFETY & ENVIRONMENTAL EXPOSURES

Although the Group has made significant progress in managing safety risk, anything more than Zero Harm remains a concern and continues to receive diligent and proactive attention from the executive team across the Group.

MITIGATION

+ The Group HSE Framework guides operations in managing material health, safety and environment issues.
+ The Zero Harm Through Effective Leadership Programme, aimed at establishing a purpose-driven culture, ensures sustainable improvement in health and safety.
+ The VFL Programme implemented across the Group demonstrates leadership commitment to and encourages employee involvement in fostering a healthy and safe environment.
+ Fatal Risk Control Protocols and Life Saving Rules are in place across the Group and on every project site.
+ The MAP Programme has been rolled out across all the operations to proactively manage material HSE issues and prevent major incidents.
+ Health and Wellness Programmes aimed at improving employee health and wellness are in place across all operations.
+ The Environmental Framework, incorporating a number of critical standards, implemented to regulate important environmental issues such as energy efficiency, carbon emissions, waste and water, is in place across the Group's operations.

INDUSTRIAL UNREST

Ongoing industrial and community unrest in South Africa continues to cause project delays and disruptions, impacting on productivity, safety and profitability. It also adds a further hurdle to the decision-making process for new investment in capital projects.

MITIGATION

+ The Employee Relations Framework has been embedded across the Group's South African operations.
+ Improved working relations with employee representatives, appointed on all sites, has mitigated the risk and the VFL safety initiative is addressing a broader range of issues that affect employees.
+ Strike mitigation plans are in place at each operation and project site.
+ Client engagement and contract and commercial management on projects ensures early and comprehensive pursuit of commercial entitlements.
+ The focus on growing our footprint in less risky markets and sectors continues.
+ Key areas of the business are under suitable insurance cover.

PROJECT RISKS

PROJECT LOSSES

Losses on projects, while substantially down, continued during the year under review.

The table below reflects the number of projects being executed across the Group, which are experiencing losses in excess of R13 million (US$1 million) during FY2018. These loss-making projects are subject to an additional layer of oversight by the Murray & Roberts oversight committee.

Middle East project losses were accounted for in previous years. The risk will close out when the projects are delivered.

CONTRACT VALUE	ACTIVE PROJECTS AT 30 JUNE 2018	PROJECTS WITH LOSSES > R13 MILLION
≤ R100 million	58	–
≥R100 million and ≤R500 million	26	1
≥R500 million and ≤R1 billion	8	–
≥R1 billion	17	–

MITIGATION

- Management, including at Group level, timeously reviews underperforming projects to revisit and revise recovery plans and programmes.
- Clients are engaged to find common cause around recovery plans.
- The oversight committee continues to review underperforming projects and provide timeous guidance aimed at driving improvements in project performance.
- Comprehensive project assurance and performance management tools have been developed within the business platforms, based on the experience gained from past project losses. The focus is on obtaining assurance of compliance with project management systems.
- Project Critical Control Executive Dashboards have been implemented across the Group to provide executives with early insight to key performance indicators of projects under their control.

SOUTH AFRICAN POWER PROGRAMME

The power programme remains a key focus for the Power & Water business platform. Past delays and current acceleration in the power programme has exacerbated the scarcity of industrial skills and experience.

As the programme is accelerated, unforeseen commercial disputes give rise to an increase in matters being independently adjudicated. These disputes in turn have an impact on cash flows and while a forum is in place to deal with such disputes, this aspect of the programme is not without undue risk.

The power programme is nearing completion and demobilisation of project personnel will introduce risk in terms of safety, productivity and industrial relations.

MITIGATION

- Clients are being engaged to resolve outstanding matters.
- Disputes are immediately referred to adjudication if they cannot be resolved amicably within reasonable time frames.
- Consultation with employees and trade unions regarding demobilisation terms and conditions are initiated early on in the process.

UNCERTIFIED REVENUES

Uncertified revenues taken to book on Dubai Airport and other projects must still be realised through protracted claims processes. This creates the risk of a write-back of revenues accounted for in prior financial years if the outcomes are less favourable than the accounting position taken.

MITIGATION

- In the case of the Dubai Airport dispute, the arbitration has been finalised and the award is expected by 4 November 2018.
- Other claims will be pursued through negotiation, mediation and/or arbitration to ensure the most effective outcome for the Group.

REMUNERATION REPORT

The remuneration & human resources committee ("remuneration committee") report on directors' and prescribed officers' remuneration outlines our remuneration policy, provides context for the remuneration considerations and presents an implementation report on the remuneration outcomes against our policy.

The Group's total remuneration consists of fixed (guaranteed pay) and variable (short-term and long-term incentives) components.

The remuneration committee contracted the services of PwC for independent external advice and Deloitte verified the extent to which the performance conditions of incentive schemes were met. During the year, the remuneration committee considered the following key matters:

- Approval of increases to guaranteed pay;
- Approval of executive director and prescribed officer guaranteed pay increases for FY2019;
- Performance testing and approval of Short-Term Incentive ("STI") payments in respect of FY2018;
- Performance testing and approval of vesting of the September 2015 Long-Term Incentive ("LTI") awards;
- Approval of September 2018 LTI awards and underlying performance conditions;
- Approval of a new cash-settled LTI plan for executives based outside South Africa. These awards will thus not be subject to currency volitality and share price movement;
- Approval of cash-settled LTI awards and underlying performance conditions;
- Review and recommendation of non-executive director fees for FY2019, excluding recommendation on their own fees; and
- Review and approval of the Group's remuneration report for inclusion in the FY2018 integrated report.

The STI scheme is not a profit share scheme, but a scheme that incentivises performance towards achieving targets set for each financial year. The financial targets set at the beginning of FY2018 were derived from a bottom-up budgeting process and to a large extent is a function of the Group's order book and market conditions – revenue to be derived from contracts already awarded, or expected to be awarded during the year. The financial targets for FY2018 were higher than that of the previous year, notwithstanding challenging market conditions in the oil & gas and power & water sectors. The EBIT target increased from R583 million in FY2017 to R872 million in FY2018 and the diluted HEPS target increased from 88 cents to 117 cents. The actual results were just below these targets, with EBIT at 99% and diluted HEPS at 96% of target which translated into the financial component for STI performance outcomes, as detailed in this report.

The financial targets for the year were a stretch to achieve, considering the difficult trading environment and the scheme participants performed well to achieve the financial results reported for the year. The Board, furthermore, considered the STI payment in the context of total reward and not in isolation. In this regard, 50% of the LTI for the performance period ended 30 June 2018 has been forfeited and the soft financial results reported for FY2017, will also negatively impact the vesting of LTI's for FY2019.

In recognition of the management effort in respect of the corporate action activity during FY2018, it was resolved to make a once-off *ex gratia* payment to 10 executives, including the Group chief executive and Group financial director. This payment formed part of the STI payment and more detail is included in the implementation report.

Executive directors and prescribed officers' remuneration:

- Average guaranteed pay increases of 5,6% were implemented with effect 1 July 2018, similar to the increases awarded to salaried staff across the Group and in line with the current inflation rate.
- STI equating to 65,3% of the maximum value possible in terms of this scheme has been awarded for FY2018. Operating profit was very close to target at R864 million, measured as EBIT for continuing operations. Return on Invested Capital Employed ("ROICE") at 7,5% was below threshold. Net cash of R1 972 million was much better than target, and Free Cash Flow ("FCF") of R738 million was also above target. This performance is commendable considering market conditions. This STI outcome is reflective of the Group's financial performance relative to the financial targets and the good performance against individual non-financial targets that were set at the start of the year.
- The performance period for the September 2015 Forfeitable Share Plan ("FSP") LTI award ended on 30 June 2018. Based on performance over the three year performance period, 50% of the September 2015 FSP award vested on 15 September 2018. Half of the award was based on ROICE performance, 25% on relative Total Shareholder Return ("TSR") performance and 25% on FCF. The ROICE target was Weighted Average Cost of Capital ("WACC") plus 4%, or 17,3%. Actual performance of 7% was below threshold hence no shares vested for this performance measure. The Group's TSR over the performance period was positive 13,7%, which was better than the weighted negative compound rate of 23,4% of the peer group. Cumulative FCF was above the budgeted target with a positive FCF of 42 cents per share. As from September 2015, in terms of the revised remuneration policy adopted in that year, only 30% of the award will vest at threshold performance and 100% at target performance. The revised policy also introduced more stretching performance measures. Refer to the LTI performance measures in the remuneration policy overview on page 83 for more detail in this regard.

Given the changes introduced to the remuneration policy in 2015 and subsequent shareholder support for this policy, as well as its general alignment with King IV, no policy changes were introduced during FY2018. The Group's remuneration policy and implementation report respectively received the support of 88,9% and 98,4% of shareholders who voted at the AGM in November 2017. We believe our remuneration policy is best practise, and that its application will encourage a performance culture in the Group that will lead to sustained shareholder value creation.

As required by the Companies Act and King IV, the following resolutions will be tabled for shareholder voting at the AGM in November 2018, details of which can be found in the AGM notice:

- Binding vote on non-executive directors' fees;
- Advisory vote on the remuneration policy; and
- Advisory vote on the remuneration policy implementation report.

I would like to thank my fellow remuneration committee members for their contribution and support. Remuneration is a complex and controversial matter and I am satisfied that the remuneration committee discharged its obligations in a responsible and professional manner.

Ralph Havenstein
Chairman

Remuneration policy overview

Introduction

The remuneration report has been prepared by the remuneration committee in line with the principles outlined in King IV and has been approved by the Board. The report covers executive director, prescribed officer and non-executive director remuneration.

The remuneration report outlines the remuneration policy that guides the remuneration committee's decisions, and the remuneration outcome from the application of the remuneration policy during FY2018.

Remuneration policy principles

The Group believes that directors, senior executives and employees should be paid fair, competitive and appropriately structured remuneration in the best interests of shareholders. It also recognises that its remuneration philosophy has a direct effect on the behaviour of employees and that it has to support delivery of the Group's strategy. The remuneration policy continues to be driven by the principles of developing a performance culture and motivating and retaining critical talent.

The remuneration policy is aligned to the Group strategy, which aims to deliver enhanced shareholder value through growth in profitability and cash flows. This strategy focuses the Group on selected international natural resource market sectors, the diversification of the Group's business model, the delivery of project, commercial management and safety excellence, and enhanced performance and diversity of the Group's employees.

The remuneration policy applies to all businesses in the Group, to ensure consistency and fairness in remuneration. Some flexibility is permitted to acknowledge differences across businesses with varying market conditions, and external benchmarking per business platform.

Remuneration policy for executive directors and prescribed officers

To give effect to the general remuneration philosophy that executive directors, prescribed officers and salaried employees should be paid fair, competitive and appropriately structured remuneration in the best interests of the Group and shareholders, the following broad principles are applied:

+ Total remuneration consists of fixed and variable components, with emphasis on variable pay at senior levels to encourage performance and shareholder value creation;
+ Remuneration structures support the development of a performance culture and the Group's strategy;
+ Remuneration components are set at a competitive level to motivate talent and to attract and retain the services of high-calibre employees;
+ The STI plan aligns the interests of executives with those of shareholders in the short-term as performance incentives are subject to Group key financial performance and individual non-financial key performance indicators; and
+ The LTI plan rewards achievement of financial performance measures supporting long-term shareholder value creation.

Components of remuneration

The remuneration committee ensures that the mix of remuneration components supports the Group's strategic objectives. Murray & Roberts has the following remuneration components:

+ Guaranteed pay (consisting of salary, benefits and retirement fund contributions);
+ Short-term incentives; and
+ Long-term incentives.

The Group seeks to position guaranteed pay at the median against appropriate benchmarks, however, for total remuneration the policy is to position at the 75th percentile for executives, senior management, talent and critical skills, where the 75th percentile is achieved at between "on-target" and "stretch" performance. This policy supports the underlying principle of paying for performance and the focus on variable pay.

The tables on the following pages summarise the key components of executive directors' and prescribed officers' remuneration, the link to strategy, how each component operates and the maximum opportunity for each element.

Summary of remuneration components and link to strategy

GUARANTEED PAY is a fixed component, which reflects individual contribution and market value for respective roles, with internal and external equity being cornerstones for setting guaranteed pay.

OPERATION

- Guaranteed pay consists of salary, benefits and retirement fund contributions.
- Positioned at market median (per job grade taking into consideration the size and complexity of the role). The committee considers the impact of any guaranteed pay increase on the total remuneration package.
- Paid monthly in cash net of allocations to retirement fund, insured benefits and medical aid.
- Guaranteed pay (and other elements of the remuneration package) are paid in different currencies as appropriate to reflect the geographic location of the executive.
- Reviewed annually taking account of Group performance, individual performance, changes in responsibility, levels of increase in the market and levels of increase for the broader employee base.
- Benchmarking is performed relative to peer companies listed on the JSE for executive directors and for prescribed officers. The Oil & Gas business platform CEO is benchmarked against an appropriate peer group of Australian companies.

MAXIMUM OPPORTUNITY

- There is no prescribed maximum annual increase. However, increases will normally be in line with the general level of increase in the market against which the executive's salary is benchmarked.
- On occasions a larger increase may be awarded to recognise, for example, development in role or change in responsibility.

BENEFITS are provided at competitive levels to attract and retain suitably qualified and experienced executives.

OPERATION

- Benefits such as travel allowances, insurance policies relating to death-in-service and disability benefits and medical aid are included in guaranteed pay.

MAXIMUM OPPORTUNITY

- There are no prescribed maximum values. However reference is made to market practice and benchmarks.
- Company contributions for disability and death benefits in South Africa are based on pensionable salary. The contribution rates are reviewed annually.

REMUNERATION REPORT – *continued*

RETIREMENT FUND

contributions are made to provide competitive post-employment income to attract and retain suitably qualified and experienced executives.

OPERATION

+ Executives in South Africa contribute to the Murray & Roberts Retirement Fund, which is a defined contribution pension fund. From July 2018 contributions are made to the Sanlam Umbrella Pension Fund, which is a defined contribution pension fund.
+ In Australia contributions are made, as part of guaranteed pay, to a superannuation fund structured as a defined contribution fund.

MAXIMUM OPPORTUNITY

+ Maximum company contributions are set according to local retirement fund rules.

SHORT-TERM INCENTIVES

drive Group and team financial performance, as well as individual performance for non-financial measures, in order to deliver sustained shareholder value. It also provides alignment with shareholders through a deferred component.

