Globalising Murray & Roberts

establishes a **new performance platform** for our Group with **best-in-class** performance benchmarking underpinning our **commitment** to **sustainable earnings growth** and **value creation**

Annual Report 2005

Contents

P

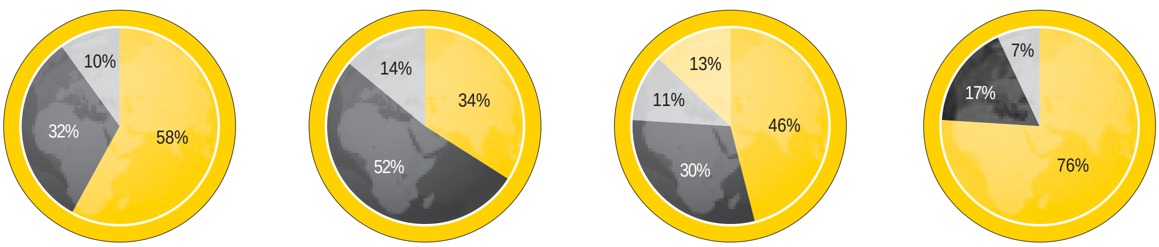
Murray & Roberts is a South African-based group of companies focused on selected construction economies and specialist natural resource markets

From the platform created by Rebuilding Murray & Roberts, we have geared our capacity to serve these markets in Southern Africa, Middle East, Southeast Asia and North America

Financial highlights

	2005	2004
GROUP SUMMARY (R millions)		
Revenue	10 694	8 424
EBIT	543	421
Income from associates	77	114
Attributable earnings	448	477
Total assets	7 200	6 131
Operating cash flow	668	289
Value created	3 658	2 606
Payroll costs	2 713	1 818
Total number of employees – 30 June	23 904	13 149
ORDINARY SHARE PERFORMANCE (cents)		
Headline earnings per share	142	158
Diluted headline earnings per share	140	155
Earnings per share	141	150
Diluted earnings per share	139	147
Operating cash flow per share	201	87
Net asset value per share – 30 June	932	818
Tangible net asset value per share – 30 June	917	817
Market price per share – 30 June	1 400	1 295
Total dividend per share*	45,0	45,0
* Based on the year to which the dividend relates		
FINANCIAL STATISTICS		
Operating margin (EBIT on revenue) (%)	5,1	5,0
Attributable earnings on average shareholders' funds (%)	16,1	19,0
Interest cover (times)	8,7	8,2
RATIOS (times)		
Debt/equity	0,33	0,30
Current	1,45	1,34

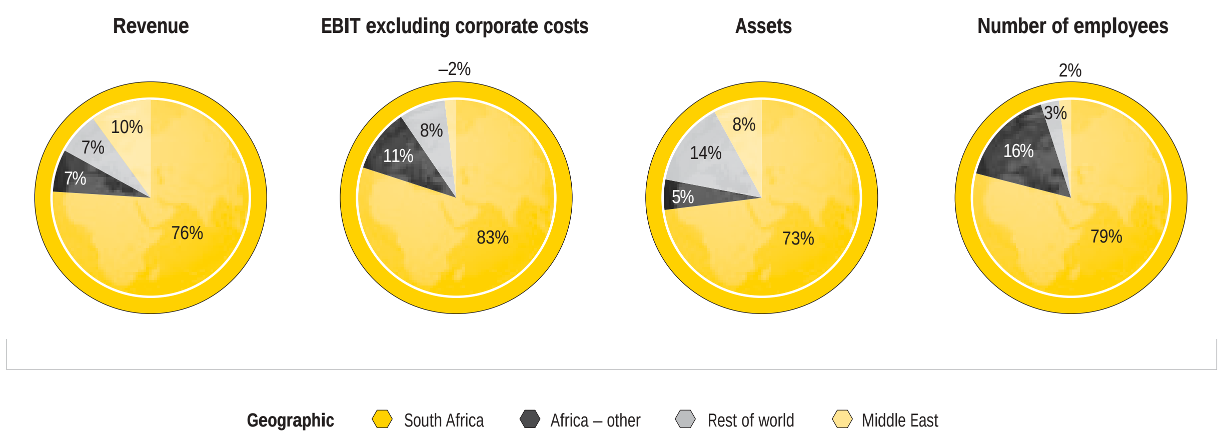
Revenue **EBIT excluding corporate costs** **Assets** **Number of employees**



Segmental Construction & engineering Construction materials & services Fabrication & manufacture Corporate

Segmental highlights

	Revenue		EBIT	
	2005	2004	2005	2004
GROUP (R millions)	10 694	8 424	543	421
CONSTRUCTION ECONOMY	9 669	7 164	566	451
Construction & engineering	6 237	4 153	226	177
Construction	3 128	3 022	89	83
Mining	2 506	480	111	13
Engineering	603	651	26	81
Construction materials & services	3 432	3 011	340	274
Steel	2 268	1 956	156	113
Infrastructure	833	737	144	134
Services	331	318	40	27
INDUSTRIAL MANUFACTURE	1 024	1 259	92	70
Manufacture	610	501	66	39
Fabrication	363	572	24	28
Services	51	186	2	3
Corporate	1	1	(115)	(100)



Segmental analysis

	Properties, discontinued operations* and Unitrans		Corporate	
All monetary amounts are expressed in millions of rand	2005	2004	2005	2004
SUMMARISED INCOME STATEMENTS				
Revenue	154	447	1	1
Earnings before exceptional items and interest	(7)	(17)	(115)	(99)
Exceptional items	40	(7)	(15)	(3)
Earnings before interest and taxation	33	(24)	(130)	(102)
Net interest income/expense	(4)	(10)	36	46
Earnings before taxation	29	(34)	(94)	(56)
Taxation	(10)	(5)	57	(8)
Earnings after taxation	19	(39)	(37)	(64)
Income from associates	61	114	–	–
Minority shareholders' interest	–	–	–	–
Net earnings for the year	80	75	(37)	(64)
SUMMARISED BALANCE SHEETS				
Non-current assets	393	1 080	140	222
Current assets	68	347	1 452	805
Goodwill	–	–	–	–
Deferred taxation assets	–	–	–	–
Total assets	461	1 427	1 592	1 027
Equity	(8)	809	837	701
Minority interest	–	–	–	–
Permanent capital	(8)	809	837	701
Non-current liabilities	265	537	338	107
Current liabilities	204	81	417	219
Total equity and liabilities	461	1 427	1 592	1 027
Capital employed	260	469	36	651
SUMMARISED CASH FLOW STATEMENTS				
Cash generated by operations before working capital changes	(17)	(17)	(82)	(116)
Discontinued property activities	(68)	(114)	–	–
Change in working capital	15	14	(92)	(39)
Cash generated by operations	(70)	(117)	(174)	(155)
Interest and taxation	–	(6)	10	36
Operating cash flow	(70)	(123)	(164)	(119)
FINANCIAL STATISTICS				
Operating margin (%)	–	–	–	–
EBIT on capital employed (%)	–	–	–	–
Return on equity (%)	–	–	–	–

* Includes Consani Engineering and Booker Tate

	Construction & engineering		Construction materials & services		Fabrication & manufacture		Group	
	2005	2004	2005	2004	2005	2004	2005	2004
	6 237	4 153	3 432	3 011	870	812	10 694	8 424
	226	177	340	274	99	86	543	421
	(12)	–	–	–	–	(6)	13	(16)
	214	177	340	274	99	80	556	405
	5	5	(23)	(2)	(19)	(29)	(5)	10
	219	182	317	272	80	51	551	415
	(92)	(30)	(101)	(12)	(4)	28	(150)	(27)
	127	152	216	260	76	79	401	388
	16	–	–	–	–	–	77	114
	(5)	–	(19)	(15)	(6)	(10)	(30)	(25)
	138	152	197	245	70	69	448	477
	1 020	337	499	443	362	340	2 414	2 422
	1 855	1 298	1 154	1 065	171	156	4 700	3 671
	48	5	–	–	–	–	48	5
	2	–	4	2	32	31	38	33
	2 925	1 640	1 657	1 510	565	527	7 200	6 131
	1 236	354	580	520	322	219	2 967	2 603
	21	6	59	38	12	10	92	54
	1 257	360	639	558	334	229	3 059	2 657
	238	14	53	74	11	2	905	734
	1 430	1 266	965	878	220	296	3 236	2 740
	2 925	1 640	1 657	1 510	565	527	7 200	6 131
	920	220	809	728	397	386	2 422	2 454
	283	229	392	309	137	129	713	534
	–	–	–	–	–	–	(68)	(114)
	108	13	(19)	(99)	21	23	33	(88)
	391	242	373	210	158	152	678	332
	(8)	(21)	(14)	(13)	2	(39)	(10)	(43)
	383	221	359	197	160	113	668	289
	3,6	4,3	9,9	9,1	11,4	10,6	5,1	5,0
	24,6	80,5	42,0	37,6	24,9	22,3	22,4	17,2
	17,4	42,9	35,8	47,1	25,9	31,5	16,1	19,0

Capabilities

More than 75% of Murray & Roberts activity is directed into the construction economies of South and Southern Africa, Middle East, Southeast Asia and Australia. Industrial manufacturing represents less than 25% of activity, but forms an important anchor for the Group into the South African economy, leveraging domestic competitiveness into selected global markets.

CONSTRUCTION ECONOMY

The construction economy is a well defined element of every national economic framework and is identified as a component of gross fixed capital formation (GFCF) within gross domestic product (GDP).

An established benchmark for developing countries is that GFCF should average between 20% and 30% of GDP and that construction investment should represent between 20% and 30% of GFCF.

The construction economy is represented by all expenditure associated with fixed investment into physical infrastructure, production and commercial facilities and accommodation, as performed by general and specialist contractors, engineers, materials suppliers and service providers. It generally excludes generic machinery and equipment.

Market sectors

- Mining & industrial
- Building & infrastructure
- Energy, power & environmental

Construction & engineering

Murray & Roberts offers a unique combination of multiple disciplinary capabilities in design, engineering and various construction skills and has a proven track record in mega project implementation. The Group is positioned as a primary contractor in the delivery of mining and general infrastructure, commercial buildings and industrial facilities.

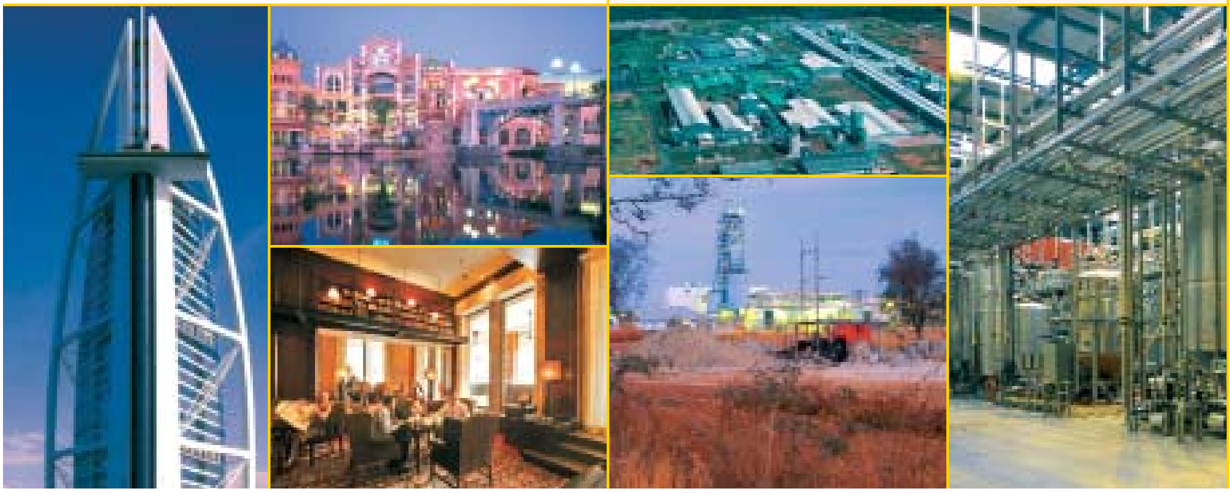
The Group's primary market focus is the extraction, beneficiation and industrialisation of natural resources.

The acquisition of Cementation in South Africa and Canada and a strategic shareholding in Clough based in Australia has extended this focus in the global marketplace.

Murray & Roberts values innovation and is able to adapt to complex environments which positions it as a leading contractor in the southern hemisphere and developing world.

Capabilities:

- Construction
- Mining
- Engineering



Construction materials & services

Murray & Roberts supplies the construction markets of Southern Africa with quality service, materials and products through its technical capabilities in concrete, asphalt and steel.

This is underpinned by operational presence throughout the SADC region, appropriate technology, uncompromising quality and service excellence.

