

2012

Annual
Report



**Murray
& Roberts**

(Zimbabwe) Limited

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ENTITY PROFILE

Murray & Roberts (Zimbabwe) Limited and its subsidiaries (“Company” or “entity”) is a prominent Zimbabwean contracting and industrial entity. It has been listed as a public company on the Zimbabwe Stock Exchange since 1974.

The Company has three operating segments: Contracting (Murray & Roberts Construction Zimbabwe) and Manufacturing (Proplastics) and Corporate (treasury and properties).

The Company’s contracting operations form a portfolio of complementary competencies allowing the entity to undertake turnkey construction activities.

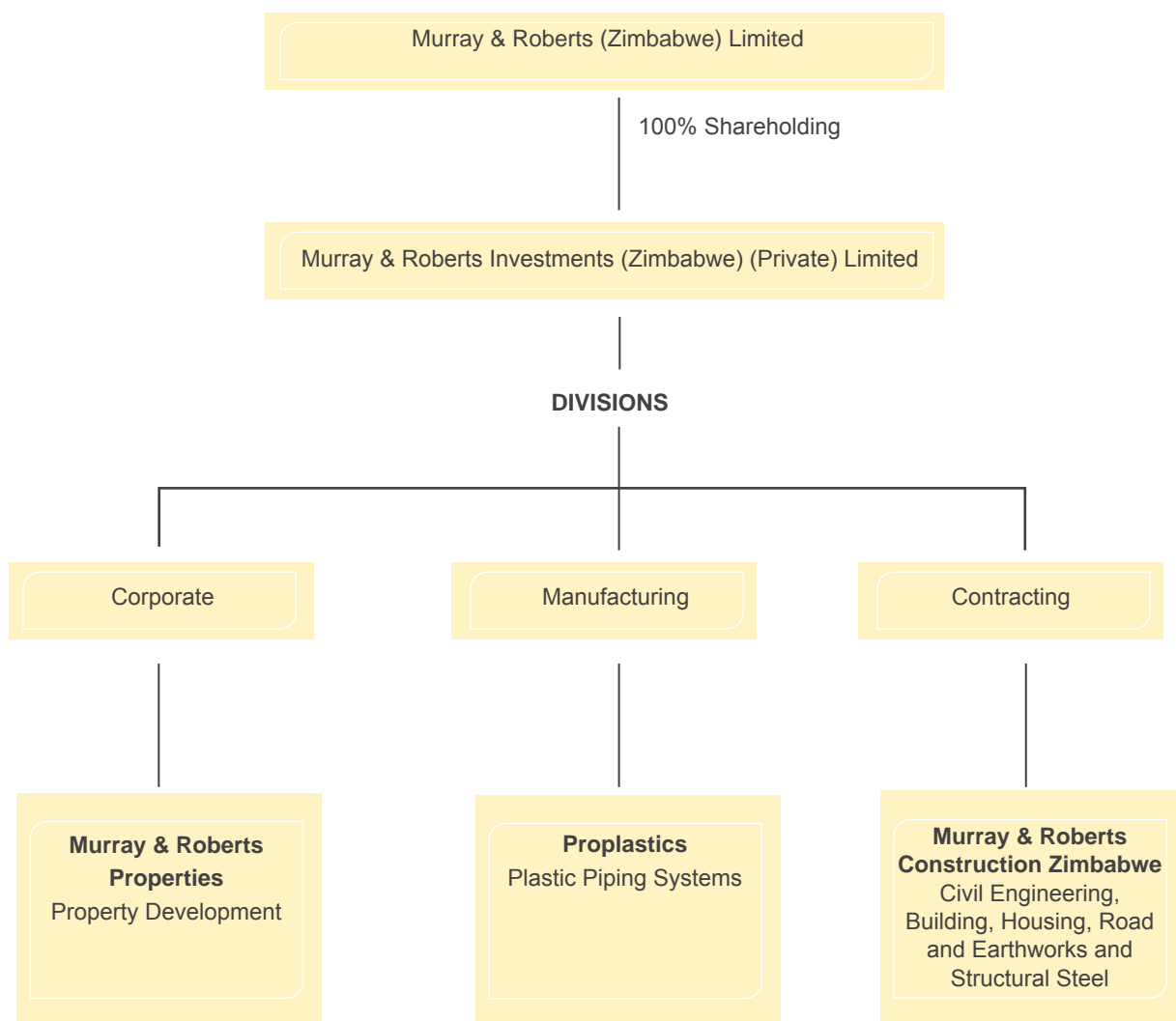
The Manufacturing division produces and distributes a wide range of Plastic piping systems for different market niches, supplying the local and regional markets.

The competence of Murray & Roberts (Zimbabwe) Limited is built around its broad base of management skills, enhanced by the financial, commercial, marketing and human resource capabilities of the entity.



Tokwe-Mukorsi Dam under construction

ENTITY STRUCTURE



NATURE OF BUSINESS

Contracting

Murray & Roberts Construction Zimbabwe carries out work in the following fields of construction:

- Civil engineering
- Building
- Housing
- Structural steel – fabrication and erection
- Roads and earthworks

The Building division has successfully completed many high rise buildings. The Civil Engineering division has, over the years, successfully completed various major projects. The Structural Steel division, which has a fabrication shop capacity of +/-150 tonnes per month, is one of the major steel fabricators and erectors in Zimbabwe. It specialises in factory construction, telecommunication towers, electricity substation steelwork and complements the other divisions in supplying roofs and other items of structural steel.

Manufacturing

Proplastics is Zimbabwe's leading plastic pipe manufacturer, specializing in the manufacturing of Polyvinyl Chloride (PVC), High-Density Polyethylene (HDPE), Low-Density Polyethylene (LDPE) pipes and related fittings for various applications in irrigation, water and sewer reticulation, mining, telecommunications and building construction.

Established in 1965, the division has 46 years of experience in the industry and has grown and evolved on the back of its philosophy of constant and never ending improvement to become the leading player in Zimbabwe. The entity's vision is to be the market leader in pipe systems solutions in Zimbabwe with a significant market share in the SADC region by 2015. Proplastics has the capacity to convert 10 000 tonnes of PVC per annum.

During the year the Manufacturing division received certification from SABS for Environmental Management System (EMS 14001:2004) and Occupational Health and Safety Assessment Series (OHSAS 18001:2007). In addition, all of its products carry the Standards Association of Zimbabwe (SAZ) and South African Bureau of Standards (SABS) marks.

Proplastics has a technical agreement and partnership with Wavin Overseas of the Netherlands and is a member of Southern African Plastic Pipe Manufacturers Association (SAPPMA). The cooperation with Wavin Overseas, a strategic and leading European manufacturer, has seen the growth and expansion of technology in the range of products manufactured to meet international needs and standards. Being a SAPPMA member provides Proplastics' customers with an additional safeguard against substandard quality or questionable ethics because SAPPMA's purpose is to create absolute consumer confidence within the Plastic Pipe Industry and to ensure the long term health and sustainability of high quality plastic pipes and pipe systems.



ENTITY FINANCIAL HIGHLIGHTS

(continuing operations only)

	2012	2011
Group summary		
Revenue (US\$)	43,018,590	35,623,767
Profit before interest and tax (US\$)	1,822,792	1,494,705
Profit for the year from continuing operations (US\$)	1,300,417	1,135,952
Total assets	38,270,571	31,655,746
Value created (US\$)	7,602,131	5,792,962
Payroll costs (US\$)	3,929,119	3,270,429
Cash generated by operations (US\$)	3,981,121	504,591
Total number of employees	1,998	1,601
Ordinary share performance (US cents)		
Basic earnings per ordinary share	0.61	0.53
Diluted earnings per ordinary share	0.60	0.53
Cash equivalent earnings per ordinary share	0.85	1.05
Market price per ordinary share	5.00	21.00
Financial statistics		
Profit before tax on revenue (%)	3.83%	3.96%
Return on average capital employed (%)	7.01%	7.41%

CHAIRMAN'S STATEMENT



PT Zhanda
Chairman

“The rate of inflation has remained stable within single digit levels, resulting in an improvement in capacity utilization in the industrial sector. “

Introduction

Since dollarization of the economy in 2009, Zimbabwe has benefited considerably from the use of the multiple currency system, which has ushered in notable economic stability. Consequently, the economic and operating environment continued on a recovery path as characterized by an improvement in macroeconomic fundamentals. The rate of inflation has remained stable within single digit levels, resulting in an improvement in capacity utilization in the industrial sector.

Despite the foregoing, the economy experienced liquidity challenges during the latter part of 2011, spilling into the first quarter of 2012. Negative developments in the financial services sector did not help this situation, with certain local banks either collapsing, handing in their banking licenses or being placed under curatorship.

It is clear that some fundamental economic and political issues still need to be addressed to exploit and realize the economy's potential, which currently either lies dormant or underdeveloped. There is need to stimulate investment in key sectors of the economy, such as energy, manufacturing, agriculture and general infrastructure development to ensure sustainable growth.

The mining sector could benefit from consistent policies that result in the full realization of benefits from the country's immense natural resource base, which includes diamonds, gold and platinum. In addition, initiatives should be pursued, including the encouragement of private public partnerships, to unlock opportunities in infrastructure rebuild and ensure a reliable infrastructure network.

Entity performance review

The Company's turnover for the year was higher than last year, but margins were constrained. The liquidity constraints that prevailed during this period resulted in the Manufacturing division business being significantly lower than anticipated.

In addition to the depressed business levels in the Manufacturing division during the second half of the year, operating performance was also negatively impacted by extraordinary expenses and operational inefficiencies.

While performance was better than last year, the Contracting division suffered the effect of material losses on certain of construction projects.



CHAIRMAN'S STATEMENT (continued)

Key shareholder developments

The second half of the financial year witnessed the successful conclusion of a transaction that saw the disposal of Murray & Roberts South Africa's 46.46% stake in the Company to a local consortium, Zumbani Capital (Private) Limited. I would like to thank Murray & Roberts Limited of South Africa for its valued support over the years.

With the recent change in majority shareholders, the Company will be changing its name and rebranding during the first half of the 2013 financial year. I extend my gratitude to Murray & Roberts Limited of South Africa for its valued support over the years.

Strategic positioning

Following the change in the Group's shareholding and as a result of the confidence that Zumbani have shown in the future prospects for Zimbabwe, the Company's Board has reevaluated the group strategic and operational platforms.

In Manufacturing we are nearing completion of a project to strengthen our operational base and expand our product offering. Efforts to date have resulted in a streamlined, modernized and far more productive factory in Harare. As a result we are expanding strongly in Zimbabwe and are pursuing exciting opportunities in the region.

We have initiated a similar project in the Construction division from which we intend to focus operations on the fastest growing segments of the market and to gear our capacity to meet demand.

We are also evaluating new opportunities in related products and materials both in Zimbabwe and in the region to enhance our current market offering and ensure that we have a range of products and services to meet the expected surge in infrastructure development projects over the next five years in the region.

Human capital, operating systems and risk management controls will continue to receive the directors' and management's focus in line with our strategy for growth and capacity building.

The restructure exercises that commenced in the current year will continue into the 2013 financial year to ensure the Company achieves operational efficiencies and optimum productivity levels.

“The restructure exercises that commenced in the current year will continue into the 2013 financial year to ensure the Company achieves operational efficiencies and optimum productivity levels.”



CHAIRMAN'S STATEMENT (continued)

“Infrastructure rebuild opportunities abound in the market, and I am confident that the Company is now poised to deliver tangible value to shareholders going forward owing to critical mass achieved thus far.”

Directorate

As a result of the change in majority shareholding, Messrs Addington Chinake, Graham Mullany, Marsden Sibanda and Morris Tsoka resigned as members of the Board during the year. I thank Messrs Chinake, Mullany and Sibanda for their valuable contribution to the Company and to wish them every success in their future endeavours. In their stead, I would like to advise of the appointment of Messrs Canada Malunga, Malcolm McCulloch and Samuel Sithole to the Board. I welcome them and wish them well in their new role.

I am also pleased to announce the appointment of Mr Brian Mabiza to the Board as the Group Finance Director with effect from 1 September 2012. Prior to his appointment, Mr Mabiza was a Partner with Deloitte & Touche.