OPERATION

+ The STI scheme is designed to be self-funding. Bonus projections for on-target performance are used to ensure affordability. Financial measures such as earnings before interest and tax and actual profit are used to calculate the bonus provision accrual.
+ Awards are based on annual performance against a balanced scorecard of metrics as determined by the remuneration committee from time to time.
+ The Group chief executive, Group financial director and business platform CEOs have a 70% weighting in favour of financial targets, while other prescribed officers have a 60% weighting. For the 70% financial target weighting for business platform CEOs, 50% is linked to their platform financial measures and 20% to Group financial targets.
+ Individual performance is also assessed against suitable non-financial targets related to leadership, relationship, operational and risk (including safety) targets.
+ 70% of the award is delivered in cash and 30% in deferred forfeitable shares or cash under the LTI schemes, which vests equally over three years, subject only to continued employment.
+ Financial performance targets are measured against audited annual financial performance, net of bonus accruals. Individual non-financial performance targets are based on a formal performance and development evaluation conducted by the executive's direct manager, and by the committee and Board chairman for the Group chief executive.

MAXIMUM OPPORTUNITY

+ The STI disbursement is based on incentive qualification levels as a percentage of guaranteed pay, which is a function of job grade and performance against agreed financial and/or individual targets as per the individual's performance contract, and applied on a sliding scale between threshold, target and stretch performance.
+ Performance below threshold attracts no STI payment for the specific component of the STI below threshold, where threshold for financial targets is 80% of target.
+ The STI disbursement is capped at stretch performance or 120% of target.
+ The maximum STI disbursement as a percentage of guaranteed pay is 200% for the Group chief executive, 150% for the Group financial director and between 100% and 150% for prescribed officers depending on their job grade.
+ Clawback provisions, as described on page 84, apply to STI awards made from August 2015.

LONG-TERM INCENTIVES

provide alignment between the executives and shareholders of the Group. They also motivate and reward executives who have contributed to the Group's value creation over the long term and support the retention and attraction of executives.

OPERATION

- Murray & Roberts operated the following LTI schemes in FY2018: the FSP introduced in October 2012, the Letsema Vulindlela Black Executives Trust ("Vulindlela"), which was established in December 2005 as part of the Group's BBBEE shareholding structure and the Clough Phantom Share Plan ("CPSP"), introduced in 2014 following the acquisition of the minority interests in Clough. As reported last year, no further allocations have been made under the CPSP since 2016 and the last allocations under the CPSP will vest in October 2019. A Long-Term Cash Settled Incentive Plan ("LTCSIP") was introduced in 2017 to replace the CPSP and is also used as an LTI scheme for other executives operating outside South Africa.
- Murray & Roberts has a historical option type plan, namely the Murray & Roberts Holdings Limited Employee Share Incentive Scheme ("Share Option Scheme"). All outstanding options were under water and have expired on 30 August 2017. No new allocations will be made in terms of the Share Option Scheme.

FSP

- Forfeitable Murray & Roberts shares are awarded subject to continued employment and satisfaction of challenging performance conditions measured over a three-year performance period, which are set by the remuneration committee before each grant.
- Cliff vesting occurs at the end of the three-year period.
- Settlement of the forfeitable shares can be by way of an acquisition of the required number of shares on the market, the use of shares held in treasury account, the use of shares held by The Murray & Roberts Trust, or an issue of shares. The remuneration committee has the ability to cash-settle awards, if necessary, in exceptional circumstances. There is no current intention for awards to be delivered in this way.
- In very specific circumstances, on an ad-hoc basis, where it is necessary to retain critical talent, the remuneration committee may make awards only subject to continued employment with no performance conditions. These awards are aimed at retention and will not form part of the annual awards.

www.murrob.com // A summary of the salient features of the FSP is available in the 2012 integrated report and on the Murray & Roberts website.

LONG-TERM INCENTIVES – *continued*

LONG-TERM CASH SETTLED INCENTIVE PLAN

+ A cash-settled long-term incentive is awarded to senior executives operating outside South Africa subject to continued employment and satisfaction of challenging performance conditions measured over a three-year performance period, which are set by the remuneration committee before each grant. The performance conditions mirror those used under the FSP.
+ Cliff vesting occurs at the end of the three-year period.
+ In very specific circumstances, on an ad-hoc basis, where it is necessary to retain critical talent, the remuneration committee may make awards only subject to continued employment with no performance conditions. These awards are aimed at retention and will not form part of the annual awards.

LETSEMA VULINDLELA BLACK EXECUTIVES TRUST

+ The beneficiaries of Vulindlela are black (African, Coloured and Indian) South African citizens, who are employed on a permanent basis within the Group as top, senior and middle managers. Black prescribed officers have several outstanding allocations under Vulindela, and have only been allocated forfeitable shares under the FSP since November 2012.

  In terms of the Trust deed, this Trust is to be terminated on 31 December 2022. As the awards are subject to a five-year lock-in period a final allocation was made in November 2016.

  High potential middle management employees qualify for an award under the FSP.

CLOUGH PHANTOM SHARE PLAN

+ Clough phantom shares or conditional rights were awarded subject to continued employment and satisfaction of challenging performance conditions measured over three years, which were set by the remuneration committee before each grant. As stated above this plan has been replaced by the LTCSIP.

MAXIMUM OPPORTUNITY

+ LTI award levels, expressed as a percentage of guaranteed pay, will be made based primarily on an employee's guaranteed pay, job grade, performance, retention and attraction requirements and market benchmarks.
+ The maximum allocation limit as a percentage of guaranteed pay is 190% for the Group chief executive, 140% for the Group financial director and between 80% and 140% for prescribed officers depending on their job grade (face value of shares at grant).
+ For FSP allocations from September 2015, 30% of the award vests for threshold performance, rising on a sliding scale to 100% of the award for performance at target performance.
+ Under the CPSP, 80% of the award vests for threshold performance, rising on a sliding scale to 100% of the award for performance at target performance. For LTCSIP allocations, 30% of the award vests for threshold performance, rising on a sliding scale to 100% of the award for performance at target performance. The performance conditions are exactly the same as for the FSP.
+ Clawback provisions, as described on page 84, apply to LTI awards made from August 2015.

EXECUTIVE SHARE OWNERSHIP

aims to better align the interests of executives with those of shareholders by encouraging executives to build a meaningful shareholding in the Group.

OPERATION

- Executive share ownership is encouraged through the part deferral of STIs into forfeitable shares, where 30% of the STIs are deferred into forfeitable shares under the FSP.
- In a bid to further encourage executives to hold shares, the Group chief executive is encouraged to build a shareholding, in "unfettered" shares, equivalent to at least 100% of guaranteed pay, other executive directors equivalent to 75% of guaranteed pay, and prescribed officers equivalent to 50% of guaranteed pay over a period of not more than five years.
- Executives are encouraged to retain at least 50% of any vested shares after meeting necessary tax obligations under the LTI schemes.

MAXIMUM OPPORTUNITY

- Not applicable.

Choice of performance measures

The table below shows the performance measures set for FY2018, which will again be applied for FY2019. The weightings presented below are for executive directors. Targets are set every year following a bottom-up business planning process taking account of strategic goals and the prevailing market conditions.

STI performance measures

METRIC	WEIGHTING FOR CHIEF EXECUTIVE AND FINANCIAL DIRECTOR	RATIONALE
Financial performance measures		
EBIT	20%	A key indicator of the underlying profit performance of the Group, encouraging performance in terms of both revenues and costs.
Continuing Diluted HEPS	20%	A key indicator of the value add for shareholders.
Net Cash	10%	A key indicator of the Group's liquidity and ability to meet its debt requirements.
Free Cash Flow	10%	A key indicator of the Group's ability to generate cash after providing for maintaining or expanding its asset base. FCF is an indication of the ability of the Group to pursue opportunities that enhance shareholder value.
ROICE	10%	A key indicator of the effective use of shareholder capital.
Individual performance measures		
Leadership	7,5%	A key indicator of the extent to which strategy implementation, transformation & diversity and leadership succession & development objectives are achieved.
Relationship	7,5%	A key indicator of the extent to which stakeholder engagement and employee relations objectives are achieved.
Operational	7,5%	A key indicator of the extent to which governance, commercial management and project performance objectives are achieved.
Risk	7,5%	A key indicator of the extent to which health, wellness & safety, risk management and environmental objectives are achieved.

LTI performance measures

FSP performance measures over three-year vesting period

For awards made up to September 2017

METRIC AND WEIGHTING	RATIONALE	VESTING
ROICE 50%	A key indicator of the effective use of shareholder capital.	30% vests for threshold performance and 100% vests for target, where threshold performance is WACC and target performance is WACC + 4%. Linear vesting will be applied between these points.
TSR relative to a peer group of companies 25%	TSR measures the total returns to the Group's shareholders, and provides close alignment with shareholder interests.	A peer group of South African listed companies is used to evaluate TSR. TSR is weighted for each of the peer companies according to their market capitalisation at the beginning of the performance period. 30% vests for threshold performance and 100% vests for target performance against a market cap weighted index of the peer companies. Threshold is 90% of the combined peer TSR Compound Annual Growth Rate ("CAGR") and target is the combined peer TSR CAGR plus 5%. Linear vesting will be applied between these points.
FCFPS 25%	A key indicator of the Group's ability to generate cash after providing for maintaining or expanding its asset base. FCFPS is an indication of the Group's ability to pursue opportunities that enhance shareholder value.	30% vests at threshold performance and 100% vests at target, where target performance is 120% of cumulative budgeted FCFPS and threshold performance is 80% of budget. Linear vesting will be applied between these points.

For awards made in September 2018

The remuneration committee considered the FSP performance metrics and decided to introduce new performance metrics for the September 2018 FSP awards, as the relevance of TSR and ROICE has diminished.

In line with the Group's strategy to focus its business on the global natural resources market, it sold the Southern African Infrastructure & Building businesses in 2017. Consequently, its listing on the JSE was transferred from the Heavy Construction sub-sector to the Diversified Industrial sub-sector. The Group is now in a unique position, without true comparator companies in the market, to benchmark TSR performance.

The Group's capital expenditure is also primarily project related and short term in nature, and in the context of the natural resources markets with its volatile business cycles, the relevance of ROICE as a performance measure has reduced.

After obtaining external advice, the remuneration committee introduced new stretch FSP performance targets, that are independently measurable and industry relevant.

METRIC AND WEIGHTING	RATIONALE	VESTING
EBIT margin (Earnings before interest and tax divided by revenue) 50%	A key indicator of the underlying profit performance of the Group, encouraging performance in terms of both revenues and cost control.	30% vests for threshold performance and 100% vests for target performance, where threshold performance is 3% EBIT margin and target performance is 5% EBIT margin. Linear vesting will be applied between these points.
Conversion ratio of EBITDA into cash (Cash generated by operations divided by earnings before interest, tax, depreciation and amortisation) 50%	A key indicator of the ability of the Group to convert profits into cash, which requires good working capital management.	30% vests for threshold performance and 100% vests for target performance, where threshold performance is 60% conversion ratio and target performance is 80% conversion ratio. Linear vesting will be applied between these points. A transitional arrangement will apply for the September 2018 award where the conversion ratio will be measured on a cumulative basis over year two and three of the performance period.

Clawback of incentives

For STI and LTI awards made from August 2015, the remuneration committee introduced clawback provisions, where the committee may reduce or clawback STI and LTI awards in the following circumstances:

- The participant acting fraudulently or dishonestly or being in material breach of their obligations to the Group; or
- Where Murray & Roberts becomes aware of a material misstatement or omission in the financial statements of a Group company or the Group.

These clawback provisions apply whether or not awards are made in the form of cash or equity, and whether or not the equity has vested.

Differences in remuneration policy for executives compared to other employees

There are differences in the structure of the remuneration policy for the executive directors, prescribed officers and other salaried employees, which are necessary to reflect the different levels of responsibility and market practices. The key difference is the increased emphasis on incentives or variable performance-related pay in senior roles. Lower maximum variable incentive pay limits, as a percentage of guaranteed pay, apply for roles below executive level, driven by market benchmarks and the relative impact of the role. Only the most senior executives in the Group participate in the FSP and LTCSIP schemes, where these plans are targeted at those individuals who have the greatest responsibility for Group performance. As Murray & Roberts believes that all employees should be aligned with key business drivers, participation in the STI also includes middle management, junior management and general employees, subject to the meeting of individual performance targets.

Executive directors' and prescribed officers' employment contracts and policy on termination of employment

Executive directors and prescribed officers do not have fixed-term contracts, but are subject to notice periods of three months. The employment contracts include pay in lieu of notice provisions which may be invoked at the discretion of the Group. Normal retirement of executive directors and senior management is at age 63, however, this is subject to specific legislation in the countries within which Murray & Roberts operates.

As at 30 June 2018 there was no material liability to the Group with respect to the termination of employment of any executive director or prescribed officer. The contracts of employment do not include provisions entitling the individual to a specified payment on termination of employment or on a change of control of Murray & Roberts, other than as stipulated in the LTI schemes. The only provision in the contract of employment for executive directors and prescribed officers (other than the Oil & Gas business platform CEO) relating to a payment on termination of employment is that, where termination occurs during the first year of employment, any payment to which the individual is entitled by law will be limited to a maximum of 25% of annual Total Fixed Cost of Employment ("TFCE").

Any LTI entitlements awarded to an executive director or prescribed officer under the Group's LTI schemes will be determined based on the relevant plan rules. Employees terminating employment due to resignation or dismissal on grounds of misconduct, poor performance or dishonest or fraudulent conduct or due to absconding, will forfeit all unvested LTI awards and deferred STI into LTI awards. Employees terminating employment due to death, retirement, retrenchment, ill-health, disability, injury or the sale of the employer company will be classified as good leavers and a portion of the LTI awards and deferred STI into LTI awards will vest on the date of termination of employment. This portion will reflect the number of months served since the award date to the date of termination of employment over the total number of months in the vesting period and the extent to which the performance conditions imposed have been met. The remainder of the awards will lapse.

No agreements have been entered into with the executive directors or prescribed officers regarding restraint of trade, other than the Oil & Gas business platform CEO who has a non-competition clause in his contract of employment.

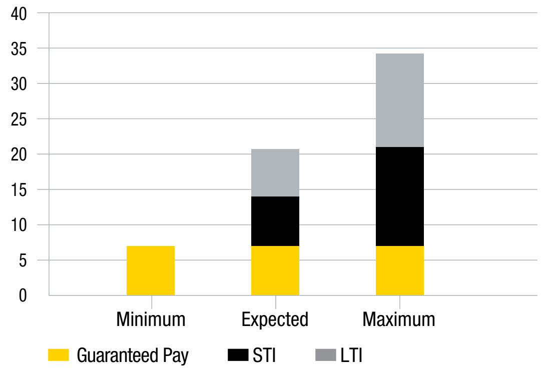
Retention schemes

There are currently no retention schemes in place for executive directors or prescribed officers.

