

# 57th ANNUAL GENERAL MEETING

26 October 2005

---

The 2005 financial year saw a major shift in the business make-up and strategic focus of the Group. Murray & Roberts has worked to position itself as a world class implementer of major projects in its selected markets. Over the past year the Group has been successful in securing a leadership position in a number of significant global projects, most notably the expansion of Dubai International Airport, Gautrain Rapid Rail Link, VRESAP Water Pipeline and the Pebble Bed Modular Reactor. The latter three are in South Africa and give strong credence to the promise of increased fixed investment into the local construction economy.

The Cementation Mining Company Africa Limited, Cementation Skanska Canada Inc and a strategic first stage shareholding in Clough Limited in Australia were acquired during the 2005 financial year. These acquisitions build on Murray & Roberts' long-term presence contracting to the natural resources market and expand the Group's capability to serve its increasingly globalised customers in this sector.

Engineering and construction is by no means a risk-free business environment. There have been many changes in the general dynamics of capital investment and procurement process over the past decade, bringing increased challenges to this highly fragmented industry. This is a testing time for engineering and construction with business consolidation now high on the international agenda.

## Order Book

The project order book for the Group increased to R 9,9 billion at 30 September 2005, with a number of major projects awarded during the period. Subsequently, the Group with various partners, has secured the award of the R 1,5 billion VRESAP Pipeline for Trans Caledon Tunnel Authority and the EPCM (engineer, procure and construction management) contract for the Pebble Bed Modular Reactor (PBMR) Demonstration Plant.

The VRESAP pipeline includes manufacture and supply of 122 km of large diameter steel pipe by Group company Hall Longmore, also in partnership. Murray & Roberts assembled the only wholly South African joint venture to compete for this opportunity.

Prior to regulatory clearance for construction of the PBMR demonstration plant, there will be an extensive programme of engineering verification and project planning.

Murray & Roberts and Clough form part of an international joint venture that is short-listed for the EPCM contract on a major gold mining project in Western Australia.

## Acquisitions & Disposals

The sale of Criterion Equipment to Jay & Jayendra Group has been finalised in an empowerment transaction valued at R 85 million. Approximately 50% is vendor financed.

Murray & Roberts has lodged its formal offer to the minority shareholders of Concor Limited, subject to sanction of the Scheme of Arrangement ordered by the High Court of South Africa, and final approval by the competition authorities. Should the Group succeed in securing the support of at least 75% of the shares voted at the Special General Meeting of Concor Limited then subject to the above approvals, Concor Limited will become a wholly owned subsidiary of Murray & Roberts that will enable an empowerment strategy in terms of the pending Construction Charter.

Should the Scheme of Arrangement not succeed, Murray & Roberts will own at least 50,1% of Concor Limited and the company will remain listed on the JSE Limited. This will make empowerment a challenge and impact Concor Limited's ability to participate fully in the local construction economy.

Minority shareholders of Clough Limited will vote at their Annual General Meeting on 9 November 2005 on the proposed transaction that will see Murray & Roberts increase its shareholding in the company to 46% immediately and to 49% over the next two years. Clough is thinly capitalised at present with high levels of debt following significant project problems over the past two years.

This latest transaction establishes Murray & Roberts as the principal shareholder in Clough and facilitates a more proactive engagement of the company and its business. A comprehensive engagement programme will be agreed for immediate implementation between Murray & Roberts and Clough executives following the transaction.

### **Projects**

Dubai International Airport is experiencing delays and out-of-sequence performance in many of its major contracts. This primarily relates to the current scale and intensity of construction activity in the region and is delaying progress on the Murray & Roberts joint venture contract.

The Group is engaged with the client in resolution of these challenges.

Progress to full financial close on the Gautrain Project is complex, with the target date of December 2005 under pressure.

### **Empowerment**

A circular to Murray & Roberts shareholders relating to the Group's proposed broad-based black economic empowerment transaction was circulated on 21 October 2005. The structure of the proposed transaction has been feted as one of the most progressive to date in this demanding field. Shareholders will be asked to vote on this transaction at a special general meeting to be held on 21 November 2005, followed by a scheme meeting under order of the High Court of South Africa.

### **Prospects**

The Group is experiencing a significant increase in construction activity in South Africa and expect this to continue into the future. A full review of business systems, overhead structure and reporting arrangements in our construction operations has been commissioned to optimise performance efficiency.

The pending award of Gautrain Rapid Rail Link and VRESAP Pipeline plus long-term developments planned for the power and other sectors, indicate the primary region of construction activity in South Africa as Gauteng and surrounding provinces.

To ensure balance between capacity and opportunity the Group will in future restrict the South African business of Murray & Roberts Construction to this market and establish its current Cape and SADC business units under separate management.

The directors remain of the view that next few years will be positive for the Group and there will be real growth in headline earnings in the year to 30 June 2006.

Johannesburg  
26 October 2005

Sponsor  
Merrill Lynch South Africa (Pty) Ltd