Dividend

In view of the need to recapitalise the business, the Board has resolved not to pay a dividend this year.

Prospects

Infrastructure rebuild opportunities abound in the market and I am confident that the Company is now poised to deliver tangible value to shareholders going forward owing to critical mass achieved thus far. However, the business environment remains a difficult one due to the general liquidity constraints and uncertainties obtaining in the market.

Appreciation

I convey my heartfelt gratitude to the Board of Directors for their wise counsel during the year. I also extend my appreciation to staff and management for their commitment and hard work, our clients for their custom, and our suppliers and other business associates for their continued support. Finally, but not least, I acknowledge the unwavering support of our shareholders.



P T Zhanda

10 September 2012

CHIEF EXECUTIVE'S REPORT



SM Mangoma
Chief Executive Officer

“Consolidation and transformation of the Murray & Roberts operations continued this year and the elimination of inefficiencies in the value chain is an ongoing process.”

Overview

The economic growth witnessed since 2009 has slowed down to a point of stagnation mainly due to the liquidity crunch that is currently prevailing in our local financial markets with no clear end in sight.

The anticipated growth in our business was therefore affected by the low level of investment in infrastructure projects. Competition amongst the construction companies has become increasingly intense as project opportunities are few. Price competition is escalating mostly on the small to medium sized projects as these are the only ones generally available in the market resulting in pressure on profit margins.

Operational costs continued to increase against this background such that rationalization of overheads in line with operating levels had to be implemented during the year. Operational efficiencies and effective project management challenges encountered during the financial year affected the profitability of the Company.

Finance Review

The Company delivered Revenue and Profit after taxation of \$43,018,590 and \$1,300,417 respectively. The 21% increase in revenue from last year was way below the budgeted increase of 60% mainly due to contracts in the Construction division which started much later than the original anticipated dates. The current year operating profit of \$1,822,792 includes a revaluation on investment property of \$1,362,300, therefore actual performance was significantly lower than last year if this statistic is excluded. This was mainly due to provisions for bad debts, restructuring costs and slow moving stock in the Manufacturing division amounting to \$783,856.

Consolidation and transformation of the Murray & Roberts operations continued this year and the elimination of inefficiencies in the value chain is an ongoing process. We are expecting the benefits in the next financial year as we are close to achieving the correct cost structure for the entity.

Capital expenditure for the year was \$4,272,373, partly financed by debt and internally generated cash, of which 71% was to fund expansion of operations. The Return on Average Capital Employed of 7.01% marginally improved from last year and the aim going forward is to make it higher than the cost of borrowings. Our gearing ratio has increased compared to prior year, a trend we are actively working on to reverse mainly because of the high cost of borrowings. We closed the financial year with a positive cash balance of \$1,986,789.

CHIEF EXECUTIVE'S REPORT (continued)

Review of Operations

Contracting Division

Emphasis on project execution is the quest for continuously improving our construction work as well as reducing losses, although we had certain projects that were in a loss position for the year. Revenue for the division increased by 32% from prior year, significantly lower than the anticipated 60% growth. Activity in the mining sector improved in the current year such that it contributed 55% to revenue, which is in contrast to last year where 56% of our revenue came from Government related institutions. However, early signs of a slowdown are evident in the mining sector due to uncertainty in the ownership structures that have been legislated.

“We will be building on the efficiency gains achieved so far to achieve or better our target margins.”

Operating margins improved to 2% from 1% last year. However, this was less than our target margin of 5%. We will be building on the efficiency gains achieved so far to achieve or better our target margins. Strict project risk management and improved execution are the key elements of achieving this goal. The division is project based and each project is a business in itself. We therefore are aiming to intensify synergies amongst the various projects so that we achieve a division that is more than the sum of its parts.

During the year a settlement was reached through a mediation process on the New British Embassy project and the agreed amount of \$432,411 has since been paid as full and final payment for the project.

Capacity building in the Roads and Earthworks unit of the division has gained momentum as we anticipate this to be a strong growth area for the business going forward. The sorry state of our road infrastructure has created opportunities for road upgrade and rehabilitation therefore the division is geared to take advantage of the activity that has started in this sector.

Manufacturing

The factory production efficiency was a major problem for the division particularly in the second quarter of the financial year. Demand also went down significantly during the same period due to the liquidity problems the economy was facing. Average capacity utilization dropped from 46% last year to around 45%. There was also a high level of customers' default on payment and up to now we are still trying to recover some of these outstanding amounts. Volumes sold were 4,495 tonnes, which was 10% less than last year, this translated to a revenue of \$16,121,825 which was only 5% above prior year's revenue. This was against the background of a cost increase from last year

CHIEF EXECUTIVE'S REPORT (continued)

such that our operating margins declined significantly from 12% last year to 4%.

A management restructuring and turnaround plan was implemented in the division towards the end of the financial year and encouraging improvements and results have already been achieved on the production efficiency which will enhance our product competitiveness and profitability going forward.

Human Resources

The comprehensive process of skills development is ongoing as it is an integral part of the sustainable growth of our business. The difference between success and failure on the effectiveness of job execution is our people. Developing capable employees as well as future leaders is given high priority and we devote a great deal of time and effort to evaluating and matching skills with job requirements. The improving of skills and capacity of our line supervisors is beginning to reflect in the quality of work and service we are delivering to our clients as we strive to satisfy their needs. The entity's staff complement closed at 1,998 for the year, of which 81% are contract workers.

Safety, Health and Environment

The Company's Lost Time Injury frequency rate declined to 0.71 compared to 1.58 for the previous year. The improvement is largely due to the high level of awareness in all our work stations on safety matters although there is still room for improvement. We invest a lot of time in careful planning so that we can identify and come up with mitigating measures for all potential safety risks before we start a project. It always gives me great pleasure for all our people in the various work stations throughout the country to get to their families every day or after completing a project without any injuries.

During the year the Manufacturing division received certification from SABS for Environmental Management System (EMS 14001:2004) and Occupational Health and Safety Assessment Series (OHSAS 18001:2007). This is a proud achievement that bears testimony to the international quality of our processes and products.

Outlook

We are considering this current period of economic uncertainty as a challenge to be met, and from which we will come out even stronger. After a couple of years of restructuring and consolidation we are now aiming for sustainable growth as we are confident of the long term growth prospects of the Company.

“The improving of skills and capacity of our line supervisors is beginning to reflect in the quality of work and service we are delivering to our clients as we strive to satisfy their needs.”



CHIEF EXECUTIVE'S REPORT (continued)



Construction work in progress

The new anchor shareholders have brought renewed vigor and energy to the entity and the focus will be on restoring our statement of financial position to a strong position, improving operating margins and return on equity.

Appreciation

I sincerely thank management and staff for their support during a tough but eventful year, especially all the employees in various construction sites for their dedication even though they spend a lot of time away from their families.

Special thanks also go to my Chairman, the Board and the various stakeholders for their support.

A handwritten signature in black ink, appearing to be 'SM Mangoma', written in a cursive style.

SM Mangoma

10 September 2012

MISSION AND VALUES

Mission To deliver world class infrastructure solutions and create sustainable value for our stakeholders.

Vision To be the market leader in the infrastructure development in Zimbabwe, with a significant presence in the SADC region.

Core values

Respect for life Committed to the safety and health of our employees and stakeholder partners and sustainability of the environment in which we operate.

Integrity Being upright, ethical and accountable in our conduct.

Professionalism Adhering to core principles that guide our work.

Leadership Providing clarity of vision, influencing and commanding respect.

Excellence All our delivery processes shall be benchmarked to world class standards.



Proplastics PVC Pipes

COMPANY DIRECTORATE



Paddy Tendayi Zhanda
Chairman Non-Executive Director

Paddy was appointed to the Board in 1995 and became Chairman in 1998. He holds directorships in a number of companies, including Shingai Holdings (Private) Limited.



Stewart Magaso Mangoma
Chief Executive Officer

Stewart was appointed Chief Executive Officer in June 2011 having been Group Finance Director since 2006. He is a qualified Chartered Accountant. He is also a director of companies including William Bain Holdings (Private) Limited.



Brian Mabiza
Group Finance Director

Brian is a qualified Chartered Accountant who trained with Deloitte & Touche. He joined the Company in March 2012. Prior to his engagement, Brian was a partner at Deloitte & Touche. He was appointed to the Board on 1 September 2012.



Canada Malunga
Non Executive Director

Canada was appointed to the Board on 3 May 2012. He is a past President of the Institute of Chartered Accountants of Zimbabwe (ICAZ) and past Chief Executive Officer of Murray & Roberts (Zimbabwe) Limited. He holds a Masters of Business Administration from the Manchester Business School and is a director of companies, including FBC Holdings Limited. He is also Chairman of the Zimbabwe Energy Regulatory Authority.



Samuel Sithole
Non Executive Director

Samuel was appointed to the Board on 3 May 2012. He is the Finance Director of Brait South Africa Limited and holds non-executive directorships on the boards of a number of South African companies, including the JSE Top 40 listed African Bank Investments Limited.



Malcolm William McCulloch
Non-Executive Director

Malcolm was appointed to the Board on 3 May 2012. He is a past Group Chief Executive Officer of Murray & Roberts Limited in South Africa. He is a director of a number of companies, including WBHO Limited and Wilderness Holdings Limited.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their Thirty Eighth Annual Report and the Audited Financial Statements of the Company for the financial year ended 30 June 2012. In the report “entity” refers to Murray & Roberts (Zimbabwe) Limited and its subsidiary companies.

Year’s results	US\$
Earnings attributable to shareholders	1,300,417
Dividends	
Interim – passed	-
Final – passed	-
Retained earnings	1,300,417

Capital Expenditure

Capital expenditure for the year to 30 June 2012 totalled \$4,272,373.

The budgeted capital expenditure for the year to June 2013 is \$3,650,000.

Share Capital

The authorised share capital of the Company is \$8,750,000 and comprises 875,000,000 ordinary shares of a nominal value of \$0,01 each.

During the year a total of 500,000 ordinary shares of a nominal value of \$0,01 each were issued in terms of the Executive Share Option Scheme. The issued share capital of the Company increased to \$2,147,746 as at June 2012 (2011 : \$2,142,746) and comprised 214,774,610 (2011 : 214,274,610) ordinary shares of the nominal amount of \$0,01 each.

Auditors

The Auditors of the Company are Deloitte & Touche. Shareholders will be asked at the forthcoming Annual General Meeting to approve their remuneration in respect of the past audit and to appoint auditors for the coming year.

Directorate

Messrs ABC Chinake, GL Mullany, M Tsoka and M Sibanda resigned from the board with effect from 11 April 2012, 30 April 2012, 3 May 2012 and 3 May 2012 respectively.

Following Zumbani Capital’s acquisition of Murray & Roberts Limited of South Africa’s 46.46% stake in the Company, three new Directors were appointed to the board -Messrs, MW McCulloch, C Malunga and S Sithole. The directors in office at the date of this report appear on page 14.

Messrs MW McCulloch, C Malunga and S Sithole will be retiring in terms of the Articles of Association and Messrs PT Zhanda and SM Mangoma retire by rotation on conclusion of the forthcoming Annual General Meeting. All, being eligible, have offered themselves for re-election and shareholders will be asked to appoint Directors for the coming year.

Subsequent to year end, Mr B. Mabiza was appointed to the Board on 1 September 2012. He is the Group Finance Director.

Directors’ Fees

Shareholders will be asked to approve the remuneration of the Directors for their services as Directors during the past year. Your Board recommends that an amount of \$92,212 (2011: \$47,500) be paid, to be divided amongst themselves at their discretion.

The Murray & Roberts (Zimbabwe) Limited Senior Executive Share Option Scheme 2003

The scheme was approved by shareholders in October 2003, the purpose of which is to promote the retention of senior executives responsible for the management of the Group.

The details of the movement in the outstanding options during the year ended 30 June 2012 are shown on note 9 of the financial statements.

Reserves

The movement in the reserves of the Group is disclosed on the Consolidated Statement of Changes in Equity.

Statement of Compliance

The Directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as well as the disclosure requirements of the Companies



REPORT OF DIRECTORS (continued)

Act (Chapter 24:03) and the Zimbabwe Stock Exchange Listing Requirements.