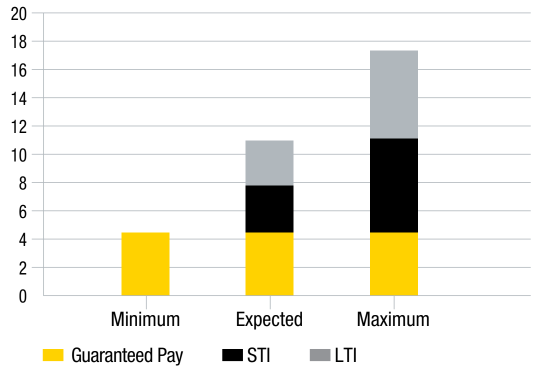
Total remuneration scenarios at different performance levels

The charts below illustrate the total potential remuneration for the executive directors.

GROUP CHIEF EXECUTIVE[1] (R million)



GROUP FINANCIAL DIRECTOR[1] (R million)



1 Assumptions:

Minimum = guaranteed pay only (salary, benefits and retirement fund contributions)

Expected = on-target STI allocation and expected value (50%) of LTI award

Maximum = stretch STI allocation and face value of LTI award

Guaranteed pay levels (on which other elements of the package are calculated) are based on those applying on 1 July 2018.

Remuneration policy for non-executive directors

Components of remuneration

Non-executive directors receive a fee for their contribution to the Board and its committees of which they are members. This fee structure reflects the skill and experience brought to the Group by each non-executive director, responsibilities undertaken, the time commitment involved and the importance of attendance at and contribution to Board and committee meetings. The fee structure is reviewed annually.

Fees are benchmarked against companies listed on the JSE which are of a similar size and nature, in terms of market capitalisation and sector. This includes companies in the construction, mining and industrial sectors. It is the Group's policy to align fees to the upper quartile of the benchmark, in alignment with the total remuneration policy for executives and in order to ensure that suitably qualified and experienced non-executive directors are attracted to the Group.

Remuneration governance

The remuneration committee assists the Board to fulfil its corporate governance supervision responsibilities and to align the remuneration policy with the Group's business strategy. The focus in this regard is to attract, retain, motivate and reward directors, senior executives and employees through the payment of fair, competitive and appropriately structured remuneration in the best interests of the Group and shareholders. The committee operates under terms of reference reviewed and approved annually by the Board.

Membership

Ralph Havenstein chairs this committee. Ntombi Langa-Royds, Suresh Kana and Alex Maditsi serve as members of the committee. The Group chief executive and Group financial director attend meetings in an *ex officio* capacity. The executives who attend meetings in their *ex officio* capacity do not participate in any discussions or decisions pertaining to their own remuneration. Specialised advice is sought from time to time.

Terms of reference

The chairman of the committee reports to the Board on the committee's deliberations and decisions. The committee assists the Board by submitting reports and recommendations on the Group's employment framework and policies, and remuneration philosophy.

The committee is responsible for considering and approving proposals regarding guaranteed pay, benefits, short-term incentives, long-term incentives and related matters pertaining to executive directors of the Group, prescribed officers, all managing directors of the Group's businesses and other senior Group executives. It also considers and approves the remuneration and benefits paid to general staff. It has responsibility for oversight of the Group pension, provident and other benefit plans.

The functions, role and mandate of the Group chief executive are considered by the committee and his performance is assessed. Succession planning to the Group chief executive and senior executives is also considered by the committee, as well as the Group's leadership succession and development strategy and employment equity status.

The committee oversees the preparation of the remuneration report and recommends the report to the Board, ensuring that this report is accurate, complete and transparent and provides a clear explanation of how the remuneration policy has been implemented. The committee ensures that the remuneration policy and implementation report are put to a non-binding advisory vote of shareholders at the annual general meeting. Should 25% or more of the votes cast vote against this ordinary resolution, Murray & Roberts undertakes to engage with shareholders as to the reasons therefore and to appropriately address legitimate and reasonable objections and concerns raised.

Assessment

The committee evaluated its performance and effectiveness by way of a self-assessment. Based on the results, the committee believes that it functions effectively and has complied with its terms of reference in all material respects.

Implementation report

The implementation report details the outcomes of implementing the approved remuneration policy detailed in the previous section.

Single total figure of remuneration

The table below includes the total remuneration for the reported financial year and the previous financial year. The table includes guaranteed pay, the short-term incentive paid and the long-term incentives that will vest due to performance in the financial year (including the 30% deferred STI award, as from FY2017).

Single total figure of remuneration for period to 30 June 2018

Payment in RAND (R'000)

EMPLOYEE	Guaranteed pay		STI		LTI		Other		Total remuneration	
NAME	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Bester, Cobus[1]	–	3 567	–	1 304	–	1 595	–	–	–	6 466
Fenn, Orrie	**4 880**	4 650	**3 115**	2 821	**2 920**	1 088	**70**	–	**10 985**	8 559
Govender, Jerome[2]	–	2 811	–	–	–	844	–	–	–	3 655
Grobler, Daniël[3]	**4 200**	1 050	**3 306**	1 958	**2 721**	1 395	–	–	**10 227**	4 403
Harrison, Steve	**3 340**	3 150	**1 880**	1 259	**2 093**	1 163	–	–	**7 313**	5 572
Henstock, Ian	**3 900**	3 697	**2 987**	2 320	**2 298**	948	**61**	–	**9 246**	6 965
Laas, Henry	**6 600**	6 195	**6 363**	4 200	**9 381**	4 212	**475**	90	**22 819**	14 697
Mdluli, Thokozani	**2 670**	2 505	**1 159**	917	**1 771**	1 112	–	–	**5 600**	4 534
Skudder, Andrew[4]	–	276	–	–	–	–	–	296	–	572

1 *Cobus Bester retired from the Board and as Group financial director on 31 March 2017.*
2 *Jerome Govender's employment with the Group ended on 31 March 2017.*
3 *Daniël Grobler appointed to the Board and as Group financial director on 1 April 2017.*
4 *Andrew Skudder resigned on 31 July 2016.*

Payment in AU$ (AU$'000)

EMPLOYEE	Guaranteed pay		STI		LTI		Other		Total remuneration	
NAME	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Bennett, Peter[1]	**894**	788	**372**	545	**159**	234	**61**	83	**1 486**	1 650

1 *Peter Bennett joined the Group on 1 February 2016.*

REMUNERATION REPORT – *continued*

The single total figure of remuneration is calculated as set out below.

	2018	2017
Guaranteed pay	Guaranteed pay earned for the period including benefits and retirement fund contributions. The average remuneration adjustment for executive directors and prescribed officers for FY2018 (effective 1 July 2018) was 5,60% (FY17: 5,91%). The total adjustment was aligned to the average Murray & Roberts increase awarded in March 2018 for other salaried employees of 5,75%.	Guaranteed pay earned for the period including benefits and retirement fund contributions. The average remuneration adjustment for executive directors and prescribed officers for FY2017 (effective 1 July 2017) was 5,91% (FY16: 4,85%). The total adjustment was aligned to the average Murray & Roberts increase awarded in March 2017 for other salaried employees of 5,89%.
STI	STI awarded for FY2018 performance. 70% of the award is payable in cash in September 2018, and 30% deferred as an LTI award, which will vest one third each year from FY2019 to FY2021. The STI for the Group chief executive and Group financial director includes an *ex gratia* amount of R1,5 million and R1,1 million respectively in view of their contribution in respect of corporate action activity during FY2018.	STI awarded for FY2017 performance. 70% of the award was payable in cash in September 2017, and 30% deferred as an LTI award, which will vest one third each year from FY2018 to FY2020. The 30% deferred STI award is disclosed under LTI in the single total figure of remuneration from FY2017. It was previously disclosed as part of STI.
LTI	The value of LTI awards under the September 2015 FSP that vest 15 September 2018, based on performance during the three-year period to 30 June 2018. The value of that award is based on a share price on 30 June 2018 of R17,51. 50% of the September 2015 FSP awards lapsed due to the actual ROICE being below threshold. TSR and FCF targets were met. No LTI vesting occurred for Peter Bennett under either the CPSP or LTCSIP as he only joined these plans in FY2016 and FY2017 respectively. The 30 August 2011 Share Option Scheme allocation that vested on 30 August 2017, carried no value as the performance condition was not achieved and consequently lapsed.	The value of LTI awards under the August 2014 and March 2015 FSP that vested, based on performance during the three-year period to 30 June 2017. The value of these award was based on a share price on 30 June 2017 of R13,07. 50% of the September 2014 and March 2015 FSP awards lapsed due to the actual ROICE being below threshold. TSR and FCF targets were met. No LTI vesting occurred for Peter Bennett under the CPSP as he only joined the plan in FY2016.
Other	The benefit to Henry Laas consists of a fringe benefit on the use of a company vehicle and accumulated leave pay-out. The benefit to Ian Henstock and Orrie Fenn represents payment to them to secure private life cover. The benefit to Peter Bennett represents payment of accumulated leave.	The payment to Andrew Skudder and Peter Bennett was in respect of accrued leave. The benefit to Henry Laas is a fringe benefit on the use of a company vehicle.

FY2018 STI performance outcomes

Financial performance key performance indicators ("KPIs") are measured against audited annual financial results, net of STI accruals. Non-financial individual performance KPIs are based on a formal performance and development evaluation conducted by the Group chief executive for the executives and by the remuneration committee and Board chairman for the Group chief executive.

Performance below threshold attracts no STI payment for the specific component of the STI below threshold, where threshold for financial targets is 80% of target.

Non-financial individual performance is assessed against suitable KPIs and is rated on a sliding scale from 1 to 5, where a score of 2 represents threshold performance, 3 on-target performance, 4 excellent performance and a score of 5 stretch performance.

Performance against the FY2018 Group targets are summarised on the following pages, where the outcome represents the overall Group performance expressed as a percentage achievement against target for the specific KPI.

KPA	KPI	OUTCOME	COMMENTS
FINANCIAL			
Weighting 70%	**Profitability – EBIT** (Weighting 20%)	99%	EBIT of R864 million achieved relative to target of R872 million for continuing operations.
	Profitability – Diluted HEPS (Weighting 20%)	96%	Diluted HEPS from continuing operations of 112 cents achieved relative to target of 117 cents.
	Cash flow – net cash (Weighting 10%)	1 046% (capped at 120%)	Net cash of R1 972 million achieved relative to target of R233 million.
	Cash flow – FCF (Weighting 10%)	130% (capped at 120%)	Free cash flow of R738 million relative to target of R569 million.
	Returns (Weighting 10%)	50% (below threshold)	ROICE of 7,5% achieved relative to WACC plus 1,5% (on target) or 15,1%. Performance of less than WACC compared to target attracts no STI payment for the element.
LEADERSHIP			
Weighting 7,5%	**Strategy implementation** **Transformation & diversity** **Leadership succession & development**	3.71 out of 5	Maintained strategic direction of the *New Strategic Future* plan. Reviewed relevance of this plan with external consultants. Adapted strategy for change in natural resources markets. Disposed of Genrec and acquired additional 17%. Closing of businesses in Middle East progressing well. In South Africa, the Group achieved a BBBEE level 4 on the new dti codes (as per plan) and an overall improvement in employment equity on all management levels. Due to a subdued business environment presenting limited opportunity for signing on new employees, transformation in South Africa remains challenging. Developed and implemented diversity policy across all geographic regions. Performance management and succession planning is effectively applied across the Group. A dedicated executive was appointed to oversee leadership development. Executive succession in mining platform has been well managed.

KPA	KPI	OUTCOME	COMMENTS
RELATIONSHIPS			
Weighting 7,5%	Stakeholder engagement Employee relations	3.71 out of 5	Maintained good relationships with all stakeholders. Public relations and investor relations were well managed in respect of the bid by ATON to acquire control of Murray & Roberts. The employee relations plans to mitigate the increased level of labour unrest in South Africa are embedded in the Group companies with limited instability during the year.
OPERATIONAL			
Weighting 7,5%	Good governance Commercial management Project performance	3.14 out of 5	Group-wide compliance with good governance practices with adherence to policy and authority frameworks that have been verified by internal audit as being King IV compliant. Commercial risk on Medupi and Kusile projects has been well managed. Good progress with Dubai Airport arbitration with a ruling expected in November 2018. Further improvement in contract management and lessons learnt practices across all operations. Only one major loss-making project in the Group, a major improvement on prior years.
RISK			
Weighting 7,5%	Health, wellness & safety Risk management Environment	3.43 out of 5	Regrettably one fatal incident was recorded during the year. The low LTIFR of 0.9 and TRCR of 3.9 were below target, although still industry leading performances. Implementation of the Group's MAP Programme progressed well across all three business platforms. Risk management practices and internal audit are well-established disciplines and no material findings were reported. Environmental reporting and awareness has improved. No major environmental incidents were reported.

The STI breakdown for the Group chief executive for FY2018 is set out below:

	R'000
Financial (70%)	**5 115**
+ EBIT	**1 287**
+ Diluted HEPS	**1 188**
+ Net cash	**1 320**
+ Free Cash Flow	**1 320**
Non-financial (30%)	**2 475**
+ Leadership	**742,5**
+ Relationships	**742,5**
+ Operational	**495,0**
+ Risk	**495,0**
Add: once-off award in view of contribution made in respect of corporate action activity during FY2018	**1 500**
Total STI (of which 30% is deferred into the FSP)	**9 090**

FY2018 LTI performance outcomes

Vesting of the September 2015 FSP award

The three-year performance period for the September 2015 FSP award ended on 30 June 2018. The September 2015 FSP award comprised 4 218 680 shares, with a total of 1 797 500 shares awarded to the executive directors and prescribed officers. Half of the award was subject to the ROICE performance condition, 25% to relative TSR performance and 25% to FCFPS performance. The ROICE of 7% for the three year performance period was below threshold – the target was 17,3%, or WACC plus 4%. The Group's TSR over the performance period was at a positive compound rate of 13,7% compared to the weighted negative compound rate of 23,4% for the peer group.

Cumulative FCFPS was above 120% of budgeted free cash flow over the performance period at 42 cents per share. The performance in ROICE resulted in 50% of the September 2015 FSP award being forfeited and these shares lapsed on 27 August 2018. The remaining 50% of the September 2015 FSP award vested on 15 September 2018. The calculation of the vesting percentage of these awards were audited by the Company's external auditors.