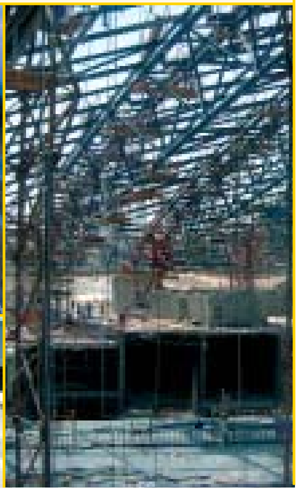
Murray & Roberts converts about one million tons of primary steel, a quarter of a million tons of concrete and a million tons of asphalt annually into construction products.

Toll road management forms the basis of a small sector of the Group's service offering.

Murray & Roberts has established a new presence in building materials and will engage the domestic housing market from this platform.

Capabilities:

- Steel
- Infrastructure
- Services



INDUSTRIAL MANUFACTURE

Fabrication & manufacture

We are South African is a strategic commitment that has focused the Group's profile in industrial manufacturing. We operate exclusively from South Africa, serving selected domestic and global markets.

Murray & Roberts has limited its involvement in this sector to selected areas of the market that support the supply of world class specialist engineered products.

Investment in manufacturing capacity leverages the Group's skills in engineering, contracting and industrial design.

The companies in this sector of the business are important in the short-term but not core to Globalising Murray & Roberts.

Capabilities:

- Fabrication
- Manufacture
- Services

Geographic

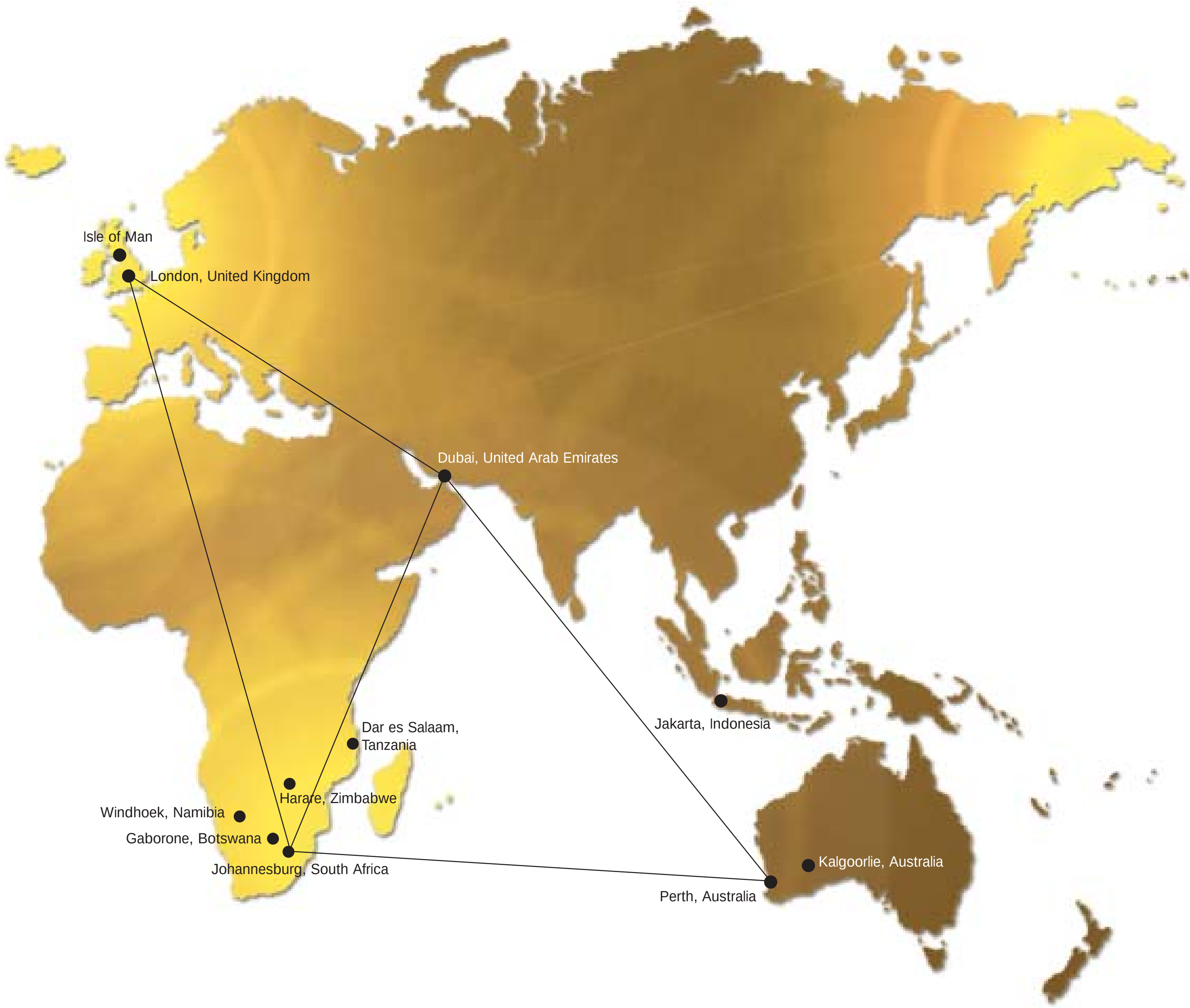
Globalising Murray & Roberts has established a platform for sustainable earnings growth and value creation benchmarked against best practice policies and systems in the global engineering and construction industry.

- Johannesburg is the Group's head office and primary base for operations in Southern Africa.
- Dubai is the centre of Middle East operations and primary base for management of the Group's international activities.
- Perth is the point of access for the markets of Australia and Southeast Asia.

A representative corporate office in London services our northern hemisphere operations and oversees international treasury activity. This increases our risk management capacity and offers better access to the resources necessary for international growth.

The office in Dubai will be enhanced to engage the greater potential of Middle East and the south Asia region, with particular focus on the oil & gas market.

Murray & Roberts has contracted internationally for more than four decades and currently records 24% of its revenues from international markets.



The primary focus of the Group is to serve the construction economies of the southern hemisphere and other developing markets, leveraging its South African competitiveness. New areas of opportunity are the oil & gas and mining & minerals sectors of the global natural resources market.

The Group's traditional international business has been the export of South African manufactured products and major project activity in SADC and Middle East. The acquisition of Cementation Mining and a strategic interest in Clough has opened significant new opportunities in growing global markets.

Murray & Roberts is now positioned as one of the world's leading underground mining services companies with a strong presence in the key markets of Africa, Australasia and North America.

The relationship with Clough provides the Group with an operational presence in Southeast Asia and access to the engineering and contracting oil & gas sector.

Murray & Roberts has substantially enhanced its international executive capacity and has established an international advisory board to guide the expansion of its global activities.

International activity

SOUTHERN AFRICA

Botswana
Democratic Republic of Congo
Lesotho
Madagascar
Malawi
Mauritius
Mozambique
Namibia
South Africa
Swaziland
Tanzania
Zambia
Zimbabwe

MIDDLE EAST

Bahrain
Qatar
Saudi Arabia
United Arab Emirates

SOUTHEAST ASIA

Australia
Indonesia
Malaysia
Philippines
Singapore
Thailand

REST OF WORLD

Benin
Canada
Egypt
Ghana
India
Mexico
Nigeria
Pakistan
Peru

● Representative offices

Charter

We are South African

We believe implicitly in the competitiveness of South African enterprise and the platform that our domestic environment creates for us to be world class.

As business and corporate citizen we are committed to the national agenda of South Africa, including the pursuit of employment equity throughout our organisation, the economic empowerment of all sectors of society and facilitation of the growth of direct investment into the economy.

As global enterprise we strive to meet the expectations of our international markets, benchmarking our performance against best-in-class industry standards and our delivery against world class precedent, at all times conducting our business in terms of best practice governance standards.

Value & growth

Rebuilding Murray & Roberts has been a five year change process that commenced on 1 July 2000 and at the heart of which is a non-negotiable commitment to sustainable earnings growth and value creation. Through this process we have committed to world class fulfilment in the construction economy as our core market, enhanced our core skill in engineering and our core capability in contracting and leveraged our value proposition through our core competence in industrial design.

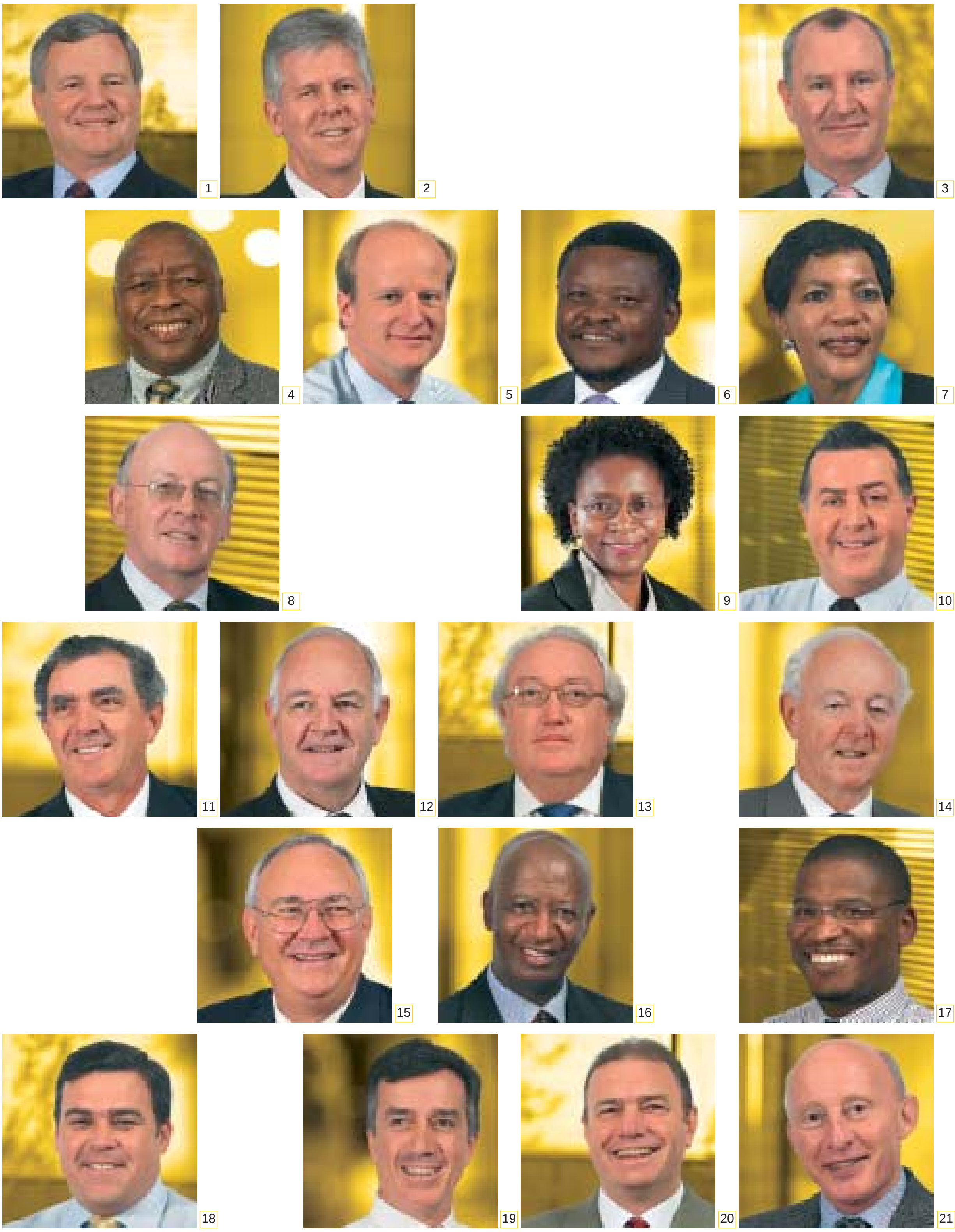
Globalising Murray & Roberts is a growth strategy that from 1 July 2005 seeks new opportunity and value from the platform created over these past five years. We have identified global best-in-class benchmarks against which we measure our performance in engaging our chosen natural resources and regional markets.