The Group's independent external auditors, Deloitte & Touche, have audited the financial statements and their report appears on page 24.

The Directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements are prepared on a going concern basis. Nothing has come to the attention of the Directors to indicate that the Group will not remain a going concern for the foreseeable future.

By Order of the Board



PT Zhanda
Director
10 September 2012



SM Mangoma
Director
10 September 2012



Working the machines at Proplastics

RECORD OF ATTENDANCE

At Directors' meetings for the 2012 financial year

Board members	Status/position	Board	AGM	Audit	Remuneration
No. of meetings		4/4	1/1	2/2	2/2
P.T Zhanda*	Non-executive Director	4/4	1/1	N/A	2/2
C.Malunga**	Non-executive Director	1/1	N/A	N/A	N/A
M.W McCulloch**	Non-executive Director	1/1	N/A	N/A	N/A
S.Sithole**	Non-executive Director	1/1	N/A	N/A	N/A
S.Mangoma	Chief Executive Officer	4/4	1/1	2/2	2/2
G.L Mullany***	Non-executive Director	3/3	1/1	2/2	2/2
A.B.C Chinake***	Independent Non-executive Director	3/3	1/1	2/2	N/A
M.Sibanda***	Executive Director	3/3	1/1	N/A	N/A
M.Tsoka***	Executive Director	3/3	1/1	N/A	N/A

* Mr Zhanda is the Board Chairman

** Messrs Malunga, McCulloch and Sithole were appointed to the Board on 3 May 2012

*** These Directors resigned from the Board on the following effective dates: Mr A.B.C Chinake 11 April 2012, Mr G.L. Mullany 30 April 2012, Mr M. Sibanda and Mr M. Tsoka 3 May 2012

FOUR YEAR REVIEW

(continuing operations only)

	2012 US\$	2011 US\$	2010 US\$	2009 US\$
Summarised income statements				
Revenue	43,018,590	35,623,767	18,084,633	9,187,624
Profit before interest, depreciation and fair value Adjustment	2,204,253	2,466,031	147,178	1,692,225
Fair value adjustments on investment property	1,362,300	290,700	-	-
Depreciation	(1,743,761)	(1,262,025)	(1,049,258)	(312,497)
Profit/(loss) before interest and tax	1,822,792	1,494,705	(902,080)	1,379,728
Net interest (paid)/received	(175,858)	(83,818)	73,137	16,703
Profit/(loss) before tax	1,646,934	1,410,887	(828,943)	1,396,431
Taxation	(346,517)	(274,935)	758,964	678,991
Profit/(loss) after tax	1,300,417	1,135,952	(69,979)	2,075,422
Profit/(loss) attributable to ordinary shareholders	1,300,417	1,135,952	(69,979)	2,075,422
Summarised statements of financial position				
Non-current assets	18,973,622	15,164,987	14,261,784	14,747,815
Cash and bank balances	1,986,789	1,117,928	1,242,187	743,205
Other current assets	17,310,160	15,372,831	7,856,990	11,425,494
Total assets	38,270,571	31,655,746	23,360,961	26,916,514
Capital and reserves	19,269,855	17,826,167	16,547,550	17,006,049
Liabilities	19,000,716	13,829,579	6,813,411	9,910,465
Total equity and liabilities	38,270,571	31,655,746	23,360,961	26,916,514

RATIOS AND STATISTICS

(continuing operations only)

	2012	2011
Earnings (US cents)		
Basic earnings per ordinary share	0.61	0.53
Headline earnings per ordinary share	0.62	0.56
Diluted earnings per ordinary share	0.60	0.53
Cash equivalent earnings per ordinary share (US cents)	0.86	1.05
Profitability		
PBIT on turnover (%)	4.24%	4.20%
PBIT on average capital employed excluding cash (%)*	9.38%	8.37%
PAT on average ordinary shareholders' funds (%)*	7.01%	6.61%
Productivity		
Payroll cost on turnover (US cents)	9.13	9.18
Total average assets (excluding bank balances and cash) (US\$)	0.78	0.74
Value created (US\$)	7,602,131	5,742,962
Value ratio	1.93	1.76
Finance		
As a percentage of permanent capital:		
Total liabilities	98.60%	77.58%
Total liabilities (net of bank balances and deposits)	88.29%	71.31%
Current assets to current liabilities	1.20	1.39
Share Performance		
Ordinary shares in issue (millions)	214.8	214.3
Share price at year end (US cents)	5	21
Market capitalisation (US\$ millions)	10.74	44.94
Other		
Number of employees - 30 June	1,998	1,601

Definitions

Average	Arithmetic average between consecutive year ends.
Capital employed	Permanent capital, long term loans and deferred tax.
Cash equivalent earnings	PAT adjusted for the effects of non-cash items.
Earnings per ordinary share	Earnings after tax net of non-operating items, divided by the weighted average ordinary shares in issue.
PAT	Profit after tax attributable to ordinary shareholders.
PBIT	Profit before interest and tax.
PBT	Profit before taxation.
Net asset value	Ordinary shareholders' funds.
Permanent capital	Ordinary shareholders' funds.
Total liabilities	Borrowings and non-interest bearing debt.
Value ratio	Value created as a multiple of payroll cost.

*Non-operating items are excluded when computing these statistics.

STATEMENT OF VALUE CREATED

For the year ended 30 June 2012

	2012 US\$	2011 US\$
Revenue	43,018,590	35,623,767
Less: Cost of materials, services and sub-contractors	(37,720,695)	(30,433,142)
	5,297,895	5,190,625
Investment and other income	2,304,236	602,337
Value created	7,602,131	5,792,962
Distributed as follows:		
To employees:		
Payroll cost	3,929,119	3,270,429
To providers of finance:		
Interest paid	404,767	106,860
To Government:		
Company tax	224,067	25,000
Retained in the business	3,044,178	2,390,673
To fund expansion - retained profit	1,300,417	1,128,648
To replace assets - depreciation	1,743,761	1,262,025
	7,602,131	5,792,962



DIRECTORATE, EXECUTIVE COMMITTEES AND CORPORATE GOVERNANCE

Corporate Governance

The Board of Murray & Roberts remains committed to adherence to the principles of good corporate governance in order to attain the goal of responsible corporate behavior and full accountability to its shareholders and stakeholders.

THE BOARD OF DIRECTORS

Composition and appointment

Following the majority shareholder changes at 2 May 2012, the Board now comprises five directors made up of one executive and four non-executive directors. The Board is chaired by a non-executive director, thus ensuring a separation of powers and authority.

The election of non-executive Directors is subject to confirmation by shareholders. In terms of the Company's Articles of Association and the Companies Act (Chapter 24:03) at least one third of the Directors must retire at every annual general meeting and, if eligible, can stand for re-election. Also, a Director appointed during the course of the year must retire at the annual general meeting and, if eligible, stand for re-election.

Accountability and delegated functions

The Board meets formally at least four times a year to review the entity's performance. There is an agenda of matters which is brought to it for consideration and review and where appropriate, for decision so that it maintains full and effective control over strategic, financial, operational and compliance issues. The record of attendance by each Director at the board meetings held during the year under review is reflected in the table on page 17 of this report. There are procedures which allow Directors to avail themselves of independent professional advice in the furtherance of their duties and to select non-executive Directors.

Performance management reporting

The entity operates regionally in a regulated environment. Business is conducted within a well developed control framework, underpinned by procedures and control manuals. The Board has established a management structure which clearly defines roles, responsibilities and reporting lines.

The business performance of the Company is reported regularly to management, the Executive Committee and the Board. Performance trends and performance against budgets and prior periods are closely monitored. Financial information is prepared using appropriate accounting policies which are consistently applied, in all material respects, from year to year. Where a change in accounting policy occurs, the change is specifically noted in the financial statements.

The system of internal financial control is monitored regularly by management, the Executive Committee and the Board.

The work of the Internal Audit department includes an assessment of the risks and controls in each operating unit and its findings are reported to management. All adverse findings are reported to the Chief Executive Officer for immediate management action. Internal Audit also reports regularly to the Audit and Risk Committee.

The external auditors review the system of internal financial controls to the extent necessary for them to form the opinion they express on the financial statements. They also report to the Audit and Risk Committee on matters arising from this review.

Changes to the Board

Messrs Graham L Mullany, Addington BC Chinake, Marsden Sibanda and Morris Tsoka resigned on 30 April, 11 April, 3 May and 3 May 2012, respectively.

Directors' names

The following are the current directors who served during the year: Mr Paddy T Zhanda (Chairman), Mr Malcolm W McCulloch, Mr Canada Malunga, Mr Stewart Mangoma and Mr Samuel Sithole, with Messrs McCulloch, Malunga and Sithole having been appointed to the Board on 3 May 2012.

Board committees

The Board has established and mandated a number of committees to perform work on its behalf in various key areas affecting the business of the entity. The committees are chaired by non-executive directors. They submit reports to the main Board on the Committee's deliberations and findings.



DIRECTORATE, EXECUTIVE COMMITTEES AND CORPORATE GOVERNANCE (continued)

The Remuneration Committee

Murray & Roberts' Remuneration Committee is chaired by a non-executive director and Chairman of the Board, Mr PT Zhandu. The Committee is responsible for setting the remuneration of Executive Directors and considers appointment of new Directors and senior Executives before the final approval by the Board. The remuneration policies of the Committee are as follows:

- To ensure that individual rewards and incentives relate directly to the performance of the individuals, the operations and functions for which they are responsible and the Company as a whole.
- To maintain competitive rewards that enable the entity to attract and retain executives of the highest quality.

In order to determine the competitiveness of executive remuneration, the Committee receives independent professional advice on remuneration packages and practices of comparable organisations within the region.

Audit and Risk Committee

Mr S Sithole, a non-executive Director, chairs this Committee which deals with compliance, internal control and risk management. The Committee:

- considers changes to the Company's accounting policies and reviews its interim and annual financial statements before the Board, with whom ultimate responsibility remains, approves them.
- reviews the effectiveness of the systems of internal control during the year and reports thereon to the Board. The Board is responsible for establishing systems of internal control, which provide reasonable assurance that the entity's assets are safeguarded, that proper accounting records are maintained and the financial information used in the business and for publication is reliable. They attach great importance to maintaining a strong internal control environment. However, any system of internal financial control can provide only reasonable, but not absolute, assurance against material misstatement or loss.

Code of Conduct

The Board has approved a Code of Conduct for the entity, which sets out the entity's core values relating to lawful and

ethical conduct of business. All employees have a copy of the Code and are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators in the communities in which the entity operates. Policies are in place for monitoring compliance with this Code.

Going Concern

The Board confirms that the Company has adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements have been prepared on the basis that the Company is a going concern.

Auditors

A resolution will be proposed at the Annual General Meeting to reappoint Deloitte & Touche as auditors of the Company.



Samuel Sithole

Chairman – Audit and Risk Committee
10 September 2012



Proplastics pipes being manufactured at the factory

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MURRAY & ROBERTS (ZIMBABWE) LIMITED

We have audited the accompanying consolidated and Company financial statements of Murray & Roberts (Zimbabwe) Limited as set out on pages 25 to 75, which comprise the consolidated and the Company statement of financial position at 30 June 2012, the consolidated and the Company income statement and the consolidated and the Company statement of comprehensive income, the consolidated and the Company statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated and the Company financial statements, which include a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24:03). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated and the Company financial statements present fairly, in all material respects, the financial position of Murray & Roberts (Zimbabwe) Limited at 30 June 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Companies Act (Chapter 24:03).