Vesting and expiry of Share Option Scheme awards

The 30 August 2011 Share Option Scheme did not meet the performance condition on the vesting date, being 30 August 2017. These allocations have lapsed.

LTI awards granted in 2018

An allocation of forfeitable shares was made in September 2018 under the FSP.

The September 2018 FSP is the annual allocation of forfeitable shares to senior executives including the executive directors and prescribed officers and will vest in 2021. A total number of 4 661 500 forfeitable shares were allocated, of which 1 795 500 forfeitable shares to the value of R31 million were allocated to the executive directors and prescribed officers. The allocation took job grade, individual performance and retention risk into consideration.

The vesting of the September 2018 FSP award is subject to meeting performance conditions for the three year performance period from 1 July 2018 to 30 June 2021 as shown in the table below.

30% of the award will vest at threshold and 100% at target, with no vesting for below-threshold performance. Linear vesting will apply between these points. The remuneration committee considers the performance targets to be stretching in the context of the Group's business strategy and the market conditions.

CRITERIA	PERFORMANCE CONDITION	WEIGHTING	THRESHOLD	TARGET FOR MAXIMUM VESTING
EBIT margin	Earnings before interest and tax divided by revenue	50%	3%	**5%**
Conversion ratio of EBITDA into cash	Cash generated from operations divided by Earnings before interest, tax, depreciation and amortization	50%	60%	**80%**

The September 2018 FSP award was settled through the use of shares that lapsed under the September 2015 FSP and treasury shares, thereby not resulting in any dilution to shareholders.

In terms of the scheme rules the aggregate number of shares at any one time which may be allocated under the Share Option Scheme and the FSP may not exceed 5,0% of the number of shares in issue. This represents 22 236 806 shares. As at 30 June 2018 there were no shares allocated under the Share Option Scheme and 13 852 946 shares under the FSP, which is less than the aggregate cap. This includes FSP awards under the STI deferral. It should be noted that these shares were not allocated by way of an issue of new shares and as such are not dilutive to shareholders.

The maximum number of shares allocated to any participant in respect of all unvested awards under the FSP and the Share Option Scheme, will not exceed 2 223 681 shares. This represents 0,50% of the number of shares currently in issue. As at 30 June 2018, the Group chief executive had the highest number of unvested awards at 1 862 390 awards, representing 0,42% of the shares currently in issue, which is less than the cap.

Long-term cash settled awards were made to executives operating outside South Africa in October 2018 under the LTCSIP.

The October 2018 LTCSIP award is the annual allocation of awards to senior executives outside South Africa, including the Oil & Gas platform CEO, and will vest in 2021. The allocation took job grade, individual performance and retention risk into consideration.

The vesting of these awards is subject to meeting the same performance conditions as the September 2018 FSP awards, over the three year performance period from 1 July 2018 to 30 June 2021.

Thirty percent of the award will vest at threshold and 100% at target, with no vesting for below-threshold performance. Linear vesting will apply between these points.

The Oil & Gas platform CEO was awarded a cash settled long-term incentive to the value of AU$897 600 effective on 1 October 2018 (October 2017: AU$880 000).

Outstanding Long-Term Incentives

FSP awards and STI deferred into FSP awards

NAME	Date awarded	Opening balance	Number of shares allocated	Value at grant date (R'000)	Number settled in the year	Number forfeited in the year	Closing balance	Settlement date	Settlement value (R'000)	Estimated value (R'000)
Bester, C	Sep 2014	81 500	–	–	81 500	–	–	Sep 2017	1 243	–
	Mar 2015	39 000	–	–	32 500	6 500	–	Sep 2017	496	–
	Sep 2015	430 000	–	–	122 938	307 062	–	Sep 2017	1 875	–
	Nov 2016	476 500	–	–	53 606	422 894	–	Sep 2017	817	–
	STI 2014	11 055	–	–	11 055	–	–	Sep 2017	169	–
	STI 2015	34 698	–	–	34 698	–	–	Sep 2017	529	–
	STI 2016	104 762	–	–	104 762	–	–	Sep 2017	1 598	–
Fenn, O	Sep 2014	54 750	–	–	54 750	–	–	Sep 2017	835	–
	Mar 2015	28 500	–	–	28 500	–	–	Mar 2018	314	–
	Sep 2015	333 500	–	–	–	–	333 500		–	2 920
	Nov 2016	366 000	–	–	–	–	366 000		–	3 204
	STI 2014	5 791	–	–	5 791	–	–	Sep 2017	88	–
Govender, J	Sep 2014	44 778	–	–	44 778	–	–	Sep 2017	618	–
	Mar 2015	19 791	–	–	19 791	–	–	Sep 2017	273	–
	Sep 2015	140 389	–	–	62 824	77 565	–	Sep 2017	867	–
Grobler, D	Sep 2014	25 000	–	–	25 000	–	–	Sep 2017	381	–
	Mar 2015	17 500	–	–	17 500	–	–	Mar 2018	193	–
	Sep 2015	149 000	–	–	–	–	149 000		–	1 304
	Nov 2016	173 000	–	–	–	–	173 000		–	1 515
	Sep 2017	–	405 000	5 877	–	–	405 000		–	3 546
	STI 2014	3 288	–	–	3 288	–	–	Sep 2017	50	–
	STI 2015	18 384	–	–	9 191	–	9 193	Sep 2017	140	161
	STI 2016	68 147	–	–	22 715	–	45 432	Sep 2017	346	796
	STI 2017	–	54 942	839	–	–	54 942		–	962
Harrison, S	Sep 2014	30 250	–	–	30 250	–	–	Sep 2017	461	–
	Mar 2015	17 500	–	–	17 500	–	–	Mar 2018	193	–
	Sep 2015	147 000	–	–	–	–	147 000		–	1 287
	Nov 2016	248 000	–	–	–	–	248 000		–	2 171
	Sep 2017	–	253 000	3 671	–	–	253 000		–	2 215
	STI 2014	3 883	–	–	3 883	–	–	Sep 2017	59	–
	STI 2015	15 320	–	–	7 659	–	7 661	Sep 2017	117	134
	STI 2016	27 506	–	–	9 168	–	18 338	Sep 2017	140	321
	STI 2017	–	35 317	539	–	–	35 317		–	618
Henstock, I	Sep 2014	50 000	–	–	50 000	–	–	Sep 2017	763	–
	Mar 2015	22 500	–	–	22 500	–	–	Mar 2018	248	–
	Sep 2015	262 500	–	–	–	–	262 500		–	2 298
	Nov 2016	291 000	–	–	–	–	291 000		–	2 548
	STI 2014	6 417	–	–	6 417	–	–	Sep 2017	98	–
Laas, H	Sep 2014	123 000	–	–	123 000	–	–	Sep 2017	1 876	–
	Mar 2015	61 500	–	–	61 500	–	–	Mar 2018	677	–
	Sep 2015	760 000	–	–	–	–	760 000		–	6 654
	Nov 2016	842 500	–	–	–	–	842 500		–	7 376
	STI 2014	16 455	–	–	16 455	–	–	Sep 2017	251	–
	STI 2015	49 200	–	–	24 600	–	24 600	Sep 2017	375	431
	STI 2016	176 145	–	–	58 715	–	117 430	Sep 2017	895	2 056
	STI 2017	–	117 860	1 800	–	–	117 860			2 064
Mdluli, T	Sep 2014	32 500	–	–	32 500	–	–	Sep 2017	496	–
	Mar 2015	22 500	–	–	22 500	–	–	Mar 2018	248	–
	Sep 2015	145 500	–	–	–	–	145 500		–	1 274
	Nov 2016	161 500	–	–	–	–	161 500		–	1 414
	Sep 2017	–	165 500	2 401	–	–	165 500		–	1 449
	STI 2014	3 999	–	–	3 999	–	–	Sep 2017	61	–
	STI 2015	13 946	–	–	6 972	–	6 974	Sep 2017	106	122
	STI 2016	34 152	–	–	11 384	–	22 768	Sep 2017	174	399
	STI 2017	–	25 735	393	–	–	25 735		–	451

REMUNERATION REPORT – *continued*

Cash Settled Conditional Rights

NAME	Date awarded	Opening balance	Number of rights allocated	Value at grant date (R'000)	Number settled in the year	Number forfeited in the year	Closing balance	Settlement date	Settlement value (R'000)	Estimated value (R'000)
Laas, H	Sep 2017	–	864 000	12 537	–	–	864 000	–	–	7 564

LTCSIP

NAME	Date awarded	Opening balance (AU$'000)	Awarded (AU$'000)	Value at grant date (AU$'000)	Settled in the year	Forfeited in the year	Closing balance (AU$'000)	Settlement date	Settlement value (AU$'000)	Estimated value (AU$'000)
Bennett, P	Oct 2017	–	880	880	–	–	880	–	–	440

Executives receive dividend payments on the FSP and Conditional Rights allocations held from the award date.

For the LTI awards, a vesting percentage of 50% is applied to calculate the estimated value.

Share Option Scheme

NAME	Date awarded	Opening balance	Strike price	Condition	Number forfeited in the year	Closing balance	Vesting date	Estimated value
Bester, C	30 Aug 2011	89 780	25,24	Retention	89 780	–	30 Aug 2017	–
Fenn, O	30 Aug 2011	56 280	25,24	Retention	56 280	–	30 Aug 2017	–
Henstock, I	30 Aug 2011	75 040	25,24	Retention	75 040	–	30 Aug 2017	–
Laas, H	30 Aug 2011	150 080	25,24	Retention	150 080	–	30 Aug 2017	–

Letsema Vulindlela Black Executives Trust

NAME	Date awarded	Number of shares allocated	Strike price	Condition	Number forfeited in the year	Closing balance	Vesting date	Estimated value
Mdluli, T	24 Aug 2010	11 500	41,02	Standard	–	11 500	31 Dec 2021	–
	20 Apr 2011	10 000	25,16	Hurdle	–	10 000	31 Dec 2021	–
	30 Aug 2011	25 500	27,70	Standard	–	25 500	31 Dec 2021	–

Remuneration outcomes for non-executive directors

The remuneration policy for the non-executive directors set out in the remuneration policy report was applied in FY2018. The remuneration of non-executive directors for the year ended 30 June 2018 was:

Non-executive directors' remuneration

NAME	Directors' fees R'000	Non-attendance R'000	Special Board R'000	Committee fees R'000	Lead independent fee R'000	Chairman's fees R'000	Total 2018 R'000	Total 2017 R'000
DD Barber[1]	98	–	–	81	–	–	**179**	703
R Havenstein[2]	72	–	–	238	838	–	**1 148**	970
SP Kana[3]	72	–	–	327	–	1 025	**1 424**	1 010
NB Langa Royds	301	–	100	443	–	–	**844**	835
A Maditsi[4]	253	–	150	236	–	–	**639**	–
E Mashilwane[5]	228	–	150	192	–	–	**570**	–
D Radley[6]	253	–	150	368	–	–	**771**	–
JM McMahon[7]	–	–	–	–	–	–	**–**	164
XH Mkhwanazi	301	–	150	265	–	–	**716**	599
M Sello[8]	472	–	–	–	–	–	**472**	1 399
RT Vice[9]	–	–	–	–	–	–	**–**	459
Total	2 050	–	700	2 150	838	1 025	**6 763**	6 139

1 *Retired on 31 October 2017.*
2 *Appointed lead independent director on 2 November 2017.*
3 *Appointed chairman on 2 November 2017.*
4 *Appointed on 23 August 2017.*
5 *Appointed on 23 August 2017.*
6 *Appointed on 23 August 2017.*
7 *Retired on 30 September 2016.*
8 *Retired on 2 November 2017.*
9 *Retired on 30 November 2016.*

AUD NAME	Directors' fees AU$'000	Non-attendance AU$'000	Special Board AU$'000	Committee fees AU$'000	Chairman's fees AU$'000	Total 2018 AU$'000	Total 2017 AU$'000
K Spence	100	(1)	51	39	–	**189**	205

The chairman's fee includes attendance at committee meetings excluding the Independent Board.

INDEPENDENT BOARD	Fees R'000	Total 2018 R'000
R Havenstein	500	**500**
SP Kana	400	**400**
A Maditsi	400	**400**
D Radley	400	**400**
Total	1 700	**1 700**

REMUNERATION REPORT – *continued*

Fee proposal for 2019

In accordance with King IV, the remuneration committee reviews and recommends fee structures to the Board for approval (excluding recommendation on their own fees) before submitting recommendations for approval by shareholders at the annual general meeting.

An inflation-linked increase to the non-executive directors' fees is proposed for 2019.

The proposed fees (excluding Value Added Tax) are tabled below:

		Previous per annum	Proposed per annum
DIRECTOR FEES			
Chairman	Includes director and committee fees[1]	R1 500 000	R1 590 000
Lead independent director	Includes director and relevant committee fees	R1 050 000	R1 120 000
Resident director	Per annum[2&3]	R305 000	R322 000
Non-resident director	Per annum[3,4&5]	AU$100 000	AU$100 000
COMMITTEE FEES			
Audit & sustainability	Chairman	R283 000	R298 000
	Resident member	R151 500	R160 000
	Non-resident member	AU$10 000	AU$10 000
Health, safety & environment	Chairman	R205 500	R216 000
	Resident member	R105 000	R110 500
	Non-resident member	AU$10 000	AU$10 000
Nomination	Member	R67 000	R70 500
Remuneration & human resources	Chairman	R205 500	R216 000
	Member	R105 000	R110 500
Risk management	Chairman (Rand)	R205 500	R216 000
	Chairman (AU$)		AU$21 600
	Resident member	R105 000	R110 500
	Non-resident member	AU$10 000	AU$10 000
Social & ethics	Chairman	R205 500	R216 000
	Resident member	R105 500	R110 500
	Non-resident member	AU$10 000	AU$10 000
AD HOC MEETINGS			
Board	Resident member	R50 000	R53 000
	Non-resident member	AU$17 000	AU$17 000
Committee	Resident member	R25 500	R27 000
	Non-resident member	AU$8 900	AU$8 900

1 Includes fees for chairing the nomination committee and attending all Board committees.

2 Calculated on the basis of five meetings per annum.

3 A deduction of R27 000 or AU$8 900 per meeting will apply for non-attendance at a scheduled Board meeting.

4 A deduction of R110 000 or AU$1000 per meeting will apply for non-attendance at a scheduled committee meeting.

5 Australian resident non-executive directors will receive an annual travel allowance of AU$25 000 to compensate for the time spent travelling to attend meetings.

In terms of section 66(8) of the Companies Act shareholders are referred to special resolution number 1 included in the loose insert of the printed report regarding approval of the proposed non-executive director fee structure for FY2019.