We are Murray & Roberts

An integrated group of world class companies serving the construction economies of the less developed world and leveraging our contracting and manufacturing competitiveness into global markets. To ensure our legitimacy in terms of our strategic commitments, we value:

Leadership	Applying the vision, experience and energy of a strong leadership team to the pursuit of profitable growth
Business conduct	Professionalism and integrity in the conduct of our business Open and honest disclosure of information Resolution of disputes by direct personal discussion
Innovation	Encouraging new ideas and better solutions to maintain a competitive edge
Customers	Gaining preferred status by delivering the projects, products and services that fulfil customer requirements
Employees	Enhancing diversity in our workforce Working in partnership to create a better future for all our people
Shareholders	Delivering real growth and returns that maximise shareholder value
Partnership	Building trust with our partners, suppliers, financiers and advisors
Health, safety and environment	Integrating sound health, safety and environmental management into all aspects of our business activities
Corporate citizenship	Supporting a socially responsive, free market economy Participating in the economic development and sustainable growth of communities in which we operate

Group directorate and executive committee



1. Roy Andersen 2. Brian Bruce 3. Sean Flanagan 4. Eddie Funde 5. Norbert Jorek 6. Saki Macozoma 7. Namane Magau 8. Michael McMahon 9. Imogen Mkhize 10. Roger Rees 11. Tony Routledge 12. Martin Shaw 13. Keith Smith 14. Boetie van Zyl 15. Royden Vice 16. Millard Arnold 17. Malose Chaba 18. Edwin Hewitt 19. Craig Lawrence 20. Stephen Pell 21. Terry Rensen

Non-executive directors

Roy Cecil Andersen (57)
CA(SA) CPA (Texas), independent chairman

Appointed to the Board in 2003. Appointed chairman in 2004. Chairman of the nomination committee. Member of the remuneration & human resources committee. Trustee of the International Accounting Standards Committee Foundation. Chairman of Sanlam Limited and Virgin Active (South Africa) (Pty) Limited. Member of the King Committee on Corporate Governance.

Sonwabo Eddie Funde (62)
MSc Eng (Elec), independent

Appointed to the Board in 2000. Member of the nomination committee and the health, safety & environment committee. Chairman of SABC. Director of companies, including Petzetakis Africa. Director of National Institute for Economic Policy. President of South African Communications Forum.

Sakumzi Justice Macozoma (48)
BA, independent

Appointed to the Board in 2001. Member of the remuneration & human resources committee. Trustee of The Murray & Roberts Trust. Chairman of Stanlib Limited and Andisa Capital Limited. CEO of New Africa Investments Limited. Co-Chairman of the Business Trust. Director of companies.

Namane Milcah Magau (53)
BA EdD (Harvard) MEd BEd, independent

Appointed to the Board in 2004. Member of the remuneration & human resources committee and the health, safety & environment committee. President of the Businesswomen's Association. Director of companies, including Santam Limited. Member of the Advisory Board UCT Business School.

John Michael McMahon (59)
PrEng BSc Eng (Glasgow), independent

Appointed to the Board in 2004. Chairman of the health, safety & environment committee. Director of GoldFields Limited and Impala Platinum Holdings Limited.

Imogen Nonhlanhla Mkhize (42)
BSc Information Systems, MBA (Harvard), independent

Appointed to the Board in 2005. Member of the audit & risk management committee. CEO of the World Petroleum Congress 2005. Director of companies, including Sasol Limited. Member of the Financial Markets Advisory Board and Rhodes University Board of Governors.

Anthony Adrian Routledge (58)
BCom CA(SA), independent

Appointed to the Board in 1994. Member of the audit & risk management committee and the remuneration & human resources committee. Trustee of The Murray & Roberts Trust.

Martin John Shaw (66)
CA(SA), independent

Appointed to the Board in 2003. Chairman of the audit & risk management committee. Chairman of Reunert Limited. Director of Illovo Sugar Limited, JD Group Limited, Liberty Group Limited, Liberty Holdings Limited, Pretoria Portland Cement Company Limited, Standard Bank of South Africa Limited and Standard Bank Group Limited.

Johannes Jacobus Marthinus (Boetie) van Zyl (65)
PrEng BSc Eng (Mech), independent

Appointed to the Board in 1998. Chairman of the remuneration & human resources committee. Member of the nomination committee. Trustee of The Murray & Roberts Trust. Director of companies including Sanlam Limited. Director of Peace Parks Foundation.

Royden Thomas Vice (58)
BCom CA(SA), independent

Appointed to the Board in 2005. Chairman of Consol Limited. CE of Waco International Limited.

Executive directors

Brian Cameron Bruce (56)
PrEng BSc Eng (Civil) DEng (hc), group CE

Appointed to the Board and group CE in 2000. Director of Clough Limited. Member of the Construction Industry Development Board.

Sean Joseph Flanagan (46)
BSc (Building), group executive director

Joined the Group in 1991 and appointed to the Board in 2004. Responsible for domestic and regional construction and mining contracting. Previously MD of Murray & Roberts Engineering Solutions.

Norbert Jorek (40)
Dipl – Kfm MBA, group executive director

Joined the Group and appointed to the Board in 2004. Director of Clough Limited. Previously vice president of global management consulting firm AT Kearney.

Roger William Rees (52)
BSc (Econ) Hons FCA, group financial director

Joined the Group and appointed to the Board in 2000. Previously held financial leadership positions in the food, tobacco and media sectors.

Keith Edward Smith (55)
BCom, group executive director

Joined the Group in 1980 and appointed to the Board in 2001. Responsible for construction materials & services and fabrication & manufacture. Previously MD of Johnson Crane Hire.

Company secretary

Sandra Felicity Linford (44)
ACIBM MDP, group secretary

Appointed in 2004.

Murray & Roberts Limited
(main operating company of the Group)

Millard Walter Arnold (58)
BA (Political Science) Juris Doctorate, executive director and legal counsel

Appointed to the board in 2003.

Brian Cameron Bruce (56)
PrEng BSc Eng (Civil) DEng (hc), chairman and MD

Appointed to the board in 1998.

Malose Phillip Chaba (45)
PrEng BSc MSc Eng (Elec), executive director – operations

Appointed to the board in 2004.

Sean Joseph Flanagan (46)
BSc (Building), group executive director

Appointed to the board in 2001.

Edwin Hewitt (39)
MDip Tech Eng (Metallurgical) MDP, executive director – operations

Appointed to the board in 2005.

Norbert Jorek (40)
Dipl – Kfm MBA, group executive director

Appointed to the board in 2004.

Craig Vaughn Lawrence (46)
BCom (Industrial Psychology), executive director – human capital

Appointed to the board in 2004.

Stephen David Pell (47)
BSc (Building Management), executive director – operations

Appointed to the board in 2002.

Roger William Rees (52)
BSc (Econ) Hons FCA, group financial director

Appointed to the board in 2000.

Terence William Rensen (58)
FCA CA(SA) FCMA, executive director – corporate services

Appointed to the board in 2004.

Keith Edward Smith (55)
BCom, group executive director

Appointed to the board in 2000.

International

Peter Richard Adams (57)
FRICS, executive director – Murray & Roberts International Limited

Appointed in 2004.

Additional information on the directors is available on pages 122 and 123 of this report.

Chairman statement

Chairman, Roy Andersen

"The 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."

Dear Shareholder,

It is a pleasure to present an overview of the achievements of Murray & Roberts in this my second report to you as chairman of the Group.

During the past year, the operational performance of the Group exceeded the expectations recorded in the 2004 annual report, in spite of historic difficulties in the Middle East and demanding trading conditions. Overall, financial performance for the year also exceeded the prospects statement included in the interim report to shareholders. This was accompanied by substantial growth in the project order book and positive generation of cash during the second half-year.

Significant progress has continued with the implementation of strategies to focus the Group on selected market segments and efficiently deploy the capital and cash resources of the Group including those realised through the disposal of Unitrans in December 2004.

Strategies

The five year strategy Rebuilding Murray & Roberts was completed on 30 June 2005, having created a solid platform for future growth. We extended our strategic thinking during the year to re-energise our commitment to sustainable earnings growth and value creation. Globalising Murray & Roberts identifies our key future growth markets and global best-in-class performance benchmarks.

During the year we acquired new capacity to serve these markets. Cementation and Clough have strengthened our position in key global natural resource markets and we plan to expand our general domestic capacity through the acquisition of Concor and Oconbrick.

We have made important progress in our key strategies to ensure that our human capital, operating systems and risk management controls are capable of supporting our objectives.

Business environment

The domestic economy remained robust during the year with GDP growth of 3,7% and growth forecasts above 4% for 2006. The consumer-driven residential and commercial construction and materials markets have been buoyant but ongoing strength of the SA Rand has continued to impact mining and industrial investment, with many major projects still being deferred.

Growth in the domestic construction economy during the year ahead is likely to be driven by rising public sector facilitation and investment in infrastructure projects. Early manifestation of this is government's decision to proceed with both the Gautrain Rapid Rail Link and the PBMR Nuclear Power Programme. I am pleased to report that your Group has secured a key position in the engineering and implementation of these major projects.

The global economy remained buoyant through the year, although rising oil prices are cause for concern. However, growing demand for natural resources from China and the rest of Asia continued to stimulate growth in our selected mining and minerals markets in Canada, Australia and Southeast Asia. In the Middle East, where Murray & Roberts recorded most of its international revenue during the year, these same high oil prices have continued to drive growth, particularly in major commercial and infrastructure projects.

Empowerment

Broad-based empowerment of business is essential for the long-term economic and social stability of South Africa. This is no more important than in the skills and labour intensive construction, mining and engineering sectors.

Murray & Roberts has embarked on a comprehensive plan to address the full range of empowerment requirements across its diverse operations serving the domestic construction economy. We have specifically contributed to the development of the Construction Charter and are engaged in many initiatives to meet the requirements of the Mining Charter.

The directors have approved a proposal to repurchase 10% of the issued share capital of the Group for use in the broad-based empowerment and employee ownership of equity in the Group. This will include the benefits and risks of both domestic and international activities.

Details of this proposal are included in a separate circular to shareholders for consideration at a special general meeting.

Employees

The Board has noted with concern the death of 12 employees and subcontractors on our work sites during the past year and we express our condolences to their families.

Health and safety is receiving ever more attention from the Board and executive management.

The wellbeing of our people and their families is important. The nature of our business means that our people may be exposed to a variety of health challenges ranging from exposure to environmental (malaria) and occupational (respiratory) hazards to the lifestyle consequences of work related stress and HIV infection.

More than 90% of our employees reside and work in the SADC region and are impacted in numerous ways by the consequences of HIV/Aids. A recent study confirms that the level of infection amongst employees in Murray & Roberts is not significantly different from the national average. The Group's fixed location manufacturing operations have taken the lead by introducing both awareness training and a variety of treatment programmes.

Our project operations have presented a unique challenge in this respect, with the majority of employees working on a short-term contract basis. Where possible, we have worked with our clients to create greater health and safety awareness through training and development initiatives.

Corporate governance

Your Board places high priority on compliance with the Listings Requirements of the JSE Limited and the Code of Corporate Practices and Conduct embodied in the King Report on Corporate Governance for South Africa 2002. All policy documents and committee terms of reference have been reviewed and revised, where necessary, during the past year.

An independent review of the effectiveness of the Board, the directors and the chairman, which was benchmarked against the requirements for Globalising Murray & Roberts, was completed in July 2004. The outcome of the review was generally favourable and has guided the nomination and appointment of new directors to the Board.

Health, safety and environmental oversight has become a central focus for the Board. Following appointment of a new committee chairman, the terms of reference were revised to strengthen the committee's focus, removing corporate social involvement from the agenda.

An induction programme for directors was established during the year and has already facilitated the introduction of our new non-executive directors to the Board. The programme will provide ongoing education and support to executive and non-executive directors and will be made available to the boards of the operating entities.

The company's articles of association have been updated to take into account changes to the Companies Act, the JSE Listings Requirements and the requirements of King II, as well as the introduction of the new Electronic Communication Act.

Shareholders will be asked to approve the new articles of association at the annual general meeting.

Board of directors

Professor Willie Esterhuyse retired from the Board on 28 February 2005. He was the longest serving independent director, having been appointed in 1990. I wish to thank Willie for the valuable experience and insight he brought to Murray & Roberts, particularly with regard to business ethics and the socio-political environment.

Dr Namane Magau joined as a non-executive director on 8 September 2004. Namane was previously director of group human capital services at the SABC and is now in business. She serves as president of the Businesswomen's Association of South Africa and is a non-executive director on the boards of Santam and Thebe Investments. Namane has been appointed to the remuneration & human resources and the health, safety & environment committees.

Michael McMahon was appointed a non-executive director on 8 September 2004 and chairman of the health, safety & environment committee. Michael was previously chairman of Gencor and Impala Platinum and is now a non-executive director of both GoldFields and Impala Platinum.

Imogen Mkhize was appointed a non-executive director on 1 January 2005 and a member of the audit & risk management committee. She is chief executive of the World Petroleum Congress 2005, an international event to be hosted in South Africa.

Imogen was previously managing director of Lucent Technologies South Africa. In 2001, the World Economic Forum recognised her as a Global Leader for Tomorrow. Imogen serves on a number of boards, including petroleum company Sasol.

Royden Vice was appointed a non-executive director on 1 January 2005. Royden is chief executive of Waco International and chairman of Consol. He was previously chief executive of Industrial and Special Products at UK-based BOC Group and chairman of African Oxygen and Afrox Healthcare in South Africa. Royden has extensive global leadership experience.

Norbert Jorek, a former AT Kearney partner and a strategic consultant to Murray & Roberts in recent years, joined the Group in February 2004 and was appointed an executive director on 8 September 2004.