Deloitte & Touche
Harare
10 September 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	2012 US\$	2011 US\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	12,703,542	10,199,825
Investment property	3	6,118,000	4,755,700
Investments	4	152,080	209,462
Total non-current assets		18,973,622	15,164,987
Current assets			
Cash and bank balances		1,986,789	1,117,928
Contracts in progress and contract receivables	6	7,268,615	5,730,832
Trade and other receivables	7	4,299,758	4,274,509
Inventories	8	5,659,718	5,316,218
Current tax assets		82,069	51,272
Total current assets		19,296,949	16,490,759
Total assets		38,270,571	31,655,746
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	2,147,746	2,142,746
Share premium		82,733	41,430
Reserves		15,132,449	15,035,482
Retained earnings		1,906,927	606,509
Total capital and reserves		19,269,855	17,826,167
Non-current liabilities			
Interest bearing borrowings	10	750,000	-
Deferred tax liabilities	12	2,145,896	1,991,353
Total non-current liabilities		2,895,896	1,991,353
Current liabilities			
Interest bearing borrowings	10	2,362,186	1,600,000
Trade and other payables	11	10,959,915	6,761,225
Sub-contractors	13	2,782,719	3,477,001
Total current liabilities		16,104,820	11,838,226
Total equity and liabilities		38,270,571	31,655,746



PT Zhanda
Chairman
10 September 2012



SM Mangoma
Chief Executive Officer
10 September 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2012

	Notes	2012 US\$	2011 US\$
<i>Continuing operations</i>			
Revenue	16	43,018,590	35,623,767
Cost of sales		(36,400,406)	(29,304,298)
Gross profit		6,618,184	6,319,469
Fair value adjustment on investment property		1,362,300	290,700
Other operating income	17	713,027	288,595
Distribution costs		(302,046)	(530,982)
Administration costs	18	(6,568,673)	(4,873,077)
Profit before interest received/ (paid)		1,822,792	1,494,705
Interest received		228,909	23,042
Interest paid		(404,767)	(106,860)
Profit before taxation	19	1,646,934	1,410,887
Taxation	20	(346,517)	(274,935)
Profit for the year from continuing operations		1,300,417	1,135,952
<i>Discontinued operations</i>			
Loss for the year from discontinued operations	15.3	-	(7,304)
PROFIT FOR THE YEAR		1,300,417	1,128,648
Earnings per share from continuing and discontinued operations (US cents)			
- Basic	21.1	0.61	0.53
- Diluted	21.1	0.60	0.52
Earnings per share from continuing operations (US cents)			
- Basic	21.2	0.61	0.53
- Diluted	21.2	0.60	0.53



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	2012 US\$	2011 US\$
Profit for the year	1,300,417	1,128,648
Other comprehensive income		
Exchange differences on translating foreign operations		
Exchange differences arising during the year	1,926	(476)
Available-for-sale financial assets		
Net (loss)/gain arising on valuation of available-for-sale financial assets during the year	(5,701)	118,215
Reclassification adjustment relating to available for sale financial assets disposed of in the year	(71)	-
Revaluation reserve	-	13,650
Income tax relating to components of other comprehensive income	(438)	(4,574)
Other comprehensive (loss)/income for the year, net of tax	(4,284)	126,815
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,296,133	1,255,463

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

Notes	2012 US\$	2011 US\$
Cash flows from operating activities		
Profit before interest and tax	1,822,792	1,494,705
Adjusted for:		
Depreciation of non-current assets	1,743,761	1,262,025
Fair value adjustment of investment property	(1,362,300)	(290,700)
Fair value adjustment of shares designated as at fair value through profit and loss	297	2,000
Expense recognised in respect of equity-settled share based payments	147,555	23,152
Loss on disposal of investments	9,303	7,304
Unrealised exchange (gain)/ loss	(22,403)	27,481
Loss on disposal of property, plant and equipment	18,819	97,844
Debtor amounts written off	25,421	-
Operating cash flow before working capital changes	2,383,245	2,623,811
Increase in inventories	(343,500)	(1,904,559)
Increase in contracts in progress and contract receivables	(1,537,783)	(4,646,990)
Increase in trade and other receivables	(25,249)	(2,013,160)
Increase in trade and other payables and sub-contractors	3,504,408	6,445,489
Cash generated from operations	3,981,121	504,591
Net interest paid	(175,858)	(83,818)
Income taxes paid	(224,067)	(25,000)
Net cash generated by operating activities	3,581,196	395,773
Cash flows from investing activities		
Purchase of property, plant and equipment		
- To maintain operations	2 (1,230,861)	(717,029)
- To expand operations	2 (3,041,512)	(1,370,809)
Proceeds from disposal of investments	41,775	300,000
Proceeds from disposal of property, plant and equipment	6,077	243,147
Net cash used in investing activities	(4,224,521)	(1,544,691)
Cash flows from financing activities		
Net proceeds from interest bearing borrowings	1,512,186	1,032,912
Net cash flows attributable to discontinued operations	-	(8,253)
Net increase/ (decrease) in cash and cash equivalents	868,861	(124,259)
Cash and cash equivalents at the beginning of the year	1,117,928	1,242,187
Cash and cash equivalents at the end of the year	1,986,789	1,117,928
Comprising:		
Cash and bank balances:	1,986,789	1,117,928

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Share capital US\$	Share premium US\$	Non distributable reserve US\$	Revaluation reserve US\$	Share based payment reserve US\$	Foreign currency translation reserve US\$	Investments fair value reserve US\$	(Accumulated loss)/ retained earnings US\$	Total US\$
Balance at 30 June 2010	2,129,621	-	14,862,591	-	109,780	(30,371)	(1,933)	(522,139)	16,547,550
Profit for the year	-	-	-	-	-	-	-	1,128,648	1,128,648
Other comprehensive income for the year, net of tax	-	-	-	10,135	-	(353)	117,033	-	126,815
Total comprehensive income for the year	-	-	-	10,135	-	(353)	117,033	1,128,648	1,255,463
Share based payments	13,125	41,430	-	-	(31,401)	-	-	-	23,154
Balance at 30 June 2011	2,142,746	41,430	14,862,591	10,135	78,379	(30,724)	115,100	606,509	17,826,167
Profit for the year	-	-	-	-	-	-	-	1,300,417	1,300,417
Other comprehensive income/(loss) for the year, net of tax	-	-	-	-	-	1,430	(5,714)	-	(4,284)
Total comprehensive income for the year	-	-	-	-	-	1,430	(5,714)	1,300,417	1,296,132
Share based payments	5,000	41,303	-	-	101,252	-	-	-	147,555
Balance at 30 June 2012	2,147,746	82,733	14,862,591	10,135	179,631	(29,294)	109,386	1,906,926	19,269,855

* Non distributable reserve – Records the fair value of the Company's net assets at the time of dollarization in 2009

** Share based payment reserve – Records the change in fair value of the Company's share options in issue

*** Foreign currency translation reserve – Records the exchange differences on monetary items forming part of the Company's net investment in a foreign operation

**** Investments fair value reserve – Records fair value changes on available-for-sale financial assets

ACCOUNTING POLICIES

For the year ended 30 June 2012

1. The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below and have been applied consistently, in all material respects, with those applied in the previous year.

1.1. Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, except for investment property, property, plant and equipment, which are revalued and available for sale investments that have been measured at fair value. Non-current assets and disposal groups held-for-sale, where applicable, are stated at the lower of carrying amount and fair value less costs to sell. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Company reports all its transactions in US\$, its functional currency since 2009.

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

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

Judgements made by management in the application of International Financial Reporting Standards (IFRS) that have a significant effect on the financial statements, and significant estimates made in the preparation of these consolidated financial statements are discussed in Note 32.

Standards, interpretations and amendments to published standards that are not yet effective as well as those adopted early by the Company, are discussed in Note 1.4.

1.2. Statement of compliance

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards, promulgated by the International Accounting Standards Board (IASB), which include standards and interpretations approved by the IASB.

The financial statements have been prepared in compliance with the Companies Act (Chapter 24:03).

1.3. Basis of consolidation

The consolidated financial statements comprise the financial statements of Murray & Roberts (Zimbabwe) Limited and entities controlled by the Company (its subsidiaries) as at 30 June each year. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.



ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.3. Basis of consolidation (continued)

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

1.4 Application of new and revised International Financial Reporting Standards (IFRSs)

1.4.1 *New and revised IFRSs affecting amounts reported in the current period (and/or prior period)*

In the current year, there were no new IFRSs adopted that had a material effect on the financial statements.

1.4.2 *New and revised IFRSs adopted with no effect on the financial statements*

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements. These include:

- IFRS 1: First-time Adoption of International Financial Reporting Standards (Revised January 2010): amendments resulting from May 2010 Annual Improvements to IFRSs. Effective for annual periods beginning on or after 1 January 2011.
- IFRS 7: Financial Instruments: Disclosures (issued May and October 2010): amendments provide clarification on the required level of disclosure about credit risk and collateral held and provides relief from disclosures previously required regarding renegotiated loans. It increases the disclosure requirements for transactions involving transfers of financial assets. Effective for annual periods beginning on or after 1 January 2011.
- IAS 1: Presentation of Financial Statements (revised May 2010): amendment provide clarification that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of comprehensive income or in the statement of changes in equity or in the notes. Effective for annual periods beginning on or after 1 January 2011.
- IAS 24: Related Party Disclosures (revised November 2009): Modifies the definition of a related party and simplifies disclosures for government related entities. Effective for annual periods beginning on or after 1 January 2011.
- IAS 34: Interim Financial Reporting (revised May 2010). Effective for annual periods beginning on or after 1 January 2011.
- IFRIC 13: Customer Loyalty Programmes (revised 2010). Effective for annual periods beginning on or after 1 January 2011.
- IFRIC 14: IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (revised 2009): amendments with respect to voluntary prepaid contributions. Effective for annual periods beginning on or after 1 January 2011.

1.4.3 **New and revised IFRSs in issue, but not yet effective**

At the date of authorisation of these financial statements, the following Standards and Interpretations, which are applicable to the entity, were either issued or revised but not yet effective and have not been applied in preparing these financial statements. These include:

- IFRS 7 - Financial Instruments: Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities (effective for annual financial statements for periods beginning on or after 1 January 2013).
- IFRS 9 - Financial Instruments: Disclosures - Amendments requiring disclosures about the initial application of IFRS 9 (effective for annual financial statements for periods beginning on or after 1 January 2015).

ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.4 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

1.4.3 New and revised IFRSs in issue, but not yet effective (continued)

- IFRS 9 Financial Instruments - Classification and measurement of financial assets (effective for annual financial statements for periods beginning on or after 1 January 2015).
- IFRS 9 Financial Instruments - Accounting for financial liabilities and derecognition (effective for annual financial statements for periods beginning on or after 1 January 2015).
- IFRS 10 Consolidated Financial Statements (effective for annual financial statements for periods beginning on or after 1 January 2013).
- IFRS 11 Joint Arrangements (effective for annual financial statements for periods beginning on or after 1 January 2013).
- IFRS 12 - Disclosure of Interests in Other Entities (effective for annual financial statements for periods beginning on or after 1 January 2013).
- IFRS 13 – Fair Value Measurement (effective for annual financial statements for periods beginning on or after 1 January 2013).
- IAS 12 - Deferred Tax: Recovery of Underlying Assets Amends : IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale; as a result of the amendments, SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn (applicable to annual periods beginning on or after 1 January 2012).
- Revised IAS 1 - Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented (effective for annual financial statements for periods beginning on or after 1 July 2012).
- Revised IAS 19 - Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective for annual financial statements for periods beginning on or after 1 July 2012).
- Revised IAS 27 - Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011) (effective for annual financial statements for periods beginning on or after 1 January 2013).
- Revised IAS 28 - Investments in Associates -Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) (effective for annual financial statements for periods beginning on or after 1 January 2013).
- Revised IAS 32 - Financial Instruments: Presentation - Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective for annual financial statements for periods beginning on or after 1 January 2014).
- IFIC 20 - Stripping Costs in the Production Phase of a Surface Mine (effective for annual financial statements for periods beginning on or after 1 January 2014).

The management anticipate that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application.



ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.5 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

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

The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Company of an acquiree's share-based payments awards are measured in accordance with IFRS 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Company's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and

ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.5 Business combinations (continued)

contingent liabilities recognised.

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

1.6 Interests in joint ventures

When the Company entity undertakes its activities under joint arrangements directly, the Company's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Company's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transaction will flow to/from the Company and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities.

The Company reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The Company's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Company's interest in a jointly controlled entity is accounted for in accordance with the Company's accounting policy for goodwill arising in a business combination. (see note 1.5 above).

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognized in the Company's consolidated financial statements only to the extent of interest in the jointly controlled entity that are not related to the Company.