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

RESPONSIBILITIES OF DIRECTORS FOR ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

The directors of Murray & Roberts Holdings Limited ("Company") are responsible for the preparation of the annual financial statements that fairly present the state of affairs of the Company and Murray & Roberts Holdings Limited and its subsidiaries ("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 ("IFRS") and per the requirements of the Companies Act No. 71 of 2008 ("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 Murray & Roberts Board of directors ("Board") and management set standards and management implement systems of internal controls, accounting and information systems; and

b) The Audit & Sustainability Committee recommends Group accounting policies and monitors these accounting 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 misstatements 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 external resources when required. 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.

The Group continues to address any control weaknesses which are identified, however, the Group's system of internal controls continues to provide a basis for the preparation of reliable annual financial statements in all material aspects.

The annual financial statements have been prepared in accordance with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act and are based on appropriate accounting policies, supported by reasonable 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 46 of the consolidated financial statements. The annual financial statements have been compiled under the supervision of DF Grobler (CA)SA, (Group financial director) and have been audited in terms of Section 30(2) 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 external auditors to express an opinion on the consolidated and separate annual financial statements. For their unmodified report to the shareholders of the Company and Group refer to the online financial statements.

Approval of annual financial statements

The annual financial statements of the Company and the Group for the year ended 30 June 2018 is available in the online annual financial statements, and were approved by the Board of directors at its meeting held on 29 August 2018 and are signed on its behalf by:

SP Kana
Group chairman

HJ Laas
Group chief executive

DF Grobler
Group financial director

CERTIFICATION BY COMPANY SECRETARY

FOR THE YEAR ENDED 30 JUNE 2018

In terms of section 88(2)(e) of the Companies Act No. 71 of 2008, as amended ("Companies Act"), I, L Kok, in my capacity as Group company secretary, confirm that, to the best of my knowledge and belief, for the year ended 30 June 2018, Murray & Roberts Holdings Limited has filed with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.

L Kok
Group company secretary
29 August 2018

AUDIT & SUSTAINABILITY COMMITTEE REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The Audit & Sustainability Committee ("Committee") presents its report in terms of section 94(7)(f) of the Companies Act, the King Code of Governance for South Africa, 2016 (King IV) and the Johannesburg Stock Exchange (JSE) Listings Requirements for the financial year ended 30 June 2018.

The Committee is an independent statutory committee appointed by the Murray & Roberts shareholders. In compliance with section 94 of the Companies Act and the principles of good governance, shareholders annually appoint certain independent directors as members of the Committee to fulfil the statutory duties as prescribed by the Companies Act.

In addition, the Board delegates specific duties to the Committee. This report considers these statutory and delegated duties as well as the Committee's responsibilities in terms of the JSE Listings Requirements. It also addresses some of the matters that King IV advises should be considered by an audit & sustainability committee.

Membership

Disclosed under the Group directorate in the Integrated Report.

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

Terms of reference

The Committee has formal terms of reference, which are reviewed annually by both the Committee and the Board (or more frequently if required). The Committee is satisfied that it has conducted its affairs in accordance with its terms of reference and has discharged its responsibilities.

Roles and responsibilities

The Committee is satisfied that it complied with its legal, regulatory and other responsibilities during the financial year ended 30 June 2018. The Committee assists the Board to fulfil its supervisory role to ensure 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 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. In addition, the Committee assesses the effectiveness of the internal auditors and the independence and effectiveness of the external auditors.

The Committee's roles and responsibilities include statutory and regulatory duties as per the Companies Act, the JSE Listings Requirements and those items recommended in the interest of good governance according to King IV. In addition, the Board has assigned certain other duties to the Committee as defined in its terms of reference.

The Board conducts annual reviews of the Committee's duties and terms of reference as well as annual assessments of its performance, in a manner determined by the Board.

No major concerns were raised by any member of the Committee in FY2018.

There were no reportable irregularities during the year, nor were any complaints or queries about our financial reporting brought to the attention of the Committee.

External audit

The Committee nominated and recommended the appointment of the external auditor, Deloitte & Touche, to the shareholders in compliance with the Companies Act and the JSE Listings Requirements and the appointment of Mr G Berry as designated auditor for FY2018. The individual registered auditor, Mr G Berry, served in this capacity for his first year in 2017 and the Committee considers his tenure and that of other key audit partners within the Group in order to reduce familiarity threats to independence.

The Committee satisfied itself that the audit firm and designated auditor are accredited and do not appear on the JSE list of disqualified auditors. The Committee further satisfied itself that Deloitte & Touche was independent of the Company, which includes consideration of compliance with criteria relating to independence proposed by the Independent Regulatory Board for Auditors. This opinion is based on consideration of previous appointments of the auditor and the extent of other work the auditor has undertaken for the Group. In a written statement addressed to the Committee, Deloitte & Touche confirmed that their independence complies with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. 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, with Mr G Berry as the individual registered auditor. Deloitte & Touche and Mr G Berry are properly accredited.

The Committee has established an approvals framework for the pre-approval of non-audit services to be rendered by the external auditor and reviews these fees on an ongoing basis. External audit's independence was not impaired by any consultancy, advisory or other work undertaken.

The Committee, in consultation with executive management, agreed to the engagement letter and terms and to the audit plan as well as scope of work performed and budgeted audit fees for FY2018.

The Committee has applied its mind to the key audit areas and key audit matters identified by the external auditors and is comfortable that they have been adequately addressed and disclosed. These items, which required significant judgement, were:

+ Recognition of contract revenue, margin and related receivables and liabilities;
+ Recognition and recoverability of claims and variation orders; and
+ Recoverability of vendor related receivables.

The Committee has noted the changes in audit regulation regarding mandatory audit firm rotation, which will require the external auditors to resign from the audit following the audit of the financial statements for the financial year ended 30 June 2023.

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 Group internal audit function was established to assist the Board and executive management with the achievement of their objectives and has remained a vital part of the Group's governance and combined assurance structures. Internal audit is an independent assurance provider on the adequacy and effectiveness of the Group's governance, risk management and control structures, systems and processes. The centralised function operates in terms of a formal mandate, in conformance with the International Professional Practices Framework, as laid down by the Institute of Internal Auditors Inc. Internal audit was assessed by an external independent assessment to be in general conformance with the Standards and elements of the Code of Ethics in July 2018. Internal audit assurance can only be reasonable and not absolute and does not supersede the Board's and management's responsibility for the ownership, design, implementation, monitoring and reporting of governance, risk management and internal controls.

The internal audit function reports directly to the audit committee and administratively to the Group commercial director. An internal audit charter, reviewed by the Committee and approved by the Board, formally defines the purpose, authority and responsibility of the internal audit function. The charter gives the chief audit executive direct access to the Group chief executive officer, Group financial director, Audit Committee chair and chairman of the Board.

The chief audit executive leads the internal audit function which covers the global operations and is resourced with both internal employees and external resources when required. It assists the Board and management in maintaining an effective internal control environment by evaluating those controls continuously, using a risk-based approach, to determine whether they are adequately designed, operating efficiently and effectively, and to recommend improvements. The internal audit assurance consists of independent evaluations of the adequacy and effectiveness of risk management, internal controls, financial reporting mechanisms and records, information systems and operations, safeguarding of assets (including fraud prevention) and adherence to laws and regulations. It 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 facing the Group.

The annual internal audit plan is based on an assessment of risk areas identified by internal audit and management, as well as focus areas highlighted by the Committee and management. The plan also considers work performed by other assurance providers in the Group. The annual audit plan is updated as appropriate to ensure it remains responsive to changes in the business. A comprehensive report on internal audit findings is presented to the Committee quarterly. Follow-up audits are conducted in areas where major internal control weaknesses are found. Internal audit has confirmed there are no undue scope limitations or impairments to independence. Sufficient and appropriate audit procedures have been conducted through the completion of the risk-based audit plan and evidence gathered to support conclusions in FY2018. The Committee approved internal audit's risk-based audit plan for the financial year ending 30 June 2019.

The independence, organisational positioning, scope and nature of work of the internal audit function were evaluated by the Committee in May 2018 and determined to be appropriate and consistent with the internal audit strategy and mandate.

Internal financial controls

The internal audit plan works on a multi-year programme and based on the work and findings to date of the Group's system of internal control and risk management in FY2018, which included the design implementation and effectiveness of internal control, considering information and explanations provided by management and the results of the external audit, the Group's system of financial controls provides a reasonable basis for the preparation of reliable annual financial statements in all material aspects.

Audit and administration

Financial leadership in Murray & Roberts caters for growth in the business, including ongoing employment and redeployment of senior financial executives. Audit close-out meetings are held between external auditors and operational 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 are agreed procedures for the Committee to seek professional independent advice at the Company's expense.

Assurance

Group assurance activities are embedded, sound and are continuously reviewed and where required redirected to ensure appropriate and effective coverage of the Group's operations, implementation of King IV principles and recommendations.

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. The Opportunity 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 coordinates 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. During the year under review, external service providers were appointed to provide assurance on the sustainability information.

The Committee is of the view that the arrangements in place for combined assurance are adequate and are achieving the objective of an effective, integrated approach across the disciplines of risk management, compliance and audit.

Going concern

The Committee reviewed the documents prepared by management in which they assessed the going concern status of the Group at year end and the foreseeable future. Management has concluded that the Group is a going concern. The Committee resolved and recommended acceptance of this conclusion to the Board.

Significant areas of judgement

Information on significant areas of judgement can be found in note 45 of the consolidated financial statements.

Consolidated and separate financial statements and integrated report

In our opinion, the consolidated and separate financial statements present fairly, in all material respects the consolidated and separate financial position of the Company and its subsidiaries as at 30 June 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS and the requirements of the Companies Act.

In preparation of the annual financial statements the Group and the Committee has taken into consideration the feedback included in the most recent Report Back on Proactive Monitoring of Financial Statements provided by the JSE.

The Committee recommended the annual integrated report and the Group's and Company's annual financial statements to the Board for approval. It is satisfied that they comply with IFRS on a going concern basis following an assessment of solvency and liquidity requirements.

On behalf of the Committee:

DC Radley
Audit Committee chair
29 August 2018

BASIS OF PREPARATION

The Group operates in the construction, engineering and mining environment and as a result the revenue is not seasonal in nature but is influenced by the nature of the contracts that are currently in progress. Refer to the Business Platform Reviews for a more detailed report on the performance of the different operating platforms within the Group.

The summarised consolidated financial statements have been derived from the Group's consolidated financial statements for the year ended 30 June 2018, which were approved by the Board of directors on 29 August 2018. The summarised consolidated financial statements are consistent in all material respects with those consolidated financial statements. These summarised consolidated financial statements comprise a consolidated statement of financial position at 30 June 2018, a consolidated statement of financial performance, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended. The complete set of consolidated financial statements was compiled under the supervision of DF Grobler (CA)SA, Group financial director. The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the SAICA Financial Reporting Guides as issued by the Accounting Practises Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

The Group's consolidated financial statements for the year ended 30 June 2018 were audited by the auditor, Deloitte & Touche, on which an unmodified audit opinion was expressed on 29 August 2018.

The complete set of the consolidated financial statements together with the auditor's report is available in the online integrated report at www.murrob.com.

REPORT OF DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2018

This report presented by the directors is a constituent of the consolidated and separate annual financial statements at 30 June 2018, except where otherwise stated. All monetary amounts set out in tabular form are expressed in millions of Rands, except where otherwise stated.

1 Nature of business

Main business and operations

Murray & Roberts Holdings Limited is an investment holding company with interests in the underground mining, oil & gas and power & water markets.

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

Group financial results

At 30 June 2018 the Group recorded earnings of R267 million (2017: R48 million), representing diluted earnings per share of 66 cents (2017: diluted earnings per share of 12 cents). Diluted headline earnings per share was 46 cents (2017: diluted headline earnings per share of 26 cents).

Full details of the financial position and results of the Group are set out in these consolidated and separate financial statements. The consolidated and separate financial statements have been prepared in accordance with IFRS. 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 46 of the consolidated financial statements.

Going concern

The Board is satisfied that the consolidated and separate financial statements comply with IFRS on a going concern basis following an assessment of solvency and liquidity requirements.

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.

Uncertified revenue

The Group's share of uncertified revenue is included in amounts due from contract customers in the statement of financial position. The uncertified revenue 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 financial statements), relating mainly to claims on projects in the Middle East and in Power & Water.

A cumulative total revenue of R1 292 million being amounts due from contract customers (net of payments received on account of R288 million (2017: R445 million)) has been recognised in the statement of financial position at 30 June 2018 (2017: R914 million) 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 in accordance with IAS 11: *Construction Contracts*.

In the Middle East all projects are substantially completed. Current year losses in the Middle East relate to overhead costs and legal fees associated with the Dubai Airport claim. The close-out of the projects in the Middle East continues to present major risk, but all envisaged project losses have been fully accounted for. Costs during FY2019 should be limited to overhead costs, and ongoing legal fees on the Dubai Airport dispute, for which an award is expected in November 2018.

Resolution of these extremely complex legal and financial claims and variation instructions is 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 2018.

Implementation of IFRS 15 (Revenue from Contracts with Customers) and IFRS 9 (Financial Instruments)

In the 2019 financial year IFRS 15 and IFRS 9 will be implemented, as they are applicable to financial years commencing on or after 1 January 2018.

The Group has decided that it will apply the modified retrospective approach to transition from existing IAS's to IFRS 15 and IFRS 9. Therefore comparatives will not be restated. The cumulative effect of initially applying IFRS 15 and IFRS 9 will be an adjustment to the opening balance of retained earnings at the date of initial application, being 1 July 2018.

The cumulative effect of initially applying IFRS 15 is currently estimated to be between R0,7 billion and R1,0 billion as at 1 July 2018. The estimated IFRS 15 adjustment consists mostly, but not entirely, of the R1,3 billion uncertified revenue disclosed separately under amounts due from contract customers (note 9 of the consolidated financial statements) in the statement of financial position. The IFRS 15 adjustment relates mainly to amounts in the Middle East and the Power & Water platforms. The Group remains confident that post the implementation of IFRS 15 the uncertified claims and variations will be recognised at a later date, once the uncertainty has been resolved.

The cumulative effect of initially applying the expected credit loss ("ECL") model to assess impairments of receivables in IFRS 9 is currently estimated to be less than R150 million.

Refer to note 46 (New standards and interpretations) of the consolidated financial statements for more detail.

Grayston Temporary Works Collapse

The Department of Labour instituted a Section 32 Inquiry ("Inquiry") in November 2015 into this incident to determine the cause or causes of the collapse of the temporary works structure. The Board would welcome an expeditious conclusion to this Inquiry.