Sean Flanagan was appointed an executive director on 1 November 2004. He joined the Group in 1991 and was appointed a director of Murray & Roberts Limited in 2001. Sean has extensive domestic and international experience in contracting and is currently responsible for domestic mining and construction operations.

Our Board composition increasingly reflects the transformation of South African society. Four of our directors are from historically disadvantaged backgrounds and two are women. Our new directors strengthen our leadership capacity with their talent and wide experience.

International advisory board

In line with Globalising Murray & Roberts and recognising the complexity of international business, we have established an international advisory board to complement the board of directors in this respect. The advisory board comprises the following members:

Roy Andersen (chairman), Brian Bruce (group chief executive), Campbell Anderson (independent director of Clough), Sir Alan Cockshaw (retired executive chairman of AMEC), Reuel Khoza (former chairman of Eskom), Sean Flanagan, Norbert Jorek, Roger Rees and Keith Smith (group executive directors).

The advisory board's mandate is to advise the Board on:

- regional, geo-political and legislative developments
- industry specific matters
- global industry partnerships
- international finance and banking
- competitive and competitor dynamics

Appreciation

I wish to thank my colleagues on the Board for their dedication and support during a challenging year in which we formally convened nine meetings.

I record my appreciation for the powerful commitment that Brian Bruce, his executives and staff have shown to the ongoing development of the Group. I am confident that we have the strength and depth of leadership required to achieve our strategic objectives.

My thanks also go to our clients and partners for their ongoing support.

Annual general meeting

Shareholders are reminded that the annual general meeting of the company will be held on 26 October 2005. The order of business is set out on pages 124 to 127 of this report.

Prospects

Conditions in our key geographic and natural resource markets in Southern Africa, Middle East, Southeast Asia, Australia and Canada are showing signs of ongoing growth.

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

Roy Andersen
Chairman

Globalising Murray & Roberts

MURRAY & ROBERTS INTERNATIONAL ADVISORY BOARD


Roy Andersen


Campbell Anderson


Brian Bruce


Sir Alan Cockshaw


Reuel Khoza


Sean Flanagan


Norbert Jorek


Roger Rees


Keith Smith

Globalising Murray & Roberts brings best-in-class benchmarking into our Group as a means of underpinning our strategic commitment to sustainable earnings growth and value creation, and the leverage of our capabilities into new geographic regions and growth markets through acquisition, strategic partnership and joint venture.

Globalising Murray & Roberts defines the key market focus for the Group as

- The construction economy of Southern Africa as primary market
- The eastern hemisphere as growth market
- The natural resources markets in mining and natural gas as primary focus
- The demand for energy and power as growth focus

This strategy is pursued from our corporate office in Johannesburg, South Africa and through regional offices in Dubai, United Arab Emirates and Perth, Australia, and a representative office in London, United Kingdom.

Collectively, these offices coordinate and oversee the performance of the Group through established operations in Australia, Botswana, Canada, Indonesia, Namibia, South Africa, Tanzania, and United Arab Emirates. In turn these operations undertake projects within the Group's regional and market focus in more than 35 countries throughout the developing world.

Best-in-class benchmarking offers a comprehensive range of high-level measures against which Murray & Roberts has set its performance agenda for pursuit of its future journey.

A central theme is evident across all markets associated with engineering & construction

- Globalisation and industry consolidation remains an illusive ideal for most organisations
- Many of the world's major players are experiencing increased risk/reward challenges
- A rapidly changing investment and competitive environment has dislocated the sector
- Superior financial performance is evident and possible
- A range of business models can be adopted to deliver superior results
- Best-in-class companies typically exhibit both a revenue and value growth profile

Strategic themes common to engineering & construction best-in-class performers are

- Vertical integration within markets or regions
- Geographic expansion in core markets
- Service diversification within core regions
- Mergers & acquisitions to both consolidate and expand market or regional presence

Key operational themes that define best-in-class performers are

- Order book development
  - On average up to a high of 128% of future revenues
  - On average more than 74% repeat business with known clients
  - Mainly leveraged off financial strength through stable credit rating
  - Always secured through a formal proposals development process
- Project implementation
  - Focused on project end-delivery, through
    - Systems & predictability
    - Measurement & productivity
- Performed through project risk management, embracing
  - Quantification & mitigation
- Sustainability management achieved through
  - Human capital development
  - Knowledge management
  - Health, safety & environment awareness
  - Community engagement

What has become increasingly evident is that the performance of engineering & construction companies is a direct function of the style and capacity of executive leadership. Best-in-class leaders are characterised as high-level and disciplined systems oriented deliverers with strong community engagement capabilities.

Murray & Roberts has placed these best-in-class benchmarking criteria on its development and performance agenda.

International advisory board

An international advisory board has been established to complement the capacity of the Board. Its first meeting was convened in Perth, Australia, in April 2005 where it considered and endorsed Globalising Murray & Roberts as an appropriate strategy for the Group going forward.

Chief executive report to stakeholders

Group chief executive, Brian Bruce

"We feel positive about our future prospects based on current economic prognosis for our selected markets."

This final year of Rebuilding Murray & Roberts has seen a fundamental reshaping of our Group in line with our strategic engagement of the global construction economy. The acquisition of Cementation and a strategic partnership with Clough has established a global engineering and contracting platform serving selected natural resource markets in Southern Africa, Middle East, Southeast Asia and North America.

Our domestic market leadership is enhanced through the acquisition of new business capacity in the construction economy and our preferred bidder status on both the Gautrain Rapid Rail Link and the PBMR Nuclear Power Programme.

Commercial fixed investment has improved in Middle East and new project awards such as Dubai International Airport offer Murray & Roberts a platform for sustainable expansion following two years of market realignment.

Finally, a major benefit of Rebuilding Murray & Roberts has materialised in the form of an empowerment strategy that will see broad-based community and staff participation in the equity of the Group into the future, combined with value-based empowerment partnerships in the Group's various operating markets.

Executive summary

I am pleased to report our financial and performance results for the year to 30 June 2005, providing stakeholders with insight into how Rebuilding Murray & Roberts has established a new platform for the future development of the Group.

This final year of Rebuilding Murray & Roberts has been characterised by further change and transformation as all the preparation throughout the five year process has been crystallised into a new performance platform for the future. While operating profits increased by 29% to R543 million off a 27% increase in revenues to R10,7 billion, a significant increase in taxation and reduced contribution from associates resulted in diluted headline earnings per share of 140 cents compared with 155 cents in the previous reporting period.

We included a *pro forma* summary income statement and balance sheet in last year's annual report highlighting the potential impact of the acquisition of 100% of Cementation and a 30% stake in Clough and disposal of our 45% shareholding in Unitrans. Had we adjusted for the normalisation of taxation, benchmark headline earnings per share would have reduced from 143 cents to 123 cents. This implies growth of 14% in the year.

Disposal of the Group's 45% shareholding in non-core investment Unitrans created the opportunity for acquisition of 100% of the Cementation business in South Africa and Canada and a control shareholding over time in Clough Limited in Australia. Both companies operate within our strategic focus and are expected to deliver attributable earnings from the 2007 financial year at least in line with what could have been expected had the Group remained invested in Unitrans.

The prospects statement included in the 2004 annual report was written at a time of significant corporate activity. Acquisition of the Cementation mining contracting assets in South Africa and Canada had been effected from 1 July 2004. Disposal of our 45% shareholding in Unitrans was in play and we had entered an agreement to acquire a strategic shareholding in Clough, an Australian oil & gas contractor.

Resolution of a number of problem contracts meant that approximately R750 million of revenues in the year would offer no contribution. It is therefore pleasing that we have performed ahead of the prospects update included in the 2004 annual report and the half-year report for the period to 31 December 2004.

We have maintained our operating margin at 5,1% (2004: 5,0%). This incorporates the substantial break-even order book carried through from the prior year and unbudgeted project losses, mainly in Middle East. The Group remains committed to a sustainable operating margin of between 5,0% and 7,5% which reflects both the opportunity and risk profile of our target market.

Our year-end net cash position improved to R1,74 billion from R1,0 billion at 30 June 2004. This includes capital expenditure of R303 million and a net acquisition inflow of R350 million. We experienced a peak in working capital demand during the year, fuelled primarily by delayed funding of losses booked in previous years and some intra-year stock build-up primarily in the steel business sector. R339 million in interest-bearing long-term liabilities relates primarily to a loan facility arranged to fund a portion of the Group's shares in Clough.

A 16,1% return on average shareholders' funds reflects the relative inefficiency of the Unitrans cash as an asset through the second half-year and the increase to normal taxation. While this is below the historic Group target of 20%, it is expected to improve in the future once surplus cash has been invested into productive capacity.

We have experienced a series of setbacks through the year that have impacted performance and represent primary areas of concern.

- We suffered a reversal of R40 million in the first half-year on the Khalifa Sports Hall project in Qatar. Whereas some financial recovery is still possible, it is our experience over recent years in Middle East that this will require significant corporate resolve and may take some considerable time to finalise. This reversal was partially compensated by the recovery of R26 million in respect of the Equatorial Guinea project for which no benefit was recognised in the previous year. We have used lessons from these projects to inform our new opportunity management system and so ensure that we do not repeat the tender and management errors that characterise international contracting risk.
- Our health & safety performance in the year has been disappointing, with 12 fatalities recorded in the period. The new year has started with a further three fatalities in the first month alone. This has highlighted the urgent need for greater awareness amongst all our employees and subcontractors of the inherent dangers associated with construction activity. We have revisited our fundamental strategies in this area and the Group has committed the necessary resources to ensure that all our operations are safe and that all people entering and working in our many work sites are appropriately prepared and protected against possible danger.
- The directors of Consani Engineering (Pty) Limited were required to place the company into liquidation following a decision by the Group to suspend further funding. It was evident that the company was not sustainable under projected economic circumstances. This was a major setback after the effort that went into transforming the company over the previous few years.

These incidents have challenged our delivery of sustainable earnings growth and value creation. But we have learned from the experiences and I have initiated the appropriate interventions into our risk procedures to limit the potential for similar problems in the future.

Market

For the first time in recent memory, all our target markets are showing signs of sustainable growth potential. This brings its challenges and our ability to extract increased value from future activities will depend on how clients, contractors, suppliers and labour adjust to the changed dynamics, and what we see as a temporary shortage of capacity.

South African gross fixed capital formation (GFCF) looks set for an extended period of sustainable growth over the next decade at least. This is in contrast to the steady decline in relative fixed investment we have experienced over the past 30 years. There are strong economic indications that we will experience average nominal investment growth of up to 15% per annum over this period, boosting real gross domestic product above 4% per annum.

We have experienced strong consumer-driven growth in the construction economy over the past two years, with increased private sector funding into the residential and retail asset base. We foresee continued growth in this sector, albeit at a slower rate, but predict that infrastructure spend by the public sector, including public private partnerships, will be the primary driver of growth over the decade ahead.

Fixed investment into essential economic infrastructure by key government agencies and the major parastatals will lead the process. A power deficit estimated at more than 20 000 MW by 2020 will require significant investment into new and upgraded facilities. Transport and logistics infrastructure in the country and region is inadequate for current economic growth projections. Road, rail, air and marine facilities require high levels of capital enhancement and efficiency upgrade. South Africa is also a water-stressed country with uneven distribution between source and consumption. The supply of water and sanitation to society remains an essential foundation for socio-economic development.

Natural resources are expected to offer increasing opportunity for growth as the production maturity of existing investments in the sector fails to meet new demand from China and the rest of Asia. The development opportunity for natural resources is inextricably linked to the provision of primary infrastructure, such as power, water and transport. Murray & Roberts has assembled the capacity in South Africa, Australia and Canada to play a lead design and installation role for the primary infrastructure to access and extract deep-level metal & mineral resources onshore and oil & gas reserves offshore.

Middle East countries are driven to diversify their regional economy. New investment is driven primarily by energy revenues, with increasing attention to the benefits of economic diversification in the region and eradication of its high levels of indigenous unemployment. At the recent World Economic Forum Summit in Jordan, it was stated that tourism would be the primary vehicle for the creation of an estimated 80 million jobs over the next 20 years.

We are well positioned to maintain our presence in the top end of this market, primarily in the United Arab Emirates and Bahrain, but with new opportunity under consideration in partnership with Clough serving the regional oil & gas market.

Globalisation has brought greater awareness of human development needs, highlighting a global deficit in the supply of power, energy and water as well as education and employment opportunity. Globalising Murray & Roberts recognises the influence of these trends on the fortunes of our Group.

More specifically, the competitive landscape for engineering and construction is increasingly influenced by those companies which have benchmarked global best practice for sustainable earnings growth and value creation. The Board of Murray & Roberts and its executive leadership have committed the Group to this level of achievement.