1.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

1.7.1 Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Company has transferred to the buyer significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;



ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.7 Revenue recognition (continued)

1.7.1 Sale of goods (continued)

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.7.2 Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the statement of financial position date;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

The Group's policy for recognition of revenue from construction contracts is described in Note 1.7.5 below.

1.7.3 Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

1.7.4 Rental income

Rental income from investment properties is recognised on a straight line basis over the term of the relevant lease.

1.7.5. Long-term and construction contracts

Where the outcome of a long term and construction contract can be measured reliably, revenue and costs are recognised by reference to the stage of completion of the contract at the statement of financial position date, as measured by the proportion that contract costs incurred for work to date bear to the estimated total contract costs, except where this is would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that collection is probable and the amounts can be measured reliably. Anticipated losses to completion are recognised immediately as an expense in contract costs.

Where the outcome of the long-term and construction contracts cannot be reliably determined, contract revenues recognised to the extent that the recoverability of incurred costs is probable. Contract costs are recognized as expenses in the period in which they are incurred.

ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.7 Revenue recognition (continued)

1.7.5. Long-term and construction contracts (continued)

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

1.8 Property, plant and equipment

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

1.8a Measurement

Property, plant and equipment are shown at cost or valuation less the related depreciation. It is the policy of the Company to revalue its property, plant and equipment frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation increase arising is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on revaluation is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve of that asset.

1.8b Subsequent costs

Subsequent costs are included in an asset's carrying value only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

1.8c Components

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

1.8d Depreciation

Depreciation on revalued buildings is recognized in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and



ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.8 Property, plant and equipment (continued)

1.8d Depreciation (continued)

properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

1.8e Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

1.8f Useful lives and residual values

The property, plant and equipment's residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end. The estimated useful life is based on expected usage of the asset and expected physical wear and tear, which depends on operational factors such as number of shifts for which the asset is to be used and the repair and maintenance program and technological obsolescence arising from changes and residual value.

1.9 Impairment of assets

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

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

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

1.10 Taxation and deferred taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1.10.1 Current taxation

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

ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.10 Taxation and deferred taxation (continued)

1.10.2. Deferred taxation

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in joint ventures, except where the entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the assets realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

1.10.3. Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except where the goods supplied are exempted or zero rated. The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

1.11. Contracts in progress and contract receivables

The valuation of contracts in progress takes account of all direct expenditure on contracts, less payment on account and provision for possible losses to completion. Profits or losses on contracts are recognised with reference to the stage of completion, which is determined by taking into account the proportion of work executed and the nature of each contract. Anticipated losses to completion are expensed immediately in profit or loss.



ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.11. Contracts in progress and contract receivables (continued)

1.11.1 Advance payments received

Advance payments received are assessed on initial recognition to determine whether it is probable that they will be repaid in cash or another financial asset. If it is probable that the advance payments will be repaid with goods or services, the liability is carried at historic cost.

1.12. Inventories

Inventories comprise raw materials, work in progress, finished goods and manufactured components. They are valued at the lower of cost or net realisable value generally determined on a moving average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

1.13. Foreign currency translation

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in United States Dollars, which is the functional currency of the entity and the presentation currency for the consolidated financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks, and
- exchange differences on monetary items receivables from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the entity's foreign operations are expressed in United States dollars using exchange rates prevailing at the statement of financial position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the entity's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. On the disposal of a foreign operation (ie disposal of a Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss

ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.13. Foreign currency translation (continued)

of joint control over a jointly controlled entity that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit and loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the entity losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non controlling interest and are not recognised in profit and loss. For all partial disposals (i.e partial disposal of associates or jointly controlled entities that do not result in the entity losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

1.14. Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

1.14.1 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Income is recognised on an effective interest rate basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the entity manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.14. Financial instruments (continued)

1.14.1 Financial assets (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the entity has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the entity that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.14. Financial instruments (continued)

1.14.1 Financial assets (continued)

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance



ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.14. Financial instruments (continued)

1.14.1 Financial assets (continued)

account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment.

Derecognition of financial assets

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

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

On derecognition of a financial asset other than in its entirety (e.g. when the entity retains an option to repurchase part of a transferred asset), the entity allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.14. Financial instruments (continued)

1.14.2 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated income statement.

ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.14. Financial instruments (continued)

1.14.2 Financial liabilities and equity instruments (continued)

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

1.15 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

1.16 Share based payments

Senior executives of the entity receive remuneration in the form of share based payments, whereby they receive equity instruments as consideration for rendering services. The cost of equity settled transactions with employees is measured by reference to the fair value at the date on which they are granted. In valuing equity settled transactions, no account is taken of any performance conditions, other than linked to the price of the shares of the Company. The cost of equity settled transactions is recognised, together with corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.16 Share based payments (continued)

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share. Details regarding the determination of the fair value of equity settled share based transactions are set out in note 9.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

1.17 Investment properties

Investment property is property held to earn rentals and/or for capital appreciation rather than for use in the production or supply of goods or services, for administrative purposes, or sale in the ordinary course of business. This classification is performed on a property-by-property basis. Initially, investment property is measured at its cost, including transaction costs. Subsequent to initial measurement, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in profit or loss in the period in which the property is derecognized.

1.18 Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.19 Provisions and contingencies

1.19.1 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.



ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.19 Provisions and contingencies (continued)

1.19.1 Provisions (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restructurings

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

1.19.2 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

1.19.3 Contingent assets

A contingent asset is a possible asset that arises from past events and existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Company. In the ordinary course of business, the Company may pursue a claim against a subcontractor or client. Such contingent assets are only recognised in the financial statements where the realisation of income is virtually certain. If the flow of economic benefits is only probable, the contingent asset is disclosed as a claim in favour of the Company but not recognised on the statement of financial position.

1.20. Employee benefits

1.20.1 Defined contribution plans

The entity operates pension schemes in terms of the Pension and Provident Funds Act and current contributions to defined contribution schemes are charged against income as incurred. The entity also participates in the National Social Security Authority scheme. Under defined contribution plans the entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Consequently, the actuarial risk that benefits will be less than expected and the investment risk that assets invested will be insufficient to meet expected benefits is borne by the employee.

1.20.2 Short term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are recognized as employee benefit expenses and accrued when the associated services are rendered by the employees of the entity.

1.20.3 Termination benefits

Termination benefits are payable when employment is terminated by the entity before retirement date or

ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.20. Employee benefits (continued)

whenever an employee accepts voluntary redundancy in exchange for these benefits. The entity recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Benefits falling due more than 12 months after the statement of financial position date are discounted to present value.

1.20.4 Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

1.21. Related parties

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

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

1.22. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments. The entity's primary format for reporting segmental information is determined in accordance with the nature of business.

1.22.1 Inter-segment transfers

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

1.22.2 Segment revenue and expenses

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

1.22.3 Segment assets

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

1.22.4 Segment liabilities

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



ACCOUNTING POLICIES (continued)

For the year ended 30 June 2012

1.23. Non-current assets held-for-sale and discontinued operations

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

When the entity is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the entity will retain a non controlling interest in its former subsidiary after the sale.

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

An impairment, if any, is recognised in the income statement for any initial and subsequent write-down of the carrying value to fair value less costs to sell. Any subsequent increase in fair value less cost to sell is recognized in the income statement to the extent that it is not in excess of the previously recognised cumulative impairments. The impairment recognised reduces the carrying value of the non-current assets first to goodwill allocated to the disposal group, and the remainder to the other assets of the disposal group prorata on the basis of the carrying value of each asset in the disposal group.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

	2012 US\$	2011 US
2. Property, plant and equipment		
Immovable property		
Cost/valuation	3,746,500	3,746,500
Accumulated depreciation	(237,844)	(158,560)
	3,508,656	3,587,940
Plant and equipment		
Cost/valuation	10,271,368	7,205,646
Accumulated depreciation	(2,874,540)	(1,632,950)
	7,396,828	5,572,696
Vehicles		
Cost/valuation	2,406,611	1,308,116
Accumulated depreciation	(772,728)	(387,415)
	1,633,883	920,701
Other assets		
Cost/valuation	308,718	305,698
Accumulated depreciation	(144,543)	(187,210)
	164,175	118,488
Total property, plant and equipment	12,703,542	10,199,825
Movement in net book amount for the year:		
At the beginning of the year	10,199,825	10,483,537
Capital expenditure	4,272,373	2,087,838
Revaluation	-	13,650
Disposals	(24,895)	(343,175)
Transfer to investment property	-	(780,000)
Depreciation	(1,743,761)	(1,262,025)
At the end of the year	12,703,542	10,199,825

The following average useful lives are used in the calculation of depreciation:

Land is not depreciated		
Buildings	40 years	on a straight-line basis
Plant and equipment	10 years	on a straight-line basis
Motor vehicles	5 years	on a straight-line basis
Other assets	3 - 10 years	on a straight-line basis

Certain of these assets were encumbered after year end. Refer to note 10.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

3. Investment property

	2012 US\$	2011 US\$
At fair value		
Balance at beginning of year	4,755,700	3,685,000
Fair value adjustment	1,362,300	290,700
Transferred from property, plant and equipment	-	780,000
Balance at end of year	6,118,000	4,755,700

The fair value of investment property has been arrived at on the basis of a valuation carried out at 30 June 2012 by independent professional valuers - CB Richard Ellis (Private) Limited. In arriving at the market values, the implicit investment approach based on the capitalisation of income was applied. This method is based on the principle that rentals and capital values are inter-related.

The property rental income earned by the entity from its investment property, all of which is leased out under operating leases, amounted to US\$177,609 (2011: US\$246,761). Direct operating expenses arising on the investment property amounted to US\$100,404 (2011:US\$101,922).

4. Investments

	2012 US\$	2011 US\$
Financial assets carried at fair value through profit or loss	494	45,328
Available for sale investments carried at fair value	151,586	164,134
	<u>152,080</u>	<u>209,462</u>

Available-for-sale investments are stated at fair value with the change in fair value being recognised through equity. Fair value through profit or loss investments are stated at fair value with the change in value being recognised through profit or loss.

	2012 US\$	2011 US\$
Movement in the book amount for the year		
Balance at beginning of year	209,462	93,247
Fair value adjustment	(15,607)	116,215
Disposals	(41,775)	-
Balance at end of year	152,080	209,462

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

5. Foreign assets

There are exchange control restrictions on the repatriation of assets from countries in which the entity holds certain financial assets. Net asset values attributable to the entity are situated in the following countries:

	2012 US\$	2011 US\$
Mozambique		
Bank and cash balances	95,510	93,193
Intra group balances payable	(82,924)	(82,924)
Mauritius		
	8,648	8,648
Botswana		
Intra group balances receivable	6,499	6,499
Plant and equipment	40	40
Accruals	(742)	(742)
	27,031	24,714

6. Contracts in progress and contract receivables

Contract receivables - in respect of certified work	3,409,658	2,494,306
Retentions	1,957,019	991,520
Contract work-in-progress	1,901,938	2,245,006
	7,268,615	5,730,832

7. Trade and other receivables

Trade	1,647,726	1,802,255
Other	2,652,032	2,472,254
	4,299,758	4,274,509
Gross trade receivables	1,953,972	1,823,287
Less: allowance for credit losses	(306,246)	(21,032)
	1,647,726	1,802,255
Prepayments	1,758,163	1,947,219
Deposits	129,304	1,381
Other receivables	764,565	523,654
	4,299,758	4,274,509

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

7. Trade and other receivables (continued)

Trade receivables

The average credit period for trade receivables is 60 days. No interest is charged on the overdue trade receivables. The entity has recognised an allowance for doubtful receivables over 90 days on a case by case basis where subsequent developments suggest that recovery of amounts is doubtful. Ageing of overdue but not impaired receivables:

	2012 US\$	2011 US\$
30-59 days	86,589	421,232
60-89 days	3,140	32,910
90+ days	501,341	250,711
	<u>591,070</u>	<u>704,853</u>
Movement in the allowance for doubtful debts		
Opening balance	21,032	62,029
Additional provision raised during the year	285,490	11,969
Bad debts written off	(276)	(10,313)
Bad debts recovered	-	(42,653)
Closing balance	<u>306,246</u>	<u>21,032</u>

In determining the recoverability of a trade receivable, the Company considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the allowance for credit losses.