Segmental disclosure

The Group operated under three strategic platforms in financial year 2018. An analysis of the Group's results reflects the results and financial position of each platform (refer to Annexure 3 of the consolidated financial statements).

2 Authorised and issued share capital

Full details of the authorised and issued capital of the Company at 30 June 2018 are contained in note 12 of the consolidated financial statements.

Particulars relating to the Murray & Roberts Trust ("Trust") are set out in note 13 of the consolidated financial statements.

At 30 June 2018 the Trust held nil (2017: 30 150) shares against the commitment of options granted by the Trust totalling nil (2017: 371 180) ordinary shares. The shares held by the Trust were sold to the Forfeitable Share Plan ("FSP").

Particulars relating to the Vulindlela Trust are set out in note 13 of the consolidated financial statements. During the year the Vulindlela Trust granted a total of nil shares (2017: 2 173 000 shares) to black executives as part of the Group's BBBEE.

At 30 June 2018 the Vulindlela Trust held 10 624 366 (2017: 10 624 366) shares against the commitment of shares granted by the Vulindlela Trust totalling 5 759 573 (2017: 5 974 451) ordinary shares. The shares held by the Vulindlela Trust were 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 Murray & Roberts Holdings Limited Employee Share Incentive Scheme ("Scheme") is limited to 5,0% (2017: 5,0%) of the total issued ordinary shares of the Company, currently 22 236 806 (2017: 22 236 806) ordinary shares. As no shares have been issued to date in connection with the Scheme, this limit remains unutilised.

In terms of the FSP, employees were allocated shares during the year by the remuneration committee totalling 4 696 591 shares (2017: 6 372 026). The shares held in escrow by the FSP on behalf of the beneficiaries were purchased on the market and have not been issued by the Company.

In the year under review, Murray & Roberts Limited (a 100% owned subsidiary of Murray & Roberts Holdings Limited) purchased 2 458 268 ordinary shares, at an average price of R15.29 per share. The shares held by Murray & Roberts Limited have not been cancelled and are held in Treasury.

3 Dividend

The Board resolved to declare a gross annual dividend of 50 cents (2017: 45 cents) per ordinary share for the year ended 30 June 2018. The dividend will be subject to the dividend tax rate of 20%, which will result in a net dividend of 40 cents per share to those shareholders who are not exempt from paying dividend tax. The dividend has been declared from income reserves.

The number of shares in issue as at the date of this declaration is 444 736 118 and the Company's tax reference number is 9000203712.

The relevant dates are:

EVENT	DATE
Last day to trade (cum-dividend)	Tuesday, 2 October 2018
Shares to commence trading (ex-dividend)	Wednesday, 3 October 2018
Record date (date shareholders recorded in books)	Friday, 5 October 2018
Payment date	Monday, 8 October 2018

No share certificates may be dematerialised or rematerialised between Wednesday, 3 October 2018 and Friday, 5 October 2018, both dates inclusive.

On Monday, 8 October 2018, the dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. No dividend cheques will be paid to shareholders who have not provided their banking details to the transfer secretaries: Link Market Services South Africa Proprietary Limited. Accordingly, the cash dividend will remain unpaid until such time as the non-compliant shareholder has provided relevant banking details to the transfer secretary, to receive the cash dividend by electronic funds transfer. No interest will be paid for unpaid dividends.

Shareholders who hold their shares in dematerialised form will have their accounts held by the Central Securities Depository Participant or broker credited on Monday, 8 October 2018.

4 Subsidiaries and investments

Acquisitions

Acquisition of a further 17% interest (total shareholding now at 50%) in the Bombela Concession Company (RF) (Proprietary) Limited ("BCC")

The Group concluded the acquisition of a further 17% in BCC for an adjusted purchase price of R357 million in December 2017 (original purchase price of R405 million adjusted for dividends declared and interest from 1 October 2017). The Group's investment in BCC has therefore increased to 50% (FY2017: 33%). Post the transaction, the investment is still reflected at fair value through profit or loss, as the investment meets the requirement of IAS 28.18 with regards to venture capital organisations or similar entities. The transaction does not result in a change of control.

Disposals

Disposal of interest in the Genrec Engineering operations

The Group disposed of its interest in the Genrec Engineering operations, effective 1 May 2018, for a gross consideration of R185 million.

A gross cash consideration of R40 million has been received by 30 June 2018, with a further R40 million being held in a trust account on behalf of the Group.

The remaining R105 million gross consideration is interest bearing. R25 million is payable by 31 August 2018, whilst the remaining R80 million is payable by 1 May 2023.

Discontinued operations

Discontinued operations include the Genrec operations and the retained assets and liabilities in the Southern African Infrastructure & Building businesses that were sold during the current and prior financial years. These operations meet the requirements in terms of IFRS 5 Discontinued Operations and have been presented as discontinued operations in the Group's statement of financial performance.

5 Special resolution

During the year under review the following special resolution was passed by shareholders:

1. The proposed fees payable quarterly in arrears to non-executive directors.

6 Events after the reporting period

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 and Company annual financial statements, which significantly affects the financial position at 30 June 2018 or the results of its operations or cash flows for the year then ended.

7 Interest of directors

A total of nil (2017: 150 080) share options are allocated to directors in terms of the Scheme, further details are set out in note 13 of the consolidated financial statements.

The directors of the Company held direct beneficial interests in 724 256 ordinary shares of the Company's issued ordinary shares (2017: 401 080). Details of the ordinary shares held per individual director are listed below and also set out in note 42 of the consolidated financial statements.

BENEFICIAL	Direct	Indirect
30 June 2018		
DF Grobler	**41 569**	**836 567**
HJ Laas	**682 687**	**1 862 390**
30 June 2017		
DD Barber	2 723	–
DF Grobler	–	407 000
HJ Laas	398 357	1 971 500

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

8 Directors

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

Independent non-executive

SP Kana (chairman); R Havenstein; NB Langa-Royds; XH Mkhwanazi; KW Spence; AK Maditsi; TE Mashilwane and DC Radley.

Executive

HJ Laas (Group chief executive) and DF Grobler (Group financial director).

9 Company secretary

L Kok

The company secretary's business and postal addresses are:

Postal address
PO Box 1000, Bedfordview, 2008

Business address
Douglas Roberts Centre, 22 Skeen Boulevard
Bedfordview, 2007

10 Auditors

Deloitte & Touche continued in office as external auditors. At the annual general meeting on 1 November 2018, shareholders will be requested to re-appoint Deloitte & Touche as external auditors for the 2019 financial year. Graeme Berry will be the individual registered auditor who will undertake the audit.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Notes	2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	2	**1 995,7**	2 057,7
Investment property	3	**–**	18,9
Goodwill	4	**615,8**	606,9
Other intangible assets	5	**171,3**	194,2
Investment in joint venture	37	**72,1**	73,2
Investments in associate companies	6	**2,9**	7,6
Other investments	7	**1 311,5**	895,4
Deferred taxation assets	21	**385,3**	585,2
Amounts due from contract customers	9	**568,1**	542,0
Non-current receivables		**130,0**	68,3
Total non-current assets		**5 252,7**	5 049,4
Current assets			
Inventories	8	**279,2**	280,1
Amounts due from contract customers	9	**5 089,0**	4 913,5
Trade and other receivables	10	**1 076,0**	1 167,0
Current taxation assets	34	**74,1**	23,4
Derivative financial instruments		**–**	2,2
Cash and cash equivalents	11	**2 464,2**	2 370,6
Total current assets		**8 982,5**	8 756,8
Assets classified as held for sale	31	**50,5**	396,8
Total assets		**14 285,7**	14 203,0
EQUITY AND LIABILITIES			
Stated capital	12	**2 591,3**	2 566,1
Reserves	14 & 15	**1 058,7**	996,4
Retained earnings		**3 046,4**	2 978,2
Equity attributable to owners of Murray & Roberts Holdings Limited		**6 696,4**	6 540,7
Non-controlling interests	16	**47,5**	64,5
Total equity		**6 743,9**	6 605,2
Non-current liabilities			
Long term loans	18	**146,8**	219,7
Retirement benefit obligations	19	**12,8**	17,3
Long term provisions	20	**125,7**	144,7
Deferred taxation liabilities	21	**74,5**	121,2
Non-current payables		**145,3**	162,0
Total non-current liabilities		**505,1**	664,9
Current liabilities			
Amounts due to contract customers	9	**1 527,0**	1 571,2
Trade and other payables	23	**3 396,3**	3 523,0
Short term loans	24	**296,1**	289,2
Current taxation liabilities	34	**63,0**	39,2
Provisions for obligations	25	**232,7**	279,7
Subcontractor liabilities	22	**1 410,8**	971,5
Bank overdrafts	11	**110,8**	117,5
Total current liabilities		**7 036,7**	6 791,3
Liabilities classified as held for sale	31	**–**	141,6
Total liabilities		**7 541,8**	7 597,8
Total equity and liabilities		**14 285,7**	14 203,0

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2018

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Notes	2018	2017
Continuing operations			
Revenue	26	**21 847,0**	21 397,3
Continuing operations excluding Middle East		**21 379,5**	20 789,6
Middle East		**467,5**	607,7
Profit before interest, depreciation and amortisation		**1 330,6**	962,4
Depreciation		**(428,6)**	(430,9)
Amortisation of intangible assets		**(38,2)**	(44,7)
Profit before interest and taxation	27	**863,8**	486,8
Continuing operations excluding Middle East		**898,2**	1 055,1
Middle East		**(34,4)**	(568,3)
Interest expense	28	**(104,4)**	(109,8)
Interest income	29	**63,3**	68,1
Profit before taxation		**822,7**	445,1
Taxation expense	30	**(297,7)**	(161,2)
Profit after taxation		**525,0**	283,9
Income from equity accounted investments		**20,9**	7,2
Profit for the year from continuing operations		**545,9**	291,1
Loss from discontinued operations	31	**(278,1)**	(252,9)
Profit for the year		**267,8**	38,2
Attributable to:			
Owners of Murray & Roberts Holdings Limited		**266,8**	48,0
Non-controlling interests	16	**1,0**	(9,8)
		267,8	38,2

Basic and diluted earnings per share were 67 cents (2017: 12 cents) and 66 cents (2017: 12 cents) respectively.
Continuing basic and diluted earnings per share were 137 cents (2017: 76 cents) and 134 cents (2017: 74 cents) respectively.
For further details refer to note 32 of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Notes	2018	2017
Profit for the year		**267,8**	38,2
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Effects of remeasurements on retirement benefit obligations	15	**3,2**	(5,0)
		3,2	(5,0)
Items that may be reclassified subsequently to profit or loss:			
Exchange gains/(losses) on translating foreign operations and realisation of reserve	14 & 16	**94,9**	(488,6)
		94,9	(488,6)
Other comprehensive income/(loss) for the year net of taxation		**98,1**	(493,6)
Total comprehensive income/(loss)		**365,9**	(455,4)
Total comprehensive income/(loss) attributable to:			
Owners of Murray & Roberts Holdings Limited		**362,9**	(421,0)
Non-controlling interest		**3,0**	(34,4)
		365,9	(455,4)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Stated capital	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 2016	2 552,1	1 379,4	158,4	3 111,0	**7 200,9**	62,6	**7 263,5**
Total comprehensive (loss)/income for the year	–	(464,0)	(5,0)	48,0	**(421,0)**	(34,4)	**(455,4)**
Treasury shares disposed (net)	14,0	–	–	–	**14,0**	–	**14,0**
Transfer to retained earnings	–	–	(25,9)	25,9	**–**	–	**–**
Realisation of minority interest reserve	–	(23,8)	–	(12,5)	**(36,3)**	36,3	**–**
Utilisation of share-based payment reserve	–	–	(55,3)	–	**(55,3)**	–	**(55,3)**
Recognition of share-based payment	–	–	32,6	–	**32,6**	–	**32,6**
Dividends declared and paid[1]	–	–	–	(8,3)	**(8,3)**	–	**(8,3)**
Dividends declared and paid to owners of Murray & Roberts Holdings Limited	–	–	–	(185,9)	**(185,9)**	–	**(185,9)**
Balance at 30 June 2017	2 566,1	891,6	104,8	2 978,2	**6 540,7**	64,5	**6 605,2**
Total comprehensive income for the year	–	92,9	3,2	266,8	**362,9**	3,0	**365,9**
Treasury shares disposed (net)	25,2	–	–	–	**25,2**	–	**25,2**
Transfer to retained earnings	–	–	(1,5)	1,5	**–**	–	**–**
Utilisation of share-based payment reserve	–	–	(53,9)	–	**(53,9)**	–	**(53,9)**
Recognition of share-based payment	–	–	21,6	–	**21,6**	–	**21,6**
Repayment of equity loans from non-controlling interests	–	–	–	–	**–**	(20,0)	**(20,0)**
Dividends declared and paid[1]	–	–	–	(14,2)	**(14,2)**	–	**(14,2)**
Dividends declared and paid to owners of Murray & Roberts Holdings Limited	–	–	–	(185,9)	**(185,9)**	–	**(185,9)**
Balance at 30 June 2018	2 591,3	984,5	74,2	3 046,4	**6 696,4**	47,5	**6 743,9**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Notes	2018	2017
Cash flows from operating activities			
Receipts from customers		**22 624,0**	25 103,5
Payments to suppliers and employees		**(21 690,3)**	(24 048,3)
Cash generated from operations	33	**933,7**	1 055,2
Interest received		**65,5**	87,1
Interest paid		**(111,8)**	(137,5)
Taxation paid	34	**(174,0)**	(209,6)
Operating cash flow		**713,4**	795,2
Dividends paid to owners of Murray & Roberts Holdings Limited		**(200,1)**	(194,2)
Net cash inflow from operating activities		**513,3**	601,0
Cash flows from investing activities			
Dividends received from associate companies	6	**19,6**	19,1
Purchase of intangible assets other than goodwill	5	**(13,5)**	(23,6)
Purchase of property, plant and equipment	2	**(311,5)**	(264,1)
– Replacements		**(78,3)**	(115,7)
– Additions		**(358,0)**	(395,0)
– Capitalised finance leases raised (non-cash)		**124,8**	246,6
Purchase of property, plant and equipment by entities classified as held for sale		**(0,8)**	(53,0)
Investment in joint venture held for sale		**–**	(2,0)
Proceeds on disposal of property, plant and equipment		**115,6**	45,0
Proceeds on disposal of intangible assets other than goodwill		**–**	7,0
Net inflow/(outflow) on disposal of business	35	**39,6**	(322,8)
Proceeds on disposal of assets held for sale		**–**	37,0
Proceeds on disposal of investment in associate		**87,0**	–
Purchase of additional investments		**(357,9)**	–
Cash related to assets held for sale		**1,5**	259,0
Proceeds from realisation of investment	7	**220,1**	170,0
Other		**1,2**	1,3
Net cash outflow from investing activities		**(199,1)**	(127,1)
Cash flows from financing activities			
Net acquisition of treasury shares		**(28,7)**	(41,0)
Net movement in borrowings	36	**(217,6)**	(660,6)
Net cash outflow from financing activities		**(246,3)**	(701,6)
Total increase/(decrease) in net cash and cash equivalents		**67,9**	(227,7)
Net cash and cash equivalents at beginning of year		**2 253,1**	2 736,8
Effect of exchange rates		**32,4**	(256,0)
Net cash and cash equivalents at end of year	11	**2 353,4**	2 253,1