Order book

The Group's project order book has grown to R8,5 billion at 30 June 2005, significantly up on the R5,0 billion (including Cementation) at 30 June 2004 and steady compared with the level at the half-year. This is 130% of current revenues and represents an important cornerstone of performance best practice. R5,4 billion of the order book is for execution in the 2006 financial year with more than 67% repeat business with known clients. The most significant award in the year was Dubai International Airport where the Group's 40% share is worth R2,4 billion over three years.

Southern Africa accounts for 52% of the order book, with 40% in Middle East and 8% in the rest of the world, primarily Canada. From a market perspective, construction accounts for 53%, with 40% in mining contracting and 7% in engineering and fabrication.

Subsequent to year-end and not yet included as order book, is the selection of Bombela as preferred bidder for the Gautrain Rapid Rail Link. The Murray & Roberts share of this project will be disclosed on contract finalisation, and is significant. In addition, the Group is finalising its role as engineering contractor for the Pebble Bed Modular Reactor nuclear power programme, together with long-term partner SNC Lavalin. This project is planned for construction starting in 2007 and over a three year period will offer significant new opportunity to a number of companies in the Group. Thereafter and subject to licensing, the multi-unit rollout programme is expected to extend for up to 20 years.

New projects have been secured since year-end in the domestic mining and construction markets and in Middle East. We are further encouraged by the number of major prospects being pursued by the Group across all its principle domestic and international markets.

The long-term order book for foundry work is stable, although there is some volatility in off-take demand by customers, Ford in particular. We still await a final announcement on the Spoornet locomotive replacement programme in South Africa, where we are a key member of the preferred bidder for the Coalink upgrade project.

Acquisition and disposal

The Group's 45% shareholding in Unitrans was sold effective 31 December 2004 and its final contribution to associate earnings was R64 million for the year. An exceptional profit of R214 million was realised on the transaction which has been partially offset in the period against a provisional loss of R144 million on liquidation of Consani. An exceptional loss of R47 million on sale of Booker Tate relates primarily to its pension fund deficit.

Cementation Canada was acquired in July 2004 and under Roy Slack as president has integrated well into the international structure of the Group and delivered a good performance in the year. Although operating as a relatively independent 100% investment, there is a high level of technical interaction with Murray & Roberts Cementation in South Africa. The company is constructing the world's deepest mine shaft outside South Africa at Nickel Rim in Canada.

The Cementation Company (Africa) Limited was acquired with effect from 1 July 2004, delisted from the JSE Limited and all but 3,8% of minority shareholders bought-out. A series of transactions thereafter resulted in the merger of its main subsidiary with Murray & Roberts RUC.

Since his appointment in January 2005, managing director Henry Laas has led the integration process in the business.

We bade farewell to long-time Cementation managing director and mining personality Alastair Douglas in June 2005, when he retired after more than 30 years with the company. With effect from January 2005 and in terms of broad-based black economic empowerment criteria and the Mining Charter, AKA Capital acquired 26% of Murray & Roberts Cementation.

Our Australian mining operations have performed well in the year and following our decision not to acquire Cementation in Australia, we have reached agreement subject to due diligence, to pursue the acquisition of a specialist mining contracting company in this market. We believe that if successful, this acquisition enables us to improve our service in specialist raise drilling to our worldwide customer base.

Clough is a well established family controlled major engineering contractor that has been listed on the Australian Stock Exchange (ASX) since 1998. The company has a very similar development profile to Murray & Roberts, lagging between 10 and 20 years. It has established a leading position in the offshore oil & gas market over the past 25 years, following development of natural gas reserves from the Northwest Shelf off West Australia.

On 10 November 2004 minority shareholders in Clough based in Perth, Australia approved a transaction that allowed Murray & Roberts to increase its ownership in the company to 29,3% and in terms of a shareholder agreement with McRae Investments (representing the Clough Family), to move to control over time as allowed by the rules of the ASX. The Group has since acquired further shares in Clough through the ASX and its interest in the company stands at 30,3%.

Clough has recorded an attributable loss of AUD60 million (AUD = ZAR5,0) for the year to 30 June 2005. However, the majority of its problems relate to pre-acquisition matters identified by Murray & Roberts in due diligence.

These problems relate largely to an EPIC (engineer, procure, install and commission) oil & gas project off Melbourne in the Bass Straights valued at AUD400 million where the client has drawn-down two on-demand performance bonds to the value of AUD39,8 million against alleged damages. Clough has taken its disputes to arbitration in terms of the contract, but in the meantime suffers a cash flow deficit.

Our share of post-acquisition earnings from Clough is R16 million for the year, which derive largely from 83% listed subsidiary PT Petrosea in Indonesia, oil & gas services projects and some property development activity in Australia.

The initial investment by Murray & Roberts in Clough has been helpful in stabilising the company, allowing its operations to continue and mounting an appropriate legal response for Bassgas. However, the arbitration will not conclude within the new financial year at least, so to underpin the turnaround of the company and reinforce our original investment, we have reached agreement with McRae Investments and the board of Clough, subject to shareholder and regulatory approvals, to increase our shareholding in Clough through an issue and subscription for new shares and an equivalent sell-down by McRae Investments.

Murray & Roberts will thereafter hold the right to 49% of Clough and McRae will reduce to below 20%. In the meantime the strategic partnership with McRae as shareholder and the management of Clough under CEO David Singleton continues to develop. With our increased investment in Clough we have established the capacity to engage a more intense partnership across a broader market spectrum into the future.

Further details on Clough are available on www.clough.com.au

A number of new acquisition ventures have been pursued during the year under review, directed at increased penetration into the fragmented South African construction economy.

We have acquired an initial 80% shareholding in leading brick maker Oconbrick Manufacturing (Pty) Limited for a consideration of R96 million. The company is the third largest supplier in its market and together with Harvey Roofing will form the core of our strategy to serve the developing affordable housing market in South Africa.

There has been an extended process concerning the proposed disposal by international company Hochtief AG of its major shareholding in local contractor Concor Limited. Based on due diligence, Murray & Roberts reached agreement with Hochtief to acquire its 45% shareholding in Concor for 1 977 cents per share. Subsequently, the board of Concor agreed to recommend a cash offer of 2 230 cents per share to remaining shareholders, including the Concor Executive Share Trust holding of 15% of Concor shares, in terms of section 311 of the Companies Act.

Criterion Equipment has been sold to J&J Group effective 1 September 2005 in an empowerment transaction valued at R75 million, including an element of vendor financing. Managing director Graham Callanan and his team have served the Group with distinction over the past five years and the directors wish them well in the future.

The planned sale of Pefco Foundry could not be finalised due primarily to property related issues and the company has become an investment under the control of Murray & Roberts Foundries Group until a solution is found.

Acquisition and disposal activity has brought a new dimension to the demands on our corporate executive team. I feel confident that under the direction of Terry Rensen, we have developed leading capacity in due diligence processing. The knowledge we gather is often less about the commercial transaction than it is about the risks we face post-transaction and our option framework in dealing with them.

All these transactions are designed to establish a broader foundation for access to our chosen markets and enhanced delivery for improved performance into the future.

Empowerment

As a South African business enterprise, we are faced with the dual challenge of sustainable growth and broad-based empowerment in our economy. Whereas the former has been an illusive concept for the construction industry over the past two decades, the latter is essential for long-term market stability and requires careful consideration to ensure the correct formula for meeting our commitment to sustainable earnings growth and value creation.

In preparation for implementation of our broad-based empowerment strategy, we have refined the executive management and statutory structuring of our domestic and regional operations to facilitate an appropriate framework for introduction of partners in each business sector. We have established some key principles for our empowerment partnering strategy:

- Strategic and operational capacity focused on leadership, development and growth
- Capacity building through broad-based involvement and employment equity
- Risk and reward sharing through investment of financial and "sweat" equity
- More than 25% direct equity by 2010 in all relevant operations

Murray & Roberts is a diverse business enterprise, engaging the construction economy in South Africa from various market perspectives and with substantial regional and international business interests. However, we are South African and to embrace empowerment across the full spectrum of the Group, we have proposed that a minimum 10% of our equity be utilised to create a baseline and broad-based empowerment structure.

Within the framework of the Companies Act, the directors have approved a proposal for submission to shareholders at a special general meeting, to repurchase up to 10% of the Group's shares using its own resources, with the specific intent to create broad-based black economic empowerment ownership in the equity of the Group, including qualifying staff.

Full details of this proposal are included in a separate circular to shareholders.

Risk management

Globalising Murray & Roberts will expose the Group to continuous and new risks, particularly through the acquisition of new business capacity and the engagement of new markets. Every aspect of business activity carries risk to a greater or lesser degree and the high levels of complexity that characterise Murray & Roberts compound the business risk environment.

The following are some of the key and material business risks for the Group that are found primarily in the contracting environment:

- The geo-political environment within which projects are engaged
- The legislative environment governing project implementation
- The commercial terms and conditions governing project fulfilment
- The choice of client and the issue of performance and other bonds and guarantees
- The creditworthiness and payment culture of project clients
- The competence of design, engineering and specification information
- The integration of design and build
- The appointment of executive and project leadership
- The choice of strategic and operations partners and subcontractors
- The availability and selection of construction materials and equipment
- The skills and availability of supervision and workforce resource

We have opted for a system of internal control that is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives. This system can provide reasonable, but not absolute assurance against material misstatement or loss. We believe that effective risk management requires executive leadership capable of overseeing the full impact of enterprise-wide risk. This includes oversight of group insurance and internal audit, the management of performance bonds and various forms of guarantee.

We have developed a comprehensive risk management framework that establishes the formal processes through which executives and staff must conduct themselves in the course of doing business. This is supported by internal audit, which monitors brand compliance, health, safety and environmental performance and other aspects of our risk framework.

We have made the important appointment of Bal Panicker as group projects director based in Dubai to ensure best practice in our major project implementation. Bal is involved with the Dubai International Airport project and the developing market engagement between Clough and Murray & Roberts.

Finally, we have introduced an internal online opportunity management system that tests the risk potential of all project opportunities against a matrix established in the context of the material business risks listed above. Linked to the guarantee management system at corporate office, the system establishes an authority framework for the full life of all projects that fall outside a predefined risk framework.

Capacity and capability

Looking to our future development, we appear to have greater capacity and capability compared to when we commenced our initial transformation process five years ago. We start our new journey Globalising Murray & Roberts with an executive and non-executive leadership team where almost 75% of the members (18) are new to Murray & Roberts, 75% of whom (14) have limited previous exposure to construction and engineering.

The transformation process in Rebuilding Murray & Roberts has placed our people under significant pressure. But the process has also liberated the performance potential of our organisation and we have witnessed significant growth in our younger executives. Various development programmes have been established to convert capacity into capability and prepare young and middle executives for the high standards of global performance.

We have continued to enhance our overall leadership capacity in the areas of human capital, strategy and marketing, legal and commercial, risk management, finance and administration and of course, operations.

Our capacity to engage specialist and new geo-political markets is through our choice of strategic partner. This is a key feature of our business model, although not all our partnerships have worked, with cultural differences or too little alignment sometimes causing tensions, single-party dominance or performance apathy.

We have benchmarked global best-in-class in the construction and engineering sector and recognise the increased levels of pressure this brings to our internal systems. We had already conducted a comprehensive review that defined a connectivity blueprint for shared services and project networks. The backbone for our connectivity plan is an enterprise resource planning (ERP) financial management and consolidation system, supported by standardised project management systems that will ensure consistent project delivery across the Group.

The ERP system will be operational during 2006 and promises improved risk management capacity across the Group.

The principal technologies in which we have a competitive competence are a function of the materials used in the majority of our business activities. These are concrete, steel and asphalt, mature technology materials that have formed the cornerstone of construction activity for the past 100 years. There have been many innovative developments in the fundamental chemistry and application technology of these materials. Murray & Roberts has played a pioneer role over many decades introducing these into the South African environment and is now using them to establish itself in new markets.

Restructuring of the Board is virtually complete for the moment. Our new board members and committee chairmen have revitalised governance leadership. New director appointments have replaced recent retirements and the five executive directors now more comprehensively represent the key strategic activities of the Group.

A number of executive appointments and changes have been made in the year. Malose Chaba and Edwin Hewitt were appointed executive directors of Murray & Roberts Limited. Together with Henry Laas (mining), Gordon Taylor (fabrication) and senior corporate executives Peter Young (systems), Frank Kruger (minerals) and Greg Ker-Fox (risk), we have established a formidable engineering leadership capacity in the Group.

The operations reports that follow will highlight more specific changes in structure and responsibility made during the year.

Prospects

The Group's primary leadership focus over the past year has been to stabilise and resource its existing operations

- in preparation for a period of sustainable market growth
- to build a quality major project order book across all business sectors, and
- to convert surplus balance sheet cash and gearing capacity into new areas of business potential within the core strategic focus of the Group

Improved investment and market sustainability in South Africa and elsewhere within the focus of the Group, combined with an improved balance sheet which is the direct result of Rebuilding Murray & Roberts, has reduced the group weighted average cost of capital to an historic low of 10,29%.