Six of the Company's trade receivables individually constitute between 5% and 16% of the total receivable balance.

All of the Company's impaired trade receivable balances are older than 180 days.

8. Inventories

	2012 US\$	2011 US\$
Raw materials and consumable stores	1,562,290	2,525,529
Work in progress and other	408,906	741,691
Finished goods and manufactured components	3,688,523	2,048,998
	<u>5,659,718</u>	<u>5,316,218</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

9. Share capital and reserves

Authorised and issued share capital

Authorised

875 000 000 ordinary shares of US\$ 0.01 each

Issued

214 774 610 (2011:214 274 610)
ordinary shares of US\$ 0.01 each

	2012 US\$	2011 US\$
	8,750,000	8,750,000
	2,147,746	2,142,746

Unissued share capital

Share capital which directors may allot, grant options over or deal with at their discretion (in terms of the Articles of Association) subject to the limitations of the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange.

Unissued share capital

	2012 US\$	2011 US\$
	6,602,254	6,607,254

Shares under option

The directors are empowered to grant share options to senior executives of the Company up to a maximum of 20 000 000 (2011: 20 000 000 shares). The options are granted for a period of 5 years at a price determined by the middle market price ruling on the Zimbabwe Stock Exchange on the day on which the options are granted. Details of share options outstanding as at 30 June 2012 were as follows:

	2012 Shares	2011 Shares
Balance at beginning of year	1,262,500	3,200,000
Granted during the year	5,300,000	-
Forfeited during the year	-	(625,000)
Exercised during the year	(500,000)	(1,312,500)
Balance at end of year	6,062,500	1,262,500

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

9. Share capital and reserves (continued)

A valuation of the share option scheme was carried out by professional valuers as at 30 June 2012. The estimated fair value of the options granted was determined using the Black-Scholes model in accordance with IFRS2 with the following inputs and assumptions:

	2012	2011
Grant date share price (US\$)	0.150	0.050
Exercise price (US\$)	0.1550	0.010
Expected volatility	63.33%	115.19%
Dividend yield	0.00%	0.00%
Risk-free interest rate	4.42%	4.09%

Valuation inputs:

Exercise price

The Scheme rules state that the price for the shares comprised in an option shall be the middle market price ruling on the Zimbabwe Stock Exchange on the day on which the options are granted, therefore US\$0.01550 for the new options granted during the 2012 financial year.

Expected volatility

Expected volatility is a measure of the amount by which the price is expected to fluctuate during a period, for example between grant date and the exercise date.

Volatility was calculated as the standard deviation of lognormal daily returns for the period starting 22 July 2010 to 14 July 2011.

Expected dividends

When estimating the fair value of options, the projected valuation of shares is reduced by the present value of dividends expected to be paid during the vesting period. This is because the payment of dividends reduces the value of a company. The Company has not been paying out dividends owing to the need to conserve capital.

Risk-free rate of return

A risk free rate of return is the interest rate an investor would expect to earn on an investment with no risk which is usually taken to be a government issued security. It is the interest rate earned on a riskless security over a specified time horizon. There are currently no government issued securities in Zimbabwe. Given that the valuation was done in United States dollars, the risk free rate was estimated based on the yield on 10 year treasury bills issued by the Federal Reserve Bank of the United States of America of 2.02%. This value was adjusted for the inflation differential between Zimbabwe and the United States of America.

All options expire, if not exercised, 5 years after the date of grant.

Non-distributable reserves

This is the residual figure of assets and liabilities arising from the change in functional currency.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

	2012 US\$	2011 US\$
10. Interest bearing borrowings		
Long term	750,000	-
Short term	2,362,186	1,600,000
	<u>3,112,186</u>	<u>1,600,000</u>

The short term loans have a tenure of three months and the long term loans have a tenure of two years. The loans accrue interest at an effective rate of 13%. In terms of loan covenants signed subsequent to year-end, these loans are now fully secured against immovable property and a notarial general covering bond over moveable assets, including a cession of book debts.

	2012 US\$	2011 US\$
11. Trade and other payables		
Trade	1,657,645	927,367
Other	9,302,270	5,833,858
	<u>10,959,915</u>	<u>6,761,225</u>

Included in other payables above is an amount of US\$661,549 (2011: US\$864,544) for leave pay, bonus and long service award provisions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

	2012 US\$	2011 US\$
12. Deferred tax		
Balance at the beginning of the year	1,991,353	1,720,289
Charge to income statement	154,105	266,490
Charge to other comprehensive income	438	4,574
Balance at the end of the year	2,145,896	1,991,353
Comprising:		
Accelerated wear and tear	1,762,196	1,624,495
Uncertified work and under claims	489,749	578,089
Retentions	267,805	139,746
Unrealised exchange (gains)/ losses	(21,109)	3,508
Prepaid expenditure	80,814	183,592
Assessed tax losses	-	(60,903)
Income received in advance	(117,141)	(476,454)
Fair value adjustments	1,521	1,182
Provision for doubtful receivables	(105,436)	(5,416)
Provision for slow moving inventories	(56,133)	-
Revaluation of property, plant and equipment	-	3,514
Maintenance provision	(36,177)	-
Refundable deposits and other provisions	(120,193)	-
	2,145,896	1,991,353

	2012 US\$	2011 US\$
13. Sub-contractors		
Balance at 30 June	2,782,719	3,477,001

Contracts in progress and contract receivables include claims against clients in respect of sub-contractor liabilities. These liabilities are only settled when payment has been received from clients.

14. Discontinued operations

14.1 Disposal of Promat Malawi

The entity disposed of its 100% shareholding in Promat (Malawi) Limited on 25 June 2010. This disposal was finalised in July 2011 and was therefore classified as assets held-for-sale in 2010 financial year.

14.2 Analysis of loss for the year from discontinued operations

The results of the discontinued operation (i.e. Promat Malawi) included in the income statement are set out below.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

14. Discontinued operations (continued)

	2012 US\$	2011 US\$
Revenue	-	142,066
Cost of sales	-	(127,270)
Gross profit	-	14,796
Other operating income	-	178
Distribution costs	-	(5,901)
Administration costs	-	(18,066)
Loss before interest	-	(8,993)
Net interest expense	-	(1,441)
Loss before taxation - Promat Malawi	-	(10,434)
Taxation	-	3,130
Loss for the year from discontinued operations	-	(7,304)
Loss after tax - Promat Malawi	-	(7,304)
Cash flows from discontinued operations		
Net cash outflows from operating activities	-	(8,253)
Net cash outflows from investing activities	-	-
Net cash outflows from financing activities	-	-
Net cash outflows	-	(8,253)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

15. Disposal of Promat (Malawi) Limited

	2012 US\$	2011 US\$
15.1 Consideration received		
Total consideration received in cash on disposal of Promat (Malawi) Limited	-	300,000
15.2 Analysis of assets and liabilities over which control was lost		
Current assets		
Inventory	-	316,316
Trade and other receivables	-	349,408
Cash and bank balances	-	91
Non current assets		
Property, plant and equipment	-	428,198
Total assets	-	1,094,013
Current liabilities		
Trade and other payables	-	(474,864)
Non current liabilities		
Deferred tax liabilities	-	4,363
Other payables	-	(315,757)
Interest bearing borrowings	-	(15,059)
Total liabilities	-	(801,317)
Net assets disposed of	-	292,696
15.3 Profit on disposal		
Consideration received	-	300,000
Net assets disposed of	-	(292,696)
Profit on disposal	-	7,304

16. Revenue

The following is an analysis of the entity's revenue for the year:

	2012 US\$	2011 US\$
Revenue from the sale of manufactured goods	16,121,825	15,250,426
Construction contract revenue	26,896,765	20,373,341
	43,018,590	35,623,767

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

	2012 US\$	2011 US\$
17. Other operating income		
Rental income	177,609	246,760
Dividend received	7,724	-
Joint venture administration fee	-	73,620
Profit on disposal of subsidiary	-	7,304
Exchange (loss)/gain	(50,152)	58,755
Receipt on finalisation of legal case	432,411	-
Write-back of provision no longer required	110,059	-
Scrap sales	54,195	-
Loss on disposal of property, plant and equipment	(18,819)	(97,844)
	713,027	288,595

	2012 US\$	2011 US\$
18. Administration costs		
Advertising, promotions and donations	54,335	34,309
Bad debts - trade and other	405,804	-
Bank charges	84,390	131,934
Computer, printing and stationery	97,829	68,600
Depreciation	310,967	454,952
Insurance	73,324	138,748
General administration	125,497	83,502
Professional fees and subscriptions	238,232	197,761
Repairs and maintenance, leasing and consumables	163,388	22,837
Security	91,983	39,140
Staff	3,929,119	3,270,429
Obsolete stock	217,621	-
Telephone, cellphone and PABX	119,346	84,433
Tender and ISO certification	178,609	14,711
Training and recruitment	51,341	18,340
Travel and accommodation	115,793	81,207
Vehicle	285,525	206,193
Water, electricity and rates	25,570	25,981
	6,568,673	4,873,077

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

19. Profit before taxation

Profit before taxation has been arrived at after taking into account the following items not disclosed separately:

	2012 US\$	2011 US\$
Auditors' remuneration	105,000	100,000
Depreciation	1,743,761	1,262,025
Share option expense	147,555	23,152
Pension	789,714	668,447
Compensation to directors and key management		
- for services as directors	92,212	47,500
- management services	1,454,532	1,265,057
Fair value gain on investments designated at fair value through profit and loss	(297)	(2,000)
Profit on disposal of investments	(9,303)	(7,304)

20. Taxation

	2012 US\$	2011 US\$
Current income tax	(192,412)	(8,445)
Deferred tax movement	(154,105)	(266,490)
Tax per income statement	(346,517)	(274,935)
Reconciliation of current income taxation		
Profit before taxation	1,646,934	1,410,887
Tax at standard rate of 25.75%	(424,086)	(363,303)
Adjusted for:		
Effects of expenses not deductible for tax	267,496	347,010
Effects of other permanent differences	(258,042)	(273,177)
Effects of income taxed at special rates	68,115	14,535
Effective tax expense	(346,517)	(274,935)

21. Earnings per share

Basic earning basis

The calculation is based on the profit attributable to ordinary shareholders and the number of shares in issue for the year which participated in the profit of the Company.

Diluted earnings basis

The calculation is based on the profit attributable to ordinary shareholders and the number of shares in issue after adjusting to assume conversion of share options not yet exercised.

Headline earnings

Headline earnings comprise basic earnings attributable to ordinary shareholders adjusted for profits, losses and items of a capital nature that do not form part of the ordinary activities of the entity, net of their related tax effects.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

21. Earnings per share (continued)

21.1 From continuing and discontinued operations

The calculation of basic and diluted earnings per share attributable to ordinary shareholders of the Company is based on the following data:

	2012 US\$	2011 US\$
Earnings		
Earnings attributable to the equity holders of the Company	1,300,417	1,128,648
Number of shares		
Weighted average number of shares in issue used in the determination of:		
- Basic per share figure	214,774,610	214,274,610
- Diluted per share figure	216,027,110	215,537,110
Earnings per share (US cents):		
- Basic	0.61	0.53
- Diluted	0.60	0.52

21.2 From continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to ordinary shareholders of the Company is based on the following data:

	2012 US\$	2011 US\$
Earnings		
Earnings attributable to the equity holders of the Company from continuing operations	1,300,417	1,135,952
Number of shares		
Weighted average number of shares in issue used in the determination of:		
- Basic per share figure	214,774,610	214,274,610
- Diluted per share figure	216,037,110	215,537,110
Earnings per share from continuing operations (US cents):		
- Basic	0.61	0.53
- Diluted	0.60	0.53

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

21.3 From discontinued operations

The calculation of basic and diluted earnings per share from discontinued operations attributable to ordinary shareholders of the Company is based on the following data:

	2012 US\$	2011 US\$
Earnings		
Loss attributable to the equity holders of the Company from discontinued operations	-	(7,304)
Number of shares		
Weighted average number of shares in issue used in the determination of:		
- Basic per share figure	214,774,610	214,274,610
- Diluted per share figure	216,037,110	215,537,110
Loss per share from discontinued operations (US cents):		
- Basic	-	-
- Diluted	-	-

22. Retirement benefit costs

Pension funds

The Group operations and all permanent employees contribute to one of the funds detailed below:

22.1 Murray & Roberts (Zimbabwe) Limited Retirement Fund

All entity employees, with the exception of those participating in the funds detailed in 22.2 below, are members of this fund administered by Old Mutual. The Fund is a defined contribution scheme. All members joining the fund automatically participate on the defined contribution pension benefit basis.