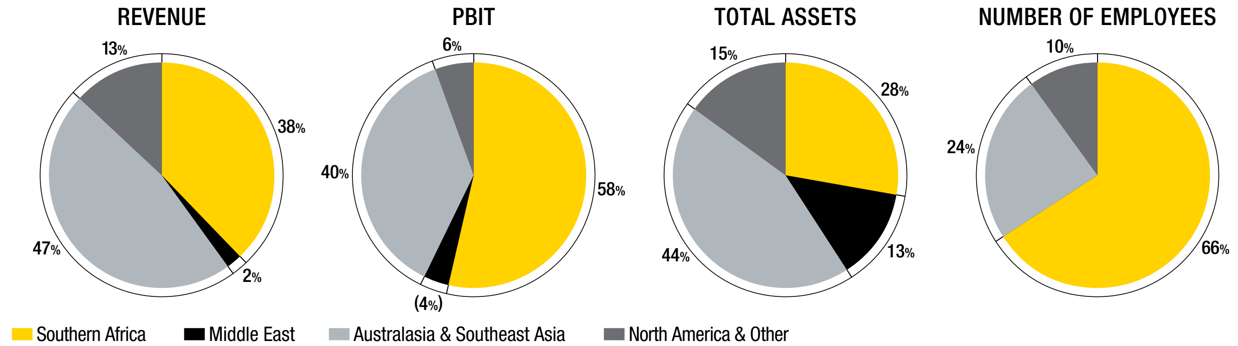
STATEMENT OF VALUE CREATED

FOR THE YEAR ENDED 30 JUNE 2018

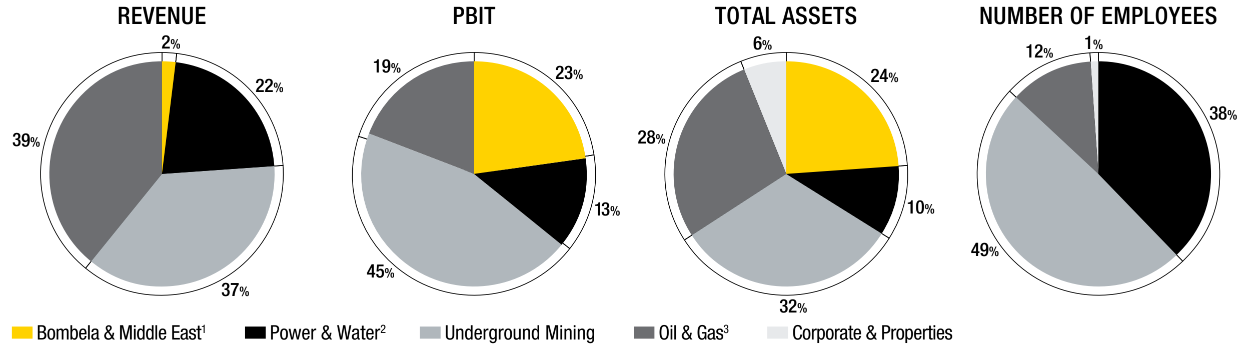
ALL MONETARY AMOUNTS EXPRESSED IN MILLIONS OF RANDS	2018	%	2017	%
Revenue	**21 847,0**		21 397,3	
Less: Cost of materials, services and subcontractors	**(7 115,1)**		(7 429,8)	
Value created	**14 731,9**		13 967,5	
Distributed as follows:				
To employees				
Payroll costs	**13 810,9**	**93,7**	13 206,2	94,6
To providers of finance				
Net interest on loans	**41,1**	**0,3**	41,7	0,3
To government				
Company taxation	**146,3**	**1,0**	196,0	1,4
To maintain and expand the Group				
Reserves available to ordinary shareholders	**266,8**		48,0	
Depreciation	**428,6**		430,9	
Amortisation	**38,2**		44,7	
	733,6	**5,0**	523,6	3,7
	14 731,9	**100,0**	13 967,5	100,0
Number of people[1]	**10 649**		20 642	
State and local taxes charged to the Group or collected on behalf of governments by the Group				
Company taxation	**146,3**		196,0	
Indirect taxation	**1 428,1**		1 186,4	
Employees' tax	**1 348,5**		892,6	
	2 922,9		2 275,0	

1 *People includes direct joint arrangement hires and third party contractors of 1 857 (2017: 6 384).*

GEOGRAPHIC



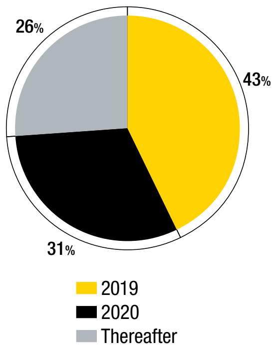
SEGMENTAL



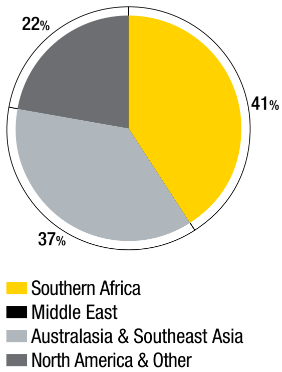
1 *Bombela & Middle East platform includes amounts for discontinued operations of Southern African Infrastructure & Building businesses.*
2 *Power & Water platform includes amounts for Genrec Engineering that is classified as part of discontinued operations.*
3 *Oil & Gas platform total assets includes amounts for discontinued Clough Properties.*

ORDER BOOK[4]

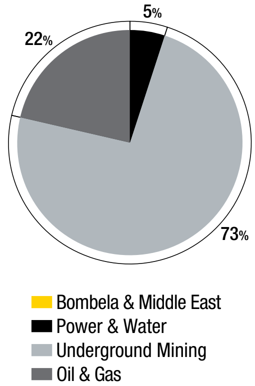
TIME DISTRIBUTION



GEOGRAPHIC DISTRIBUTION

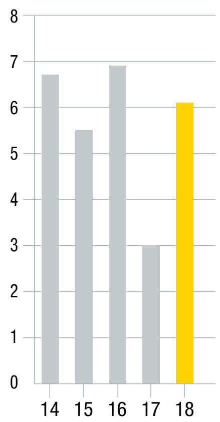


SEGMENTAL DISTRIBUTION

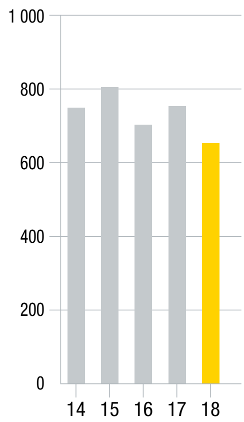


4 *Continuing operations.*

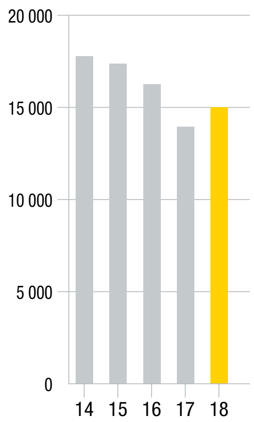
RETURN ON AVERAGE TOTAL ASSETS (%)



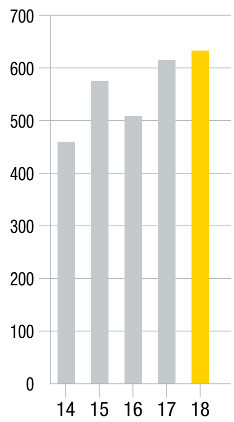
PRODUCTIVITY OF ASSETS
(ASSETS PER R1 000 TURNOVER)



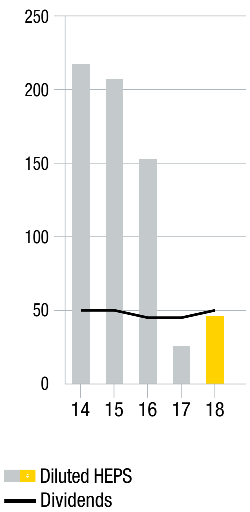
CREATION OF VALUE
(R MILLION)



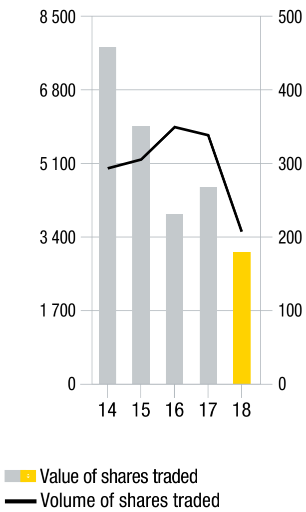
PEOPLE PRODUCTIVITY
(VALUE RATIO)



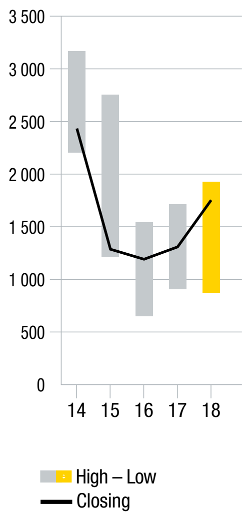
DILUTED HEPS AND DIVIDENDS
PER SHARE (CENTS)



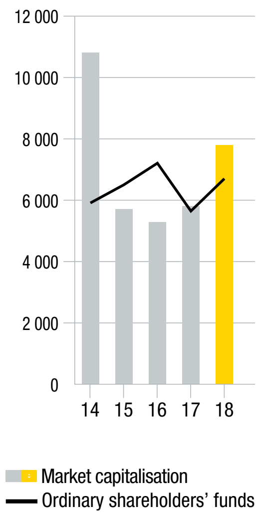
VALUE OF SHARES TRADED
(R MILLION)



SHARE PRICE MOVEMENT
(CENTS)



MARKET CAPITALISATION
(R MILLION)



TEN-YEAR REVIEW

30 JUNE 2018

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
		IFRS Restated[1]								
Summarised statements of financial performance[1]										
Revenue	**21 847**	21 397	26 148	24 013	29 620	28 071	25 107	19 323	15 342	17 456
Profit/(loss) before interest and taxation	**864**	487	1 275	1 064	1 480	2 007	(522)	(1 273)	641	1 602
Net interest (expense)/income	**(41)**	(42)	(71)	(68)	(59)	(122)	(253)	(194)	(170)	27
Profit/(loss) before taxation	**823**	445	1 204	996	1 421	1 885	(775)	(1 467)	471	1 629
Taxation expense	**(298)**	(161)	(296)	(187)	(483)	(619)	(175)	(97)	(14)	(241)
Profit/(loss) after taxation	**525**	284	908	809	938	1 266	(950)	(1 564)	457	1 388
Income from equity accounted investments	**21**	7	18	3	1	164	144	88	15	2
(Loss)/profit from discontinued operations	**(278)**	(253)	(136)	82	461	40	214	(172)	757	948
Non-controlling interests	**(1)**	10	(37)	(13)	(139)	(466)	(144)	(87)	(131)	(320)
Profit/(loss) attributable to owners of Murray & Roberts Holdings Limited	**267**	48	753	881	1 261	1 004	(736)	(1 735)	1 098	2 018
Summarised statements of financial position										
Non-current assets	**4 252**	3 857	4 849	6 411	6 410	6 017	7 323	4 658	5 247	5 490
Current assets	**9 033**	9 154	11 870	11 160	12 488	17 365	14 042	13 976	14 937	17 190
Goodwill	**616**	607	642	636	486	488	437	435	554	490
Deferred taxation assets	**385**	585	604	596	427	657	634	470	343	305
Total assets	**14 286**	14 203	17 965	18 803	19 811	24 527	22 436	19 539	21 081	23 475
Equity attributable to owners of Murray & Roberts Holdings Limited	**6 696**	6 541	7 201	6 498	5 905	7 041	5 887	4 221	6 203	5 581
Non-controlling interests	**48**	64	63	25	27	1 657	1 215	1 100	974	1 053
Total equity	**6 744**	6 605	7 264	6 523	5 932	8 698	7 102	5 321	7 177	6 634
Non-current liabilities	**505**	665	1 117	2 526	1 908	1 958	1 596	1 873	2 367	1 447
Current liabilities	**7 037**	6 933	9 584	9 754	11 971	13 871	13 738	12 345	11 537	15 394
Total equity and liabilities	**14 286**	14 203	17 965	18 803	19 811	24 527	22 436	19 539	21 081	23 475

1 *Comparatives before financial year 2017 have been restated for discontinued operations and the adoption of IFRS 11: Joint Arrangements. The results of affected joint ventures are equity accounted for rather than proportionately consolidated, and the net asset value included under investment in joint ventures.*