We continue to seek involvement in major project opportunities available in Middle East, Southeast Asia and South Africa. These include major construction projects, transport systems, power generation facilities, minerals processing investments and others.

We expect the demand for construction materials in South Africa to remain steady through the year ahead, with some growth as new major projects are started. It is encouraging that cement producers are well advanced with increased production planning.

We foresee further expansion for power generation capacity in South Africa and that our transport infrastructure is in need of significant upgrade to meet economic development targets. These developments will offer increased public private partnership opportunity.

International and natural resources markets of interest to the Group are expected to grow in line with continued economic activity in south and Southeast Asia and demand from China.

With a lower interest rate regime seemingly well established and inflation under control in spite of higher energy prices, we are positive that general market conditions will continue to improve during the year ahead. Growth will primarily be driven by government investment into infrastructure and domestic direct investment into industrial, commercial and residential assets.

In Rebuilding Murray & Roberts we have created a modern organisation for the future from the basic foundation and structure laid out by our founders. We have stripped surplus capacity from the organisation and have sought to take a lead in enhancing the image of our industry and to establish some level of differentiation in the minds of investors and clients.

We feel positive about our future prospects based on current economic prognosis for our selected markets. We are conscious that few executives in the South African construction industry have direct memory of the period of sustainable investment and growth experienced through the 1960's and 1970's. Nevertheless, we expect the years ahead to bring real growth in headline earnings off the sound and strategic platform established over the past five years.

Brian Bruce
Group chief executive

Operational review

CONSTRUCTION & ENGINEERING


Malose Chaba


Jerome Govender


Nigel Harvey


Edwin Hewitt


Henry Laas

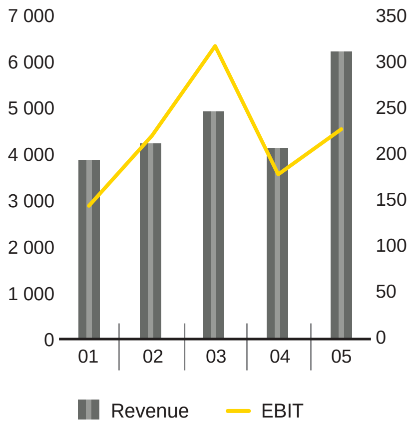

Simon Mordecai-Jones


Stephen Pell


Roy Slack

	Revenue		EBIT	
R millions	2005	2004	2005	2004
CONSTRUCTION & ENGINEERING	6 237	4 153	226	177
Construction	3 128	3 022	89	83
Mining	2 506	480	111	13
Engineering	603	651	26	81

Construction & engineering
Ongoing operations
(R millions)



Building & construction

We have invested significant executive time and effort over the past two years consolidating our Southern Africa provincial and regional building and civil construction operations into a single business. Murray & Roberts Construction based in Johannesburg now incorporates the full range of general and specialist capability in its sector and has the critical mass to engage significant market development in the region as prime contractor.

For the task going forward, corporate responsibility for our construction activities in Middle East and North Africa was assumed by our newly established international coordinating office based in London with effect from July 2004. This has made a significant difference to our capability in these operations and we now source most of our resource requirements from the international market.

Performance

Revenues for construction and related operations, excluding concession operations, in South Africa and SADC increased marginally to R2,21 billion (2004: R2,13 billion) with operating profit up 55% to R90 million (2004: R58 million) at a margin of 4,1% (2004: 2,8%). This result was influenced positively by the settlement of an outstanding debt in Equatorial Guinea, which offset losses incurred in the Western Cape where the rapid development of a buoyant residential building market caused a shortage of resources, leading to performance reversals. We have stabilised our engagement of this market and there are indications that residential growth has now peaked and that commercial and retail opportunities are returning.

A fair value increase of R46 million (2004: R34 million) in our concession investments in South Africa delivered operating profits of R37 million in the year (2004: R35 million). This is an audited accounting valuation and we continue to be conservative in our economic modeling.

We spent the past year rebuilding our executive team in Middle East as we completed some difficult projects and reached finalisation on the settlement of a number of contracts. Revenues for the year increased to R914 million (2004: R889 million) at an operating loss of R38 million (2004: R10 million including San Stefano). The major contributor to the loss is Khalifa Sports Hall, and a further R10 million was provided against the ADNOC office project. No contribution has been recognised on the Dubai Airport contract, which is expected to exceed 10% of full value in October 2005.

Market

The general level of construction opportunity in South Africa has improved with larger projects being offered. During the year, we completed a number of commercial building projects in Gauteng and secured a new retail centre in Vanderbijlpark valued at more than R200 million. Since year-end, we have been awarded a R350 million project to upgrade and extend commercial facilities at the Loch Logan resort in Bloemfontein and we have received a letter of intent for the new R520 million Bedford Village project in Bedfordview. We have prequalified in joint venture to tender the multi-purpose head office complex for the Department of Foreign Affairs in Pretoria which will be let under a PPP concession contract.

We are experiencing improved conditions in the industrial civil engineering market, in spite of subdued mining sector investment and are working on major projects for Impala Platinum at the No 16 and No 20 shafts.

We completed the downsizing of our roads & earthworks operation in the year, which has returned to profitability. This operation has been positioned for the domestic road refurbishment and surfacing market, but maintains capability to undertake selected large earthmoving projects in the region.

The upswing in domestic construction activity is increasingly driven by renewed investment in infrastructure. We are well positioned with the most competitive joint venture tender for the R1,5 billion Vaal River Eastern Sub-system Augmentation Project (Vresap). Murray & Roberts, in partnership with Bouygues and SPG (representing a consortium of empowerment enterprises) will design and build project infrastructure for the Gautrain Rapid Rail Link. Some enabling work is likely to commence prior to project start-up later in the current year.

Although not at the same level as the previous year, our established operations in Botswana and Namibia performed well in commercial building, industrial civil engineering and roadworks. These operations have healthy order books and there are a number of significant opportunities in the pipeline.

During the year we mounted a significant challenge to tender for some of the world's largest construction projects in Dubai. The airport Concourse 3, Terminal 2 and Car Park finishing and commissioning project was awarded in December 2004 with a value to Murray & Roberts of R2,4 billion over three years. We have secured further work in Bahrain, where we are building the City Gardens twin tower project and Dubai, where we are well advanced with the 60-floor Goldcrest residential tower.

Our concession investments in N3 Toll Road Concessionaires, owner and operator of the N3 between Heidelberg and Cedara and in Bakwena Platinum Concession Company, operator of the N4 Platinum highway, exceeded expectations during the year. We continue to seek new investments in this area.

Leadership

During the year, Sean Flanagan was appointed group executive director responsible for domestic and regional construction and mining contracting. He has supported Murray & Roberts Construction managing director Stephen Pell through a complete overhaul of his operations leadership.

A number of new executive appointments and an active recruitment programme to attract expatriate South African construction executives from the United Kingdom are designed to build our domestic implementation capacity.

Peter Adams joined the Group in July 2004 as managing director of Murray & Roberts United Kingdom. He is a seasoned international construction executive and provides management and support services to our Middle East and North Africa construction operations as well as our mining contracting operations in Canada.

Nigel Harvey is an experienced Murray & Roberts building construction executive. He transferred to Middle East in January 2004 as general manager where he has rebuilt our regional leadership team, managed the tender process for major projects and engaged the start-up of the airport project.

During the year, Jerome Govender was appointed general manager of our concessions and development business.

Our safety record for the year has been disappointing and we blame a combination of management and worker complacency together with an attitudinal and skills deficit. In South Africa, we have renewed our training and development activities to address these deficiencies and the serious skills shortages in the construction industry. Plans are well advanced to reopen in-house regional training centres for artisans and specialist labour.

Best-in-class systems capability is an essential requirement for modern global contracting. We have decided to improve our current capability in this respect and have embarked on an ERP system throughout our project businesses to strengthen our engagement and delivery of major project opportunities.

Prospects

Empowerment has become an important feature of our marketplace, particularly in the construction sector which is generally seen as a primary contributor to socio-economic development. Murray & Roberts Construction engages empowerment partners on a regional basis and has established successful partnerships in Gauteng and Western Cape. We have much to do as we seek to meet indigenisation demands and our own risk requirements for local partnership in the rest of SADC.

Our operating partnership with Al Habtoor Engineering in Middle East has changed over the years and is now largely concentrated on new mega projects in Dubai. We have a successful partnership with Abdullah Nass in Bahrain and are exploring the oil & gas markets of the Gulf region with the Al Rushaid Group of Saudi Arabia. With the Al Habtoor family as our sponsor in UAE, we are exploring our operating options in what we believe will be the new growth centre of Abu Dhabi.

The higher oil price and resource demand from Asia are driving new investment into marine infrastructure and gas extraction and processing facilities throughout the Gulf region in Middle East. We have assembled a leadership team to develop our strategy for this market together with Clough.

Murray & Roberts in SADC started the new year with its order book at R1,15 billion for the year ahead, which represents less than 50% of current revenues. Although this is down from R1,7 billion in the previous year, it is of a better quality and a number of new projects have been secured since year-end.

Murray & Roberts in Middle East started the new year with a record order book of R1,6 billion for the year ahead, compared to R700 million in the previous year. About 60% of this relates to Dubai Airport which has been ring-fenced as a separate business enterprise. About R25 million of residual break-even is carried into the new year.

We do not expect the award of Gautrain to impact the financial results for the year ahead, but Dubai Airport will deliver its first contribution at the half-year. Thereafter, projects secured and others in the pipeline will underpin the performance of this sector through to 2010 at least.

City Gardens twin tower project in Bahrain

Shaft sinking and equipping

Mining construction

We started the year with the acquisition of The Cementation Company (Africa) Limited and Cementation Canada Inc into our operations portfolio. Since then we have invested significant resources integrating capacity and organising operations in South Africa, Australia and Canada to offer an integrated mine construction and development service to clients in the global mining industry.

We merged the South African operations of Cementation with Murray & Roberts RUC to form Murray & Roberts Cementation, focused on the African mining market. Cementation Canada has been integrated within Murray & Roberts International, together with RUC in Australia.

South African empowerment investment company AKA Capital acquired a 26% equity stake in Murray & Roberts Cementation from 1 January 2005.

Performance

Murray & Roberts Cementation recorded revenues of R1,85 billion (2004: R400 million for RUC only) and an operating profit of R69 million (2004: R4 million for RUC only) at a margin of 3,7%. These results include rationalisation costs incurred during the year.

Revenues from mining contracting in Canada and Australia are R655 million with operating profits of R42 million at a margin of 6,4%. Cementation Canada performed well in an active market, exceeding its targets, while the completion of a successful contract bolstered performance in Australia.

Market

South Africa remains our primary mining contracting market. We experienced increased activity in the platinum and diamond mining sectors but SA Rand strength continued to limit investment decisions in the gold sector. We are pursuing opportunities in the revived copper industry in Zambia, the gold and nickel industries in Tanzania and the gold mines of Ghana.

Mine development contributes 45% of revenues in South Africa, with activities in various platinum projects in the Rustenburg area, including Impala No 20 shaft, Karee 4 twin shafts and the Turffontein subvertical decline shaft. Although gold projects are limited, we secured the Tautona decline shaft project. In the diamond sector, we are working on De Beers Finsch mine in the Northern Cape and the Cullinan mine near Pretoria.

We are exploring two large design-build opportunities, one at the De Beers Finsch mine and the other at the Konkola Copper Mine in Zambia.

Contract mining contributes 40% of revenues in South Africa and offers good future growth prospects, particularly in the platinum sector. Our work at the Kroondal platinum mine is proceeding well and the mine is currently the lowest cost producer in the industry. The Dwarsrivier chrome contract mining project in the Steelpoort area is also exceeding performance targets.

The remainder of the business in South Africa is focused on small specialised projects, which includes exploration drilling, raise drilling and cementation work.

Cementation Canada is constructing the world's deepest mine shaft outside South Africa at the Nickel Rim South project. This project recently came on line with the vent shaft delivered and the main shaft due for sinking during the year. Underpinning the global nature of this business, the Lupin contract mining project within the Arctic Circle met its performance objectives in difficult mining conditions and with an excellent safety record.

Another major project at Red Lake improved throughout the year after a difficult period in the first half of the year. Securing the Diavik project maintains Cementation Canada's presence in the Arctic where the company has partnered an indigenous community through its company, Kitikmeot.

The Australian underground mining market continued to benefit from strong demand for metals and minerals during the year. RUC Mining Contractors is currently the premier raise drilling company in Western Australia with 75% of its projects in gold and base metal mines. The company's joint venture contract for the construction of a 1 140 metre deep, seven metre diameter hoisting shaft at Telfer mine in Western Australia was completed in June 2005.