As at 30 June 2012, there were 504 members in the scheme.

22.2 Construction Industry Pension Fund

This fund, which is a defined contribution scheme, encompasses employees generally subject to an industrial agreement.

22.3 National Social Security Authority (NSSA)

The entity and its employees contribute to the National Social Security Authority. This is a social security scheme promulgated under the National Social Security Authority Act 1989. The Group's obligations under the Scheme are limited to specific contributions legislated from time to time.

22.4 Pension costs recognised as an expense for the year

	2012 US\$	2011 US\$
Murray & Roberts (Zimbabwe) Limited Retirement Fund	398,031	208,799
Construction Industry Pension Fund	264,243	265,321
National Social Security Authority	127,440	194,327
	789,714	668,447

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

23. Capital commitments

Capital expenditure authorised but not contracted for is US\$3,650,000 (2011: US\$6,000,000). The expenditure is to be financed from internal resources and existing facilities.

24. Directors' interests

The Directors directly or indirectly hold the following number of shares of the Company:

	2012	2011
S Mangoma	700,000	700,000
Zumbani Capital (Private) Limited	99,792,515	-

Zumbani Capital (Private) Limited is an indigenous investment vehicle that is 51% owned by Musasa Capital (Private) Limited and 49% by their international partners, Capital Africa Investments Holdings Limited of Mauritius (CAIHL). The main representatives in Musasa Capital are Messrs Paddy T Zhanda and Canada Malunga, whilst the representatives of CAIHL are Mr. Malcolm W McCulloch of Carlmac (Proprietary) Limited of South Africa and Mr Sam Sithole representing the Brait Group, who are all are non-executive directors of the Company.

25. Segment information

For the purpose of decision making, allocation of resources and assessment of performance, senior management consider the entity to be three different segments. Current and prior year segment information for the contracting, manufacturing and corporate segments is reflected on page 71 of this report.

26. Borrowing powers

Authority is granted in the Articles of Association for directors to borrow a sum not exceeding 300% of ordinary shareholders' funds without the prior sanction of an ordinary resolution of the Company.

27. Insurance cover

The entity's assets are adequately insured at full replacement cost.

28. Contingent liabilities and contingent assets

28.1 The Company is from time to time involved in various disputes, claims and legal proceedings arising in the ordinary course of business. The Board does not believe that adverse decisions in any pending proceedings or claims against the Company will have a material negative effect on the financial condition or future of the Group.

28.2 Bank guarantees in issue as at 30 June 2012

	2012 US\$	2011 US\$
Performance bonds	2,827,958	356,662
Advance payment bonds	3,035,379	1,522,801
Retention bonds	685,910	137,059
Bid bonds	30,000	52,000
Temporary import bonds	40,480	-
	<u>6,619,727</u>	<u>2,068,522</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

29. Related party disclosures

The entity enters into transactions with other companies and entities that fall within the definition of a related party contained in International Accounting Standard 24: Related Party Disclosure. Such transactions are in the normal course of business at terms agreed between the parties.

Purchases from related parties are made at normal market prices. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables.

Interests in significant subsidiary companies at the statement of financial position date are as per note 2, investments in subsidiaries, on page 75.

The entity has a related party relationship with its subsidiary companies and with its directors and members of key management.

	2012 US\$	2011 US\$
Included in other receivables is an amount due from Murray & Roberts Limited South Africa.		
Other receivables	-	3,153
The remuneration of directors and other members of key management during the year was as follows:		
Short term benefits	1,546,744	1,312,557
Termination benefits	-	202,270
Share based payments	147,555	23,152
The following amounts are in respect of directors' emoluments:		
For services as directors	92,212	47,500
For managerial services	1,454,532	1,265,057
The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.		
Loans and advances to directors	152,029	116,682

Terms and conditions: The loan amount limit ranges between 100% to 130% of annual salary and is subject to cash flow and Remuneration Committee approval. The annual interest rate is the lower of 50% of minimum Bank lending Rate and 150% of the income tax deemed interest rate. The repayment period is 6 months to 2 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

30. Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liability and equity instruments are disclosed on page 40 - 45

(b) Categories of financial instruments

	2012 US\$	2011 US\$
Financial assets		
Cash and cash equivalents	1,986,789	1,117,928
Loans and receivables	11,568,373	10,005,341
Financial assets carried at fair value through profit and loss	494	45,328
Available for sale investments carried at fair value	151,586	164,134
	<hr/>	<hr/>
Financial liabilities		
Loans and payables	16,854,820	11,838,226

(c) Fair value of financial instruments

The fair value of financial assets and financial liabilities approximate the carrying values in the statement of financial position as at 30 June 2012.

31 Financial risk management

The entity's financial liabilities comprise bank loans and overdrafts and trade and other payables. The main purpose of these financial instruments is to raise finance for the entity's operations. The entity has various financial assets such as trade receivables, available for sale investments, cash and short-term deposits which arise directly from its operations. The entity does not use derivative financial instruments in its management of foreign currency risk. Derivative financial instruments are not held or issued for trading purposes.

The main risks arising from the entity's financial instruments are cash flow risk, foreign currency risk, interest rate risk, credit risk and liquidity risk. Senior executives of the Company meet on a regular basis to review and agree on policies to manage each of these risks. Treasury management strategies together with currency and interest rate exposures are re-evaluated against revised economic forecasts. Compliance with the Company policies and exposure limits are reviewed at Audit and Risk Committee meetings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

31.1 Foreign exchange risk management

The Company undertakes certain transactions denominated in currencies other than the USD, hence exposure to exchange rate fluctuations arises.

The Company's net foreign asset/(liability) exposure as at year end determined at the fair market rate of USD1 :ZAR 8.65; USD1 :EUR 0.78; USD 1 :GBP 0.63 and USD 1 : M 27.60 is summarised as :

		2012		2011	
	Currency	Foreign balance outstanding	US\$ equivalent	Foreign balance outstanding	US\$ equivalent
Receivables	ZAR	59,483	6,873	1,936,457	283,938
Bank balances	ZAR	92,794	10,722	39,557	5,800
Payables	ZAR	(645,265)	(74,556)	(437,753)	(64,187)
Receivables	Euro	14,253	18,322	-	-
Payables	Euro	(57,472)	(73,880)	-	-
Receivables	GBP	593	941	-	-
Bank balances	GBP	4,354	6,911	-	-
Bank balances	MZN	1,318,815	<u>47,769</u>	-	-
			<u>(56,898)</u>		<u>225,551</u>

Given the amounts and types of currency held, the Company has no significant exposure to foreign currency risk at year - end.

Fair values of financial instruments

The estimated net fair values of all financial instruments approximate the carrying amounts shown in the financial statements. Assets and liabilities denominated in currencies other than the USD which were on hand at the statement of financial position date have been valued for the purpose of these financial statements at official rates of exchange as the directors are of the opinion that the official rate fairly reflects the value of such assets and liabilities for accounting purposes as required by IAS 21: The Effects of Changes in Foreign Exchange Rates.

31.2 Interest risk

The entity's treasury policy limits exposure to interest rate fluctuations by adopting a non-speculative approach to managing interest rate risk and only deals in approved financial instruments. Implementation of treasury policy ensures limited exposure to funding instruments while investment instruments are those which provide risk free returns at variable interest rates and mature within one year.

31.3 Credit risk

Financial assets which potentially subject the entity to concentration of credit risk consist principally of cash, short-term deposits and trade receivables. The entity's surplus cash equivalents and short term deposits are placed with high quality creditworthy financial institutions. The trade receivables are presented net of the allowance for credit losses and comprise a large, widespread customer base and the Company monitors the performance and financial condition of its customers with the result that the exposure to bad debts is not significant.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

31.4 Liquidity risk

The entity monitors its risk of shortage of funds using a liquidity planning tool. The entity considers the maturity of both its financial investments and financial assets (e.g. receivables) and projected cash flows from operations. The entity's main objective is to maintain short term bank loans at a manageable level. The entity has no significant liquidity risk exposure as it has unutilized banking facilities of US\$3.3 million.

31.5 Capital risk management

The entity manages its capital structure to ensure that the entity will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of debt and equity.

The capital structure of the entity consists of debt, which includes borrowings disclosed in Note 10, interest bearing borrowings and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings.

The Company's Audit and Risk Committee reviews the capital structure on a quarterly basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on the recommendations of the committee, the entity will balance its overall structure through payments of dividends, new share issues and share buy backs as well as the issue of new debt or the redemption of existing debt.

32. Critical accounting estimates and judgments

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

Revenue recognition and contract accounting

The entity uses certain assumptions and key factors in the management of and reporting for its contracting arrangements.

These assumptions are material and relate to:

- the estimation of costs to completion and the determination of the percentage of completion;
- the recoverability of underclaims;
- the recognition of penalties and claims on contracts; and
- the recognition of contract incentives.

Management is satisfied that at year end the significant risks and rewards have been transferred and the recognition of the revenue is appropriate.

Other estimates made:

The entity also makes estimates for:

- the calculation of the provision for credit losses;
- the determination of useful lives and residual values of items of property, plant and equipment. (See property, plant and equipment accounting policy)
- the calculation of the provision for obsolete inventory (factors influencing this adjustment include changes in demand, physical deterioration and quality issues).
- the calculation of any provision for claims, litigation and other legal matters;
- the calculation of any other provisions including bonuses;
- the assessment of impairment and the calculation of the recoverable amount of assets;
- the calculation of the fair value of financial instruments; and
- the determination of the fair value of share options.



NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

33. Joint venture

The entity has the following significant interests in joint ventures:

Joint Venture	Project name	2012 %	2011 %
Murray & Roberts Construction and Reliance (Private) Limited	JMN International Airport	60%	60%
Murray & Roberts Construction and Intergrated Construction Projects (Private) Limited	Raw Water Pipeline & Return Water Pipeline	55%	NIL
Murray & Roberts Construction and Kuchi Construction (Private) Limited	NUST Library	50%	50%
Murray & Roberts Construction and Kuchi Construction (Private) Limited	NUST Central Stores	50%	50%

	2012 US\$	2011 US\$
Current assets	4,563,931	3,155,829
Non current assets	40,137	-
Current liabilities	3,623,497	3,033,099
Non current liabilities	-	-

	2012 US\$	2011 US\$
Income	2,852,465	8,132,202
Expenses	2,225,193	7,605,293
Other comprehensive income	192,753	-

34. Going concern

The Directors have assessed the ability of the entity to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the entity to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

35. Segment information

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of operations. The entity's reportable segments under IFRS 8 are therefore as follows.

- Contracting operations
- Manufacturing operations
- Other operations (properties, treasury and corporate)

Segment revenues and results

The following is an analysis of the Company's revenue and results from continuing operations by reportable segment.

	Segment revenue		Segment profit/(loss) before tax	
	2012 US\$	2011 US\$	2012 US\$	2011 US\$
Contracting	26,896,765	20,373,341	531,228	245,853
Manufacturing	16,121,825	15,250,426	(98,627)	1,624,696
Other	-	-	1,214,333	(459,662)
Total	43,018,590	35,623,767	1,646,934	1,410,887

Segment revenue reported above represents revenue generated from external customers.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 1.

Segment assets and liabilities

	2012 US\$	2011 US\$
Segment Assets		
Contracting	17,903,011	11,348,248
Manufacturing	9,675,648	10,341,200
Other	10,691,912	9,966,298
Consolidated total assets	38,270,571	31,655,746
Segment Liabilities		
Contracting	15,005,893	9,183,786
Manufacturing	3,036,674	1,824,816
Other	958,149	2,820,977
Consolidated total liabilities	19,000,716	13,829,579

Other segment information

	Depreciation		Capital expenditure	
	2012 US\$	2011 US\$	2012 US\$	2011 US\$
Contracting	947,672	658,629	3,041,512	713,100
Manufacturing	665,107	471,623	1,010,274	1,370,809
Other	130,982	131,773	220,587	3,929
Total	1,743,761	1,262,025	4,272,373	2,087,838

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2012

36. Events after the reporting period

Refer to note 10.

37. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 10 September 2012.



COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	2012 US\$	2011 US\$
Assets			
Investments in subsidiaries	2	17,025,535	17,025,535
Other receivables		26,289	20,622
Total assets		17,051,824	17,046,157
Equity and liabilities			
Capital and reserves			
Share capital	3	2,147,746	2,142,746
Share premium		82,733	41,430
Non-distributable reserve		14,876,427	14,876,427
Share based payment reserve		179,631	78,379
Accumulated losses		(527,501)	(214,554)
		16,759,036	16,924,428
Current liabilities			
Group payables			
-Murray & Roberts Investments (Zimbabwe) (Private) Limited	4	292,788	121,229
Other payables		-	500
		292,788	121,729
Total equity and liabilities		17,051,824	17,046,157



PT Zhanda
Chairman
10 September 2012



S Mangoma
Chief Executive Officer
10 September 2012

COMPANY INCOME STATEMENT

For the year ended 30 June 2012

	2012 US\$	2011 US\$
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Other operating income	-	-
Distribution costs	-	-
Administration costs		
- Advertising	8,531	-
- Annual general meeting and boardroom expenses	3,299	3,164
- Directors Fees - for services as directors	92,212	47,500
- Financial Statements publication cost	29,463	18,984
- Share based payment expense	147,555	23,152
- Travel and other expenses	21,887	1,752
- Zimbabwe Stock Exchange subscription	10,000	10,000
	(312,947)	(104,555)
Loss before interest (paid)/received	(312,947)	(104,555)
Interest received	-	-
Interest paid	-	-
Loss before taxation	(312,947)	(104,555)
Income tax	-	-
Loss for the year	(312,947)	(104,555)



COMPANY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	2012 US\$	2011 US\$
Loss for the year	(312,947)	(104,555)
Other comprehensive income	-	-
Other comprehensive income for the year, net of tax	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(312,947)	(104,555)

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Share capital US\$	Share premium reserve US\$	Share based payment reserve US\$	Non distributable reserve US\$	Accumulated losses US\$	Total US\$
Balance at 30 June 2010	2,129,621	-	109,780	14,876,427	(109,999)	17,005,829
Shares issued	13,125	41,430	(31,401)	-	-	23,154
Loss for the year	-	-	-	-	(104,555)	(104,555)
Balance at 30 June 2011	2,142,746	41,430	78,379	14,876,427	(214,554)	16,924,428
Shares issued	5,000	41,303	101,252	-	-	147,555
Loss for the year	-	-	-	-	(312,947)	(312,947)
Balance as 30 June 2012	2,147,746	82,733	179,631	14,876,427	(527,501)	16,759,036

NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2012

1. Accounting policies

The accounting policies are set out on pages 30 - 49

2. Investments in subsidiaries

2012 US\$	2011 US\$
17,025,535	17,025,535

The value of investments in subsidiaries was established as the net asset value of the subsidiary companies at the time of dollarisation in 2009.

The Company has investments in the following directly and indirectly held subsidiaries:-

	2012	2011
	Percentage held	
Axwort Investments (Private Limited) - dormant	100	100
Caridorn Abrasives (Private) Limited - dormant	100	100
Chimene Investments (Private) Limited - dormant	100	100
Murray & Roberts Properties (Zimbabwe) Limited	100	100
Mobile Steel Construction (Private) Limited - dormant	100	100
Murray & Roberts Corporate Services (Zimbabwe) (Private) Limited - dormant	100	100
Murray & Roberts Estates (Zimbabwe) Limited	100	100
Murray & Roberts Investments (Zimbabwe) (Private) Limited	100	100
Promouldings (Private) Limited	100	100
Proplastics (Private) Limited - dormant	100	100
Regional Contracting Services Limited - dormant	100	100
Rintl investments (Private) Limited - dormant	100	100
Stemrich Investments (Private) Limited	100	100
Westminister (Proprietary) Limited - dormant	100	100
Prespeen Investments (Private) Limited - dormant	100	100
Huldwash Investments (Private) Limited - dormant	100	100
Wareput Investments (Private) Limited - dormant	100	100

3. Share capital

	2012 US\$	2011 US\$
Authorised and issued share capital		
Authorised		
875 000 000 ordinary shares of US\$ 0.01 each	8,750,000	8,750,000
Issued		
214,774,610 (2011:214,274,610) ordinary shares of US\$ 0.01 each	2,147,746	2,142,746
4. Amount owing to Murray & Roberts Investments (Zimbabwe) (Private) Limited	292,788	199,607

The amount owing to Murray & Roberts Investments (Zimbabwe) (Private) Limited resulted from expenses paid on behalf of Murray & Roberts (Zimbabwe) Limited, is unsecured, interest free and does not have any fixed repayment terms.

SHAREHOLDERS' ANALYSIS

As at 30 June 2012

Range	Number of Shareholders	% of Holders	Holdings	% of Issued Share Capital
1 - 500	122	14.26	27,341	0.01
501 - 1000	102	11.92	75,158	0.03
1,001 - 5,000	295	34.46	831,226	0.39
5,001 - 10,000	112	13.08	864,159	0.4
10,001 - 50,000	128	14.95	2,871,111	1.34
50,001 & over	97	11.34	210,105,615	97.83
	856	100.00	214,774,610	100.00

Major Shareholders

Rank	Shareholder	Number of Shares	% of Total
1	Zumbani Capital (Private) Limited	99,792,515	46.46
2	Old Mutual Life Assurance Company Zimbabwe Limited	28,621,071	13.33
3	Fed Nominees (Private) Limited	14,549,299	6.77
4	Old Mutual Zimbabwe Limited	9,458,062	4.40
5	Standard Chartered Nominees (Private) Limited	8,741,219	4.07
6	Stanbic Nominees (Private) Limited	8,648,662	4.03
7	Barclays Zimbabwe Nominees (Private) Limited	7,047,368	3.28
8	Equivest Nominees	3,082,648	1.30
9	Turner, Roy	2,984,278	1.39
10	Edwards Nominees	2,493,993	1.16
		185,419,115	86.19

Analysis by Category

	2012	2011
	%	%
Banks, insurance companies and nominees	27.18	37.90
Pension Funds, Trust/Property companies	7.12	6.72
Resident individuals and other corporate companies	53.34	3.86
External companies	12.36	51.52
	100.00	100.00

NOTICE TO SHAREHOLDERS

Notice is hereby given that the Thirty Eighth Annual General Meeting of Members of Murray & Roberts (Zimbabwe) Limited for the year ended 30 June 2012 will be held at the Registered Office of the Company at 44 Tilbury Road, Willowvale, Harare, Zimbabwe on Thursday, 22 November 2012 at 12h00 for the following purposes:

1. ORDINARY BUSINESS

1.1 Approval of Financial Statements and Reports

To receive, consider and adopt the Annual Financial Statements for the year ended 30 June 2012, including the Directors' and Independent Auditors' reports thereon.

1.2 Approval of Directors' Fees

To approve Directors' fees for the year ended 30 June 2012.

1.3 Re-appointment of External Auditors and approval of External Auditors' fees

To re-appoint Messrs Deloitte & Touche as auditors for the ensuing financial year and to approve their remuneration for the year ended 30 June 2012.

1.4 Election of Directors

To elect Directors in the place of Messrs PT Zhanda and SM Mangoma who retire by rotation and, being eligible, offer themselves for re-election in terms of the Company's Articles of Association.

1.5 Appointment of Directors

To appoint Messrs MW McCulloch, B Mabiza, C Malunga, G Sebborn and S Sithole to the Board.

1.6 Any other Business

To transact such other business as may be transacted at an Annual General Meeting.

2. SPECIAL BUSINESS

2.1 Special Resolution for Change of Name

It is proposed that the name of the Company be changed from Murray & Roberts (Zimbabwe) Limited to Masimba Holdings Limited.

The change of name proposal has been necessitated by the disposal by Murray & Roberts Limited of South Africa of its 46.46% shareholding in Murray & Roberts (Zimbabwe) Limited and the desire by the Directors of the Company to build an independent and neutral brand that is crucial to building alliances and partnerships in Zimbabwe and the region.

By Order of the Board

MURRAY & ROBERTS CORPORATE SERVICES (ZIMBABWE) (PRIVATE) LIMITED
(SECRETARIES)

19 October 2012

NOTE: A member entitled to attend and vote at the Annual General Meeting of Shareholders may appoint a proxy to attend and speak and on a poll to vote in his stead. A proxy need not be a member of the Company. Forms of proxy must be lodged at the Registered Office of the Company not less than 48 (forty eight) hours before the time of the holding of the meeting.

SHAREHOLDERS' DIARY

October 2012	Thirty Eighth Annual Report 2012 to be published and mailed to Shareholders
22 November 2012	Thirty Eighth Annual General Meeting of Shareholders, 44 Tilbury Road, Willowvale
February 2013	Interim press results, Analysts Briefing
30 June 2013	Financial year end
August 2013	Preliminary Announcement to Shareholders, Analysts Briefing
October 2013	Thirty Ninth Annual Report 2013 to be published and mailed to Shareholders
November 2013	Thirty Ninth Annual General Meeting of Shareholders, 44 Tilbury Road, Willowvale

CORPORATE AND ADVISORY INFORMATION

Company Registration Number:	278/74
Business Address and Registered Office:	44 Tilbury Road, Willowvale, Harare, Zimbabwe
Postal, Electronic Addresses and Telecommunications Numbers:	P.O Box CY490, Causeway, Harare, Zimbabwe
Telephone:	+263-4-611641-5 or 611741-7
Fax:	+263-4-612986
Email:	info@murrob.co.zw
Share Transfer Secretaries:	First Transfer Secretaries 1 Armaragh Road, Eastlea, Harare, Zimbabwe
Telephone:	+263-4-782869-72
AUDITORS:	Deloitte & Touche, Chartered Accountants (Zimbabwe) 1 Kenilworth Road, Kenilworth Gardens, Newlands, P O Box 267 Harare, Zimbabwe
BANKERS:	Standard Chartered Bank Zimbabwe Limited Africa Unity Square Branch, Nelson Mandela Avenue, Harare, Zimbabwe
	FBC Banking Corporation Limited FBC Centre, 45 Nelson Mandela Avenue , Harare, Zimbabwe
LAWYERS:	Gill, Godlonton & Gerrans Legal Practitioners P O Box 8, Harare, 7th Floor, Beverley Court 100 Nelson Mandela Avenue, Harare, Zimbabwe

PROXY FORM

For the Thirty Eighth Annual General Meeting of the Company to be held at the Registered Office of the Company at 44 Tilbury Road, Willowvale, Harare on Thursday, 22 November 2012 at 12h00.

I/Weof

Being the registered holder/s of.....

Ordinary Shares in Murray & Roberts (Zimbabwe) Limited do hereby appoint:-

1.....or failing him/her

2..... or failing him/her

the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Thirty Eighth Annual General Meeting of the Company to be held at 44 Tilbury Road, Willowvale, Harare and at any adjournment thereof.

	IN FAVOUR OF	AGAINST	ABSTAIN
1. Ordinary resolution number 1 Adoption of 2012 Annual Financial Statements and Directors' and External Auditors' reports thereon			
2. Ordinary resolution number 2 Approval of Directors' remuneration			
3. Ordinary resolution number 3 Appointment of External Auditors and approval of their remuneration			
4. Ordinary resolution number 4 Election of Directors			
5. Ordinary resolution number 5 Appointment of Directors			
6. Special resolution number 1 Approval of change of name of the Company from Murray & Roberts (Zimbabwe) Limited to Masimba Holdings Limited			

Signed this day of 2012

Signature of member

A member entitled to attend and vote at the meeting may appoint a proxy to attend and speak and, on a poll, to vote in his stead. A proxy need not be a member of the Company. Forms of proxy must be lodged at the Registered Office of the Company not less 48 (forty eight) hours before the time of the holding of the meeting.