RATIOS AND STATISTICS

30 JUNE 2018

		IFRS Restated[1]								
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
EARNINGS										
Earnings/(loss) per share (cents)										
– Basic	**67**	12	189	218	310	247	(214)	(530)	336	618
– Diluted	**66**	12	182	213	305	245	(214)	(528)	335	612
Headline earnings/(loss) per share (cents)										
– Basic	**47**	27	158	212	221	188	(246)	(456)	308	616
– Diluted	**46**	26	153	207	217	186	(246)	(454)	307	609
Dividends per share (cents)	**50**	45	45	50	50	–	–	–	105	218
Dividend cover[2]	**0,9**	0,6	3,4	4,1	4,3	–	–	–	2,9	2,8
Interest cover	**8,3**	4,4	10,2	8,2	7,6	8,8	(1,4)	(4,0)	1,9	4,9
PROFITABILITY										
PBIT on revenue (%)	**4,0**	2,3	4,9	4,4	5,0	7,1	(2,1)	(6,6)	4,2	9,2
PBIT on average total assets (%)	**6,1**	3,0	6,9	5,5	6,7	8,5	(2,5)	(6,3)	2,9	7,1
Attributable profit on average ordinary shareholders' funds (%)	**4,0**	0,7	11,0	14,2	19,5	15,5	17,1	5,7	29,1	38,6
PRODUCTIVITY										
Per R1 000 of revenue:										
Payroll cost (Rands)	**632**	614	508	574	459	443	463	420	413	469
Total average assets (Rands)	**652**	752	703	804	748	836	836	1 051	1 452	1 290
Value created (Rm)[3]	**14 993**	15 098	16 246	17 352	17 773	17 660	15 237	10 069	11 651	13 689
Value ratio[3]	**1,07**	1,05	1,11	1,13	1,16	1,20	1,05	1,00	1,33	1,39
FINANCE										
As a percentage of total equity										
Total interest bearing debt	**7**	9	14	23	42	23	31	44	45	54
Total liabilities	**112**	115	147	188	234	182	216	267	194	254
Current assets to current liabilities	**1,28**	1,32	1,24	1,14	1,04	1,25	1,02	1,13	1,29	1,12
Operating cash flow (Rm)	**713**	795	762	586	931	1 653	(2 318)	462	943	1 732
Operating cash flow per share (cents)	**160,3**	178,8	171,4	132	209	372	(521)	139	284	522
OTHER										
Weighted average ordinary shares in issue (millions)	**444,7**	444,7	444,7	444,7	444,7	444,7	382,7	367,8	367,8	367,8
Weighted average number of treasury shares (millions)	**46,6**	47,1	46,1	41,4	38,3	37,9	39,2	40,3	41,3	42,1
Number of employees – 30 June[3]	**10 649**	20 642	33 893	29 581	25 498	33 281	44 710	42 422	40 413	38 981

Definitions

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

1 *Comparatives before financial year 2017 have been restated for discontinued operations.*

2 *Based on total HEPS.*

3 *Includes continuing and discountinued operations.*

SEGMENTAL ANALYSIS

FOR THE YEAR ENDED 30 JUNE 2018

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	GROUP		DISCONTINUED OPERATIONS EXCLUDED FROM ONGOING OPERATIONS[1]	
	2018	2017	**2018**	2017
Summarised statement of financial performance				
Revenue	**21 847**	21 397	**525**	3 674
Profit/(loss) before interest and taxation	**864**	487	**(273)**	(281)
Net interest (expense)/income	**(41)**	(42)	**(5)**	(9)
Profit/(loss) before taxation	**823**	445	**(278)**	(290)
Taxation (expense)/credit	**(298)**	(161)	**–**	37
Profit/(loss) after taxation	**525**	284	**(278)**	(253)
Income/(loss) from equity accounted investments	**21**	7	**–**	–
Loss from discontinued operations	**(278)**	(253)	**–**	–
Non-controlling interests	**(1)**	10	**–**	–
Profit/(loss) attributable to owners of Murray & Roberts Holdings Limited	**267**	48	**(278)**	(253)
Summarised statement of financial position				
Non-current assets	**4 637**	4 442	**–**	–
Current assets[3]	**9 033**	9 154	**188**	397
Goodwill	**616**	607	**–**	–
Total assets	**14 286**	14 203	**188**	397
Equity attributable to owners of Murray & Roberts Holdings Limited	**6 696**	6 541	**(62)**	255
Non-controlling interests	**48**	64	**–**	–
Total equity	**6 744**	6 605	**(62)**	255
Non-current liabilities	**505**	665	**–**	–
Current liabilities[3]	**7 037**	6 933	**250**	142
Total equity and liabilities	**14 286**	14 203	**188**	397
Summarised statement of cash flows				
Cash generated from/(utilised by) operations before working capital changes	**620**	807	**(308)**	29
Change in working capital	**314**	248	**293**	(258)
Cash generated from/(utilised by) operations	**934**	1 055	**(15)**	(229)
Interest and taxation	**(220)**	(260)	**(14)**	15
Operating cash flow	**714**	795	**(29)**	(214)

1 Mainly includes the Southern African Infrastructure & Building businesses and Genrec Engineering.

2 Retained, continuing operations post the sale of the Southern African Infrastructure & Building businesses.

3 Includes assets/liabilities classified as held for sale.

BOMBELA & MIDDLE EAST[2]		POWER & WATER		UNDERGROUND MINING		OIL & GAS		CORPORATE AND PROPERTIES	
2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
468	729	**4 829**	5 908	**8 004**	8 046	**8 542**	6 714	**4**	–
243	(149)	**134**	171	**471**	464	**209**	217	**(193)**	(216)
3	1	**13**	19	**4**	19	**9**	101	**(70)**	(182)
246	(148)	**147**	190	**475**	483	**218**	318	**(263)**	(398)
–	(64)	**(9)**	(52)	**(134)**	(177)	**(129)**	(130)	**(26)**	262
246	(212)	**138**	138	**341**	306	**89**	188	**(289)**	(136)
–	(1)	**–**	–	**–**	–	**–**	–	**21**	8
–	–	**–**	–	**–**	–	**–**	–	**–**	–
–	10	**(7)**	(8)	**–**	–	**7**	8	**(1)**	–
246	(203)	**131**	130	**341**	306	**96**	196	**(269)**	(128)
1 879	1 447	**75**	64	**1 725**	1 808	**389**	641	**569**	482
1 468	1 622	**1 242**	1 526	**2 805**	2 650	**3 098**	2 616	**232**	343
–	–	**81**	81	**57**	56	**478**	470	**–**	–
3 347	3 069	**1 398**	1 671	**4 587**	4 514	**3 965**	3 727	**801**	825
1 986	1 369	**417**	229	**2 472**	2 511	**1 927**	1 782	**(44)**	395
33	30	**33**	46	**–**	–	**(18)**	(12)	**–**	–
2 019	1 399	**450**	275	**2 472**	2 511	**1 909**	1 770	**(44)**	395
7	10	**1**	12	**211**	304	**139**	150	**147**	189
1 321	1 660	**947**	1 384	**1 904**	1 699	**1 917**	1 807	**698**	241
3 347	3 069	**1 398**	1 671	**4 587**	4 514	**3 965**	3 727	**801**	825
(38)	(428)	**183**	238	**807**	740	**234**	304	**(258)**	(76)
(67)	484	**(237)**	89	**32**	125	**269**	142	**24**	(334)
(105)	56	**(54)**	327	**839**	865	**503**	446	**(234)**	(410)
(44)	(20)	**(131)**	(3)	**(70)**	(147)	**(83)**	(173)	**122**	68
(149)	36	**(185)**	324	**769**	718	**420**	273	**(112)**	(342)

ANALYSIS OF SHAREHOLDERS

FOR THE YEAR ENDED 30 JUNE 2018

SIZE OF HOLDING	Number of shareholders	% of shareholders	Number of shares	%
1 — 1 000 shares	3 323	68,12	746 339	0,17
1 001 — 10 000 shares	1 148	23,53	3 794 042	0,85
10 001 — 100 000 shares	291	5,96	9 153 824	2,06
100 001 — 1 000 000 shares	88	1,80	24 514 280	5,51
1 000 001 shares and above	29	0,59	406 527 633	91,41
Total	**4 879**	**100,00**	**444 736 118**	**100,00**
Category				
Private Clients	61	1,25	202 295 832	45,49
Pension Funds	72	1,48	102 407 860	23,03
Unit Trusts/Mutual Fund	90	1,84	63 913 824	14,37
Black Economic Empowerment	3	0,06	31 696 039	7,13
Insurance Companies	11	0,23	10 239 005	2,30
Trading Position	17	0,35	6 538 179	1,47
Exchange-Traded Fund	4	0,08	1 762 632	0,40
Custodians	8	0,16	1 568 916	0,35
University	5	0,10	451 568	0,10
Sovereign Wealth	2	0,04	292 274	0,07
Local Authority	2	0,04	262 605	0,06
Medical Aid Scheme	2	0,04	156 118	0,04
Investment Trust	1	0,02	151 900	0,03
Hedge Fund	2	0,04	146 354	0,03
American Depository Receipts	2	0,04	132 006	0,03
Charity	1	0,02	39 226	0,01
Other	4 596	94,21	22 681 780	5,09
Total	**4 879**	**100,00**	**444 736 118**	**100,00**

MAJOR SHAREHOLDERS HOLDING 5% OR MORE OF THE COMPANY'S ORDINARY SHARES	Number of shares	% of shares
ATON GmbH (DE)	194 855 660	43,81
Government Employees Pension Fund (ZA)	85 957 175	19,33

FUND MANAGERS HOLDING 5% OR MORE OF THE COMPANY'S ORDINARY SHARES		
ATON GmbH (DE)	194 855 660	43,81
Public Investment Corporation (ZA)	90 827 572	20,42

SHAREHOLDER SPREAD	Number of shareholders	% of shareholders	Number of shares	% of shares
Non-Public*	11	0,23	47 288 822	10,63
Public	4 868	99,77	397 447 296	89,37
Total	**4 879**	**100,00**	**444 736 118**	**100,00**
Domestic			187 103 190	42,07
International			257 632 928	57,93
			444 736 118	**100,00**

* *Includes directors, Forfeitable Share Plan, Murray & Roberts Retirement Fund, employees and associates.*

SHAREHOLDERS' DIARY

Financial year end	End-June
Mailing of annual integrated report	End-September
Annual general meeting	November
Publication of FY2019 half year results	February 2019
Publication of FY2019 preliminary report	August 2019

ONLINE
For a comprehensive shareholders' diary, please visit the Investor's portal on **www.murrob.com.**

ADMINISTRATION AND CORPORATE OFFICE

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JSE Share Code: MUR
ISIN: ZAE000073441

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Sponsored level 1 American Depository Receipt (ADR) Programme

US Exchange: OTC
US Ticker: MURZY
Ratio of ADR to Ordinary Share: 1:1
CUSIP: 626805204
Depository Bank: Deutsche Bank Trust Company Americas

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GLOSSARY OF TERMS

AGM	Annual General Meeting
ATON	ATON GmbH
BBBEE	Broad-based Black Economic Empowerment
BCC	Bombela Concessions Company
BCJV	Bombela Civil Joint Venture
Board	The Board of Murray & Roberts Holdings Limited
BOC	Bombela Operating Company
Brownfield	Existing, developed infrastructure on which expansion or redevelopment occurs
CEO	Chief executive officer
CFO	Chief financial officer
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
Cementation AG	Cementation Above Ground
Cementation Africa	Murray & Roberts Cementation and Murray & Roberts Zambia
Company	Murray & Roberts Holdings Limited
CPSP	Clough Phantom Share Plan
CSI	Corporate social investment
Companies Act	Act 71 of 2008 (as amended)
Dubai Airport	Dubai International Airport Concourse 2
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EE	Employment Equity
Enercore	Enercore Projects Limited
EPC	Engineering, Procurement and Construction
EPCM	Engineering, Procurement, Construction and Management
EPS	Earnings Per Share
FCF	Free Cash Flow
FIDIC	Fédération Internationale Des Ingénieurs-Conseils
FSP	Forfeitable Share Plan
FY2016	For the year ended 30 June 2016
FY2017	For the year ended 30 June 2017
FY2018	For the year ended 20 June 2018
GBC	Grazberg Block Cave
GCC	General Conditions of Contract
Greenfield	New, undeveloped property where there is no need to work within the constraints of existing buildings or infrastructure
GRI	Global Reporting Initiative
Group	Murray & Roberts Holdings and its subsidiaries
HEPS	Headline Earnings per Share
HUC	Hook-up and commissioning
HSE	Health, Safety and Environment
IFRS	International Financial Reporting Standard
Independent Board	Independent Board constituted to respond to the offer by ATON
IPP	Independent Power Producers
IT	Information Technology

JBCC	Joint Building Contracts Committee
JSE Limited	Johannesburg Stock Exchange
JV	Joint Venture
King IV	King IV Report on Corporate Governance™ for South Africa, 2016
KLE	Karratha Life Extension project
KPI	Key Performance Indicator
KPA	Key Performance Area
LNG	Liquefied Natural Gas
LTI	Long-term incentives
LTI	Lost-time injury
LTIFR	Lost Time Injury Frequency Rate
LTCSIP	Long-Term Cash Settled Incentive Plan
MAP	Major Accident Prevention
M&A	Mergers & Acquisitions
MRG	Murray & Roberts Ghana Limited
MRML	Murray & Roberts Mozambique Limitada
MRPE	Murray & Roberts Power & Energy
MRW	Murray & Roberts Water
Near Orders	Tenders where the Group is the preferred bidder and final award is subject to financial/commercial close
NEC	New Engineering Contract
NHT	Naphtha Hydrotreatment
OMS	Opportunity Management System
O&M	Operators & Maintenance
Order Book	Confirmed and signed project orders
Order Book Pipeline	Tenders, budgets, feasibilities and prequalifications the Group is currently working on (excluding Near Orders). It also includes opportunities which are being tracked and are expected to come to the market in the next 36 months
PNG	Papua New Guinea
PPE	Property, Plant and Equipment
PPP	Public Private Partnership
REIPPP	Renewable Energy Independent Power Producer Procurement
ROE	Return on Equity
ROICE	Return on Invested Capital Employed
RONA	Return on Net Assets
SADC	Southern African Development Community
Share Option Scheme	Murray & Roberts Holdings Limited Employee Share Incentive Scheme
SMEIPP	Structural, Mechanical, Electrical, Instrumentation, Platework & Piping
SPV	Special Purpose Vehicle
STI	Short-term incentives
TFCE	Total Fixed Cost of Employment
TRCR	Total Recordable Case Rate
TRIR	Total Recordable Incident Rate
TSR	Total Shareholder Return
USA	United States of America
VFL	Visible Felt Leadership
Vulindlela	Letsema Vulindlela Black Executives Trust
WACC	Weighted Average Cost of Capital

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DISCLAIMER

This report includes certain various "forward-looking statements" within the meaning of Section 27A of the US Securities Act 10 1933 and Section 21 E of the Securities Exchange Act of 1934 that reflect the current views or expectations of the Board with respect to future events and financial and operational performance. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: the Group's strategy; the economic outlook for the industry; and the Group's liquidity and capital resources and expenditure. These forward-looking statements speak only as of the date of this report and are not based on historical facts, but rather reflect the Group's current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "expect", "anticipate", "intend", "should", "planned", "may", "potential" or similar words and phrases. The Group undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of any unexpected events.

Neither the content of the Group's website, nor any website accessible by hyperlinks on the Group's website is incorporated in, or forms part of, this report.

The principle of ***Engineered Excellence*** informs all our decision-making and means we will **engineer** or plan everything we do, in such a way that we achieve an outcome of **excellence.**

ENGINEERED
EXCELLENCE

Murray & Roberts