Leadership

Henry Laas, who previously led the Murray & Roberts RUC team, was appointed managing director of Murray & Roberts Cementation from 1 January 2005. Other key appointments are David van der Merwe as financial director, George Parker as commercial director, Tim Wakefield as technical director and more recently Alan Whidlake as business development director. Reuel Khoza, who is chairman of AKA Capital and former chairman of Eskom, was appointed chairman and Sam Nematswerani, who is chief executive of AKA Capital, was appointed a non-executive director. Sean Flanagan represents the Group on the Board following his appointment as group executive director responsible for domestic and regional mining and construction activities.

Roy Slack is president of Cementation Canada and Lawrence Newnham leads our operations management in Australia, supported by George Parker from South Africa.

Financial and project management systems are being upgraded in this sector as part of the group ERP system rollout. Further operational improvement is already evident due to greater focus by management on key performance areas, including project review, performance reporting and risk management.

Murray & Roberts Cementation achieved a lost time injury frequency rate (LTIFR) for the year of 5,43, compared with the Ontario benchmark of 5,0. Unfortunately, we suffered three fatal incidents during the year. Significant leadership effort is being applied to improving safety performance. Cementation Canada implemented a number of important safety initiatives, including extensive supervisory training and common core certification for miners. The positive attitude safety programme was implemented at Diavik. There were no lost time injuries recorded in Australia during the year.

Prospects

Murray & Roberts Cementation started the new financial year with a strong order book of R2,6 billion from which 85% of the new year's revenue has been secured.

There are numerous new mining opportunities in our targeted African markets. The market for brownfield extension projects remains strong in South Africa and new growth is expected from various design-build and contract mining opportunities. AKA Capital plays an important role positioning the Group in Africa and with new entrants to the South African mining sector.

Cementation Canada is developing a large diameter raise boring presence in North America based on our global resource and aims to have equipment and contracts in place by early 2006.

We have a full order book for the new financial year in Australia and we have engaged discussions to strengthen our capacity in the region by acquisition and organically through new shaft sinking and decline shaft development opportunities.

The Australian underground mining market is forecast to grow at more than 6% per annum over the next three years, driven by ongoing demand for metals and minerals, commodity price increases and a structural shift towards underground production. The global underground mining contracting market is forecast to grow above 10% per annum through to the end of 2006. This offers attractive opportunities in the smaller specialised market sectors such as raise drilling and shaft sinking.

Engineering contracting & services

We have repositioned our overall engineering contracting & services capability during the year to offer better access to major new market opportunities arising from increased global demand for natural resources, industrial products and new sources of power and energy.

In anticipation of greater cooperation with Clough in the oil & gas sector, we have established our mechanical electrical and instrumentation (MEI) and marine engineering & construction as independent business units under new executive management.

It has been a challenging year for Murray & Roberts Engineering Solutions with only limited industrial and mining work available due mainly to a slowdown in new capacity investment. However, the company has been busy on a number of front-end engineering assignments and project feasibility studies. Although these indicate the potential for future investment, they do not adequately recover the overhead cost of the company.

Performance

Revenues in this difficult year reflect the low order book and an overhead under-recovery, and are down 8% to R603 million. Combined operating profits are down to R26 million compared to R81 million for 2004 at an operating margin of 4,3% (2004: 12,4%)

Market

Overall, the market for mining and industrial projects has been impacted by the strength of the SA Rand and a high level of investment uncertainty. We have started to experience an investment upturn which offers more promise for the year ahead.

New investment in gold and platinum mining has improved with a moderate weakening in the SA Rand exchange rate. Global demand for iron ore and steel has driven new investment capacity, with Murray & Roberts in joint venture selected as EPCM contractor for Kumba's R2,5 billion iron ore expansion contract at Sishen. Murray & Roberts and partners have also been awarded the contract to replace two Hot Blast Stoves for Mittal Steel at their Vanderbijlpark works.

The marine infrastructure market in Southeast Asia remains buoyant with our project on the Tanjung Bin power project in Malaysia largely completed in the year.

Feasibility studies include a mineral sands project in Mozambique, a major diamond mine and processing facility in South Africa, a copper/cobalt tailings processing plant in the Democratic Republic of Congo and two significant coal mining projects.

We have also commenced the feasibility study for Sappi's proposed R2 billion expansion of its Saiccor facility in KwaZulu-Natal. During the year we successfully completed Mondi's RB720 brownfields expansion project in Richards Bay and won the contract to install a new paper machine for Mondi in Durban.

We have maintained a successful relationship with South African Breweries (SAB) over a long period of time and are participating in its R5 billion capacity expansion project in South Africa. During the year, we successfully relocated the old Vivo brewery from Centurion to Lubango in Angola for SAB.

Power offers significant new potential for growth in the Southern African region. The challenge is not only to meet demand but also to diversify away from coal-based technologies and fully explore the potential for nuclear, gas and hydro power plants. Power is one sector where we can truly leverage our integrated strengths and we are positioned for a leading role in feasibility studies, EPCM, EPC and IPP delivery models.

Leadership

With effect from 1 July 2005 Edwin Hewitt has been charged with responsibility to establish renewed capacity and integrity in our engineering construction capability. He has supported managing director Simon Mordecai-Jones to rebuild the leadership capacity of our MEI business and we have appointed Ian Dryden as managing director of our marine contracting operation.

Since the appointment of Malose Chaba as managing director of Murray & Roberts Engineering Solutions in May 2004, we have invested significant resource into strengthening our engineering and project management capacity and seeking greater leverage from our Group's inherent collective strength. As we gear up for major new market opportunities, we recognise that human resource and systems capacity pose a significant challenge.

The Group has strengthened its focus on employment equity and empowerment during the year and is recruiting in the international market to complement areas of limited skill in South Africa and SADC. Performance and systems continue to be benchmarked against global best practice to ensure that the business remains competitive.

Prospects

Growth prospects in our targeted market sectors are promising and Murray & Roberts is well positioned for new major project opportunities in the power, minerals, food & beverage and paper & pulp sectors.

The building and maintenance of strong relationships with major clients in these and other sectors continues to reap benefits.

Operational review

CONSTRUCTION MATERIALS & SERVICES


Jerome Arendse


Louis Geldenhuys


Phillip Hechter

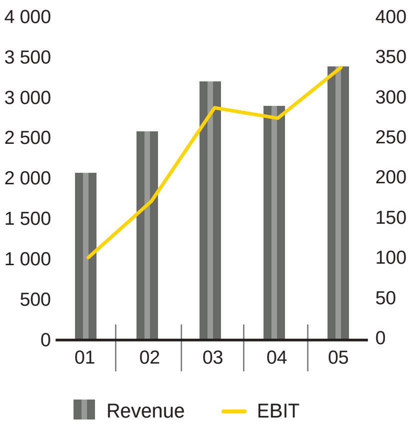

Rob Noonan


Gordon Taylor


Gerald Topfer

	Revenue		EBIT	
R millions	2005	2004	2005	2004
CONSTRUCTION MATERIALS & SERVICES	3 432	3 011	340	274
Steel	2 268	1 956	156	113
Infrastructure	833	737	144	134
Services	331	318	40	27

Construction materials & services
Ongoing operations
(R millions)



The general level of construction investment has remained buoyant in Southern Africa and Middle East, offering stable market conditions for the supply of construction materials and services. These conditions have presented the opportunity to comprehensively restructure the Group's business operations in the construction materials & services sector. In so doing we have established a globally benchmarked and market leading group of business enterprises focused around three primary materials – concrete, steel and asphalt.

We created a separate steel fabrication focus with Genrec and Hall Longmore during the year and from 1 July 2005 we included UCW to form a significant business cluster. In addition, we have established Harvey Roofing Products as a self-standing business in preparation for the formation of a building materials sector serving the housing market.

Performance

Our steel products & services operations increased revenues to R1,64 billion at an operating profit of R95 million, up from R84 million in the previous year. The performance of our steel fabrication & manufacturing operations is more dependent on major project activity and recorded a revenue increase to R626 million from R428 million in 2004 at an operating profit of R61 million, up from R29 million.

Our infrastructure materials & services businesses continue to underpin this sector, with revenues of R833 million and operating profits of R144 million. This compares with R737 million and R134 million for the previous year.

Steel products

We invested R100 million in a new ladle furnace at the Cisco steel mill. Unfortunately, production was impacted for two months when a burn-through of molten steel damaged new control panels. Repair work has been completed and the mill is operating at full capacity once again. Performance targets aligned to best practice benchmarks will be achieved in the new financial year.

Murray & Roberts Steel delivered approximately 200 000 tons of value-added product to the SADC market and exported 150 000 tons of billet and other reinforcing steel products to the Far East, West Africa and Indian Ocean Islands during the year. This represented real growth in supply and helped to maintain higher-than-normal levels of capacity at most production facilities.

In the reinforcing steel products market, we supply 60% of requirements to smaller participants in the general construction market. In the past, the bulk of supply was through tendered work. This market shift has contributed to an improvement in performance during the year and has enabled the business to maintain market presence with potential further upside from major project awards.

We distribute reinforcing steel products to the domestic market through a combination of wholly owned branches, regional joint ventures and franchised partnerships. Many of the latter are empowered and operate successfully in various niche markets.

Steel fabrication & manufacturing

Having delivered a loss in the previous year, a new leadership team in Genrec has initiated a turnaround in operational efficiency and a return to profitability in spite of limited activity and poor pricing discipline in large structural steel projects in the domestic market.

The single largest project secured during the year for Sasol Polypropylene has grown in scope and appears to be on track for successful completion. A moderate weakening of the SA Rand has revived some mining projects in the platinum sector. Although conditions in the domestic structural steel market will remain difficult through the new financial year, preparations for the 2010 Soccer World Cup and other anticipated infrastructure projects are expected to support the market in the medium term.

Genrec will test the potential to participate in niche areas of the Middle East market and is also exploring other opportunities, including smaller structural steel projects, such as warehousing, in its domestic market.

Murray & Roberts invested R100 million in a new ladle furnace at the Cisco steel mill during the year

Demand for steel pipe in South Africa fell sharply from October 2004 as mining companies changed their spending patterns. These conditions stabilised by the end of the financial year but an upward trend in demand is not yet evident. Hall Longmore was able to offset the impact of this trend in its domestic market by exporting product to the USA and Nigeria. International sales accounted for 20% of revenue during the year and should show further growth in the year ahead, buoyed by ongoing strength in the international oil & gas market.

Hall Longmore successfully completed a contract to supply pipe to the Obajana Gas Pipeline in Nigeria during the year and is exploring other opportunities in West Africa. In South Africa, the business has tendered to supply pipe to the Vaal River Eastern Sub-system Augmentation Project (Vresap) as well as other water related pipeline projects.

Infrastructure materials & services

Much Asphalt performed well in a flat market, but maintained its strong position in a mature road construction and maintenance market.

Road rehabilitation projects undertaken during the year included the EB Cloete highway in Durban, which is again on schedule after the resolution of design and start-up problems. Ongoing work at Johannesburg International Airport, the Wilderness section of the N2 highway and the N1 in Cape Town ensured a solid baseline of activity. An upturn is expected in line with rising public sector investment in infrastructure but the entry of smaller competitors into the domestic market is likely to place some pressure on margins.

Much also focused on technology improvements in all its plants during the year and is benchmarked against international best practice. Partnership opportunities in KwaZulu-Natal are being explored with empowerment company Lehumo Women's Investment Holdings.

Rocla maintained its trend of solid earnings growth in a mature concrete piping and culvert market for the fourth consecutive year. This is largely as a result of ongoing operational improvements. Sluggishness in the Gauteng and KwaZulu-Natal markets was offset largely by a buoyant Eastern Cape, where infrastructure development at Ncgura port was the main contributor. In the SADC region, Rocla's established operations in Botswana and Namibia performed well in strong markets.

Future prospects include ongoing work on a road project in Tanzania, phase two of a road project in southern Namibia and major sewer projects in the Western Cape and Transkei.

Toll Road Concessionaires (Tolcon) experienced another good year in its toll road operations off the back of strong economic growth. The new N1/N2 Winelands toll road and the R300 Penway toll roads in the Western Cape continue to be delayed.

Temane Gas Pipeline

Tolcon currently operates the entire N3 route and the N2 North Coast toll road and has a 33,3% shareholding in Pt Operational Services which operates the N1/N4 Bakwena Platinum highway. During the year, traffic volumes exceeded forecasts on the N2 and N3 contracts. Apart from the two toll roads in the Western Cape, future prospects include the renewal of the existing toll contracts on the N2 South Coast and the Tsitsikama toll road.

Empowerment company Lehumo Women's Investment Holdings has a 26% shareholding in subsidiary company Tolcon-Lehumo and is an active, value-adding partner in the business.

Tolcon is a fixed income business and profitability is determined largely by operational efficiency. During the year, Tolcon focused on optimisation of operational processes and benchmarked itself against international best practice.

Harvey Roofing Products suffered the impact of strong competition in the steel tile market during the year. Management changes and realignment stabilised the business, which has been separated from the steel grouping to partner Oconbrick Manufacturing in a new housing initiative.

Leadership

Keith Smith is the Murray & Roberts executive director responsible for construction materials & services. During the past two years, we appointed a number of new executives who have brought significant leadership capability to the ongoing success of this area of our business. Gordon Taylor was appointed managing director of Genrec and Hall Longmore in April 2004 and assumed executive responsibility for UCW with effect from 1 July 2005. Palello Lebaka was appointed managing director of UCW with effect from 1 July 2005 following the retirement of Louis Taljaard. Louis Geldenhuys was appointed managing director of Rocla in July 2004 and Lee Cochrane was appointed general manager of Harvey Roofing at the helm of a substantially changed management team.

Prospects

Our construction materials & services operations are expected to benefit from the anticipated rise in infrastructure spending in South Africa, particularly in the transport infrastructure, road refurbishment and power sectors.

We achieved moderate success in the asphalt surfacing and pre-cast product manufacturing sectors in the SADC region during the year and will pursue further growth opportunities.

Plans to enter the affordable housing sector as a supplier of construction materials are well advanced and will be strengthened by the acquisition of Concor and Oconbrick and the repositioning of Harvey Roofing Products. Other opportunities in this sector are being reviewed.

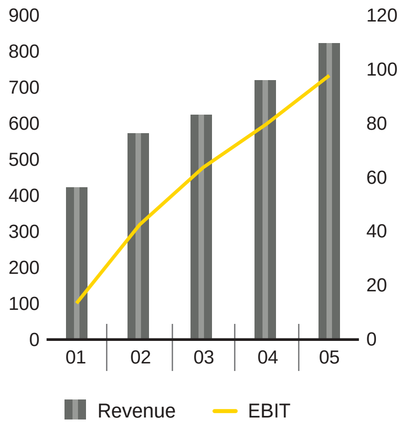
INDUSTRIAL MANUFACTURE

Edwin Hewitt

Palello Lebaka

	Revenue		EBIT	
R millions	2005	2004	2005	2004
INDUSTRIAL MANUFACTURE	1 024	1 259	92	70
Manufacture	610	501	66	39
Fabrication	363	572	24	28
Services	51	186	2	3

Industrial manufacture
Ongoing operations
(R millions)



We have invested significant management and cash resources into our industrial manufacturing & services businesses in recent years. Although they represent an important anchor for us in the South African economy, it is appropriate that these businesses are not seen as core to Murray & Roberts in the long-term. However, we value their contribution to Rebuilding Murray & Roberts and will seek to resolve their future in our best interests, in partnership with the operating company in question.

We faced such a decision with Consani Engineering (Pty) Limited in January 2005 when its directors were required to place the company into liquidation following a decision by the Group to suspend further funding.

In line with the above we have sold equipment company Criterion to J&J Group with effect from 1 September 2005 in an empowerment transaction.

Performance

Murray & Roberts Foundries Group and our other industrial investments including Consani and UCW generated lower revenues of R1,02 billion in the year compared with R1,26 billion in the previous year. With Consani excluded, revenue remained constant in the period.

These companies generated operating profits of R92 million compared with R70 million for the previous year, at an improved operating margin of 9,0% and a return of 25% on capital employed, which is acceptable for non-core investments.

Market

Through our foundry operations we have become a leading supplier of sophisticated engine systems to the South African automotive market. We have invested R300 million over four years in a capital investment programme that has upgraded our manufacturing facilities in Brits and Port Elizabeth to world class status. This has made it possible for us to play a key role in the two largest engine export programmes from South Africa.

Many of our new projects secured during the year are repeat orders from existing clients. Ford has commissioned us to conduct all tooling and manufacturing development for its 1,6 litre RoCam cylinder head and extended the RoCam engine programme with exports to South America. We have been awarded the LT3 project by Volkswagen, comprising engine blocks, cylinder heads and intake manifolds. Other projects include the supply of components for Toyota vehicles and exhaust components for Arvin Meritor.

We continue to develop value-added capabilities such as machining, tooling and component design. Our Foundries Engineering Centre has become a world class facility and develops in-house design and tooling development capabilities.

UCW met its financial targets in the year despite further delay in the allocation by the South African Rail Commuter Corporation (SARCC) of the 5M2A metro coach refurbishment project. An initial allocation of work was received in August 2004, whereafter the UCW Partnership was awarded an additional allocation of the same quantity in September 2004.

The Spoornet Main Line Locomotive Investment Programme, which had been anticipated during the year, did not materialise. The UCW Partnership, with Mitsui and Toshiba, is currently the preferred bidder for the R1 billion five year Coalink locomotive project which is a part of this programme. A decision by Transnet to proceed with the project is still awaited.

The UCW Partnership has submitted a tender for the Orex Line locomotive project, which is of similar magnitude to Coalink, and another project to build and lease diesel locomotives to Spoornet. The business has been approached by SNCC in the Democratic Republic of Congo to consider opportunities to refurbish old Spoornet passenger coaches and has also received an enquiry from Benin to build new locomotives and wagons.

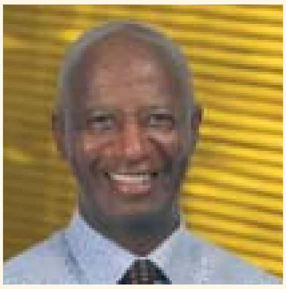
Prospects

The liquidation of Consani has narrowed our investment profile in this sector. Our Foundries Group has a stable long-term order book which bodes well for the medium term, whereas UCW is forced to continue with the uncertainty of ongoing delays in the award of new capital expenditure projects in the Government's locomotive and rolling stock refurbishment programme.

Operational review

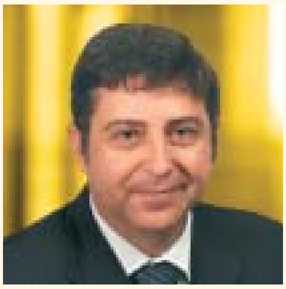
CORPORATE


Peter Adams


Millard Arnold


Brian Bruce

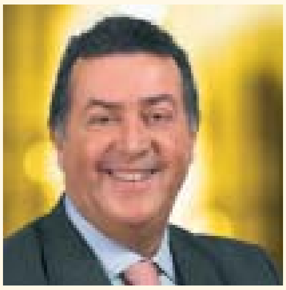

Sean Flanagan


Charles Henwood


Norbert Jorek


Craig Lawrence


Sandi Linford


Roger Rees


Terry Rensen


Keith Smith

	Revenue		EBIT	
R millions	2005	2004	2005	2004
CORPORATE	1	1	(115)	(100)

Corporate activity has played a major role in the transformation of the Group over the past year, building on the work of Rebuilding Murray & Roberts. Our corporate office provides leadership, strategic direction, support and performance targeting to group companies based on our philosophy of high levels of connectivity and common purpose between all elements of the Group.

Corporate overheads for the year increased 15% to R115 million, due largely to major project development costs and enhanced executive leadership to ensure capacity for growth and risk management across our diverse domestic and international activities.

Leadership

The directors of Murray & Roberts Limited form the group executive committee which meets monthly and is responsible for reviewing the management and operations of the Group. The chief executive forum meets quarterly and brings together operational and corporate leadership to discuss matters of importance to the Group.

Our corporate leadership capacity was strengthened during the year with the appointment of Sean Flanagan as group executive director, domestic and regional construction and mining and Norbert Jorek as group executive director, business strategy. Craig Lawrence was appointed executive director, human capital and Terry Rensen executive director, corporate services, including risk management. Charles Henwood was appointed as group financial manager, Greg Ker-Fox as group risk manager and Sandi Linford as company secretary.

Our international corporate capability was enhanced with the appointment of Peter Adams as managing director Murray & Roberts United Kingdom and Richard Pope as finance director.

Commercial

We have established legal counsel in the office of the group chief executive responsible for administration and consistency of contracts and legal services to the executive leadership team. Executive director Millard Arnold also engages in legal due diligence and is involved in the management of reputational issues. A free flow of information concerning legal matters in the Group is maintained to ensure that we learn from the experiences of others.

Communication

We have committed ourselves to open and honest communication with all our stakeholders, including customers, employees, communities, business associates and society at large.

This annual report is our primary reporting document. It satisfies the Listings Requirements of the JSE and reports our progress in complying with the recommendations of the King Report on Corporate Governance for South Africa 2002.

We offer a range of other platforms for communication with our stakeholders, including:

- the Murray & Roberts web site www.murrob.com, which provides investors and other stakeholders with immediate and equal access to information about our Group
- the CE Forum on the web site, which encourages interactive engagement on all aspects of Murray & Roberts
- our client services centre, which offers a point of focus for communication with and information on the Group and will play an increasing role in internal communication
- financial results presentations and trading updates for investors
- a quarterly journal Robust, which provides news and analysis of developments in our Group
- the Murray & Roberts Interchange, which provides updated information for employees

Corporate social involvement

The Murray & Roberts corporate social involvement (CSI) programme is a demonstrable commitment to sustainable social development. We appreciate that our business activities have an impact on the communities in which we operate and we are committed to managing this impact responsibly.

The key focus areas of our CSI programme are mathematics, science and technology education, numerical education in early childhood development and environmental education.

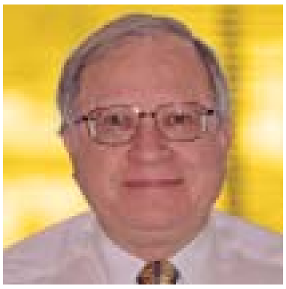
Finance

We have a strong corporate finance team which ensures compliance and delivers taxation, treasury, reporting and technical accounting leadership to the Group. Charles Henwood was appointed group financial manager in August 2004. He was previously managing director of our concessions business.


Greg Ker-Fox


Frank Kruger


Bal Panicker


Peter Young

We initiated an International Financial Reporting Standards (IFRS) conversion project in January 2005. This process is on schedule to deliver the Group's first JSE compliant IFRS financial reporting for the interim period ending 31 December 2005.

Our treasury provides the Group with access to local and foreign funding markets. We implemented a new treasury software system during the year that operates within a framework of approved authority levels, products and counter parties.

We operate within a number of complex tax jurisdictions. Income tax, secondary tax on companies, capital gains tax and others are planned in the context of our growth profile. It is important that Murray & Roberts is treated fairly as a corporate citizen and conducts its business within the ambit of appropriate tax legislation.

Governance

Our corporate governance framework was established in 2003 and is constantly reviewed to ensure compliance with latest international and domestic practice.

We introduced a charter and code of conduct for the Board and directors in the year and undertook a further independent evaluation of the performance and effectiveness of the Board and directors.

We reviewed and enhanced our induction programme for directors during the year, which has effectively facilitated the introduction of new non-executive directors and will also be available to the boards of our business operations.

Sandi Linford was appointed company secretary in November 2004.

Health, safety & environment

We have established health, safety and environmental (HSE) management as an integral component of our leadership strategy. The primary role of our corporate HSE capacity is to oversee and lead the Group's commitment to sound health, safety and environmental management throughout all aspects of its business activities.

We have established a set of HSE targets that are outlined in the HSE committee report.

Human capital development

As we gear up for Globalising Murray & Roberts, a key strategic imperative is to ensure that our human capital is a competitive advantage.

A human capital strategic framework defines global best practice and focuses on issues that have the greatest impact on the Group's ability to achieve its strategic objectives. These issues are diversity, capacity, performance, reward and risk & relations.

The diverse nature of our Group requires that individual business operations tailor their human capital plans to meet specific market and performance needs. In this context, a human capital forum meets regularly under leadership of Craig Lawrence, providing HR executives from across the Group with an opportunity to share information, develop as professionals and discuss HR issues.

Risk management

Group risk, under leadership of Terry Rensen supported by Greg Ker-Fox, is responsible for implementation and management of the group risk framework approved by the Board in February 2005. The framework is designed to manage rather than eliminate the risk inherent in our business activities.

The framework comprises an opportunity management system developed during the year to improve decision-making in the pursuit of project opportunities. An operational risk committee has been constituted to act as the custodian of the Group's risk appetite and will interrogate risks associated with key decisions.

Group risk also provides valuable leadership in acquisition due diligence reviews, major bid development, project audits and strategic and project risk assessments.

Murray & Roberts
Sustainability

P

Sustainability

Murray & Roberts embraces a value system that places sustainable development and value creation at the heart of its business aspiration where sustainability reporting is guided by the King Report and the JSE Socially Responsible Investment (SRI) index.

For more than 100 years, the Group has played a key leadership role in the development of sustainable institutional capacity in all fields associated with its business interests.

Our group chief executive has long been a leader of construction industry transformation. He has led the development of government's Construction Industry Development Board (CIDB) since 1997, first as task team chairperson and then as first chairperson of the CIDB. We have also contributed to the development of the Construction Charter and are engaged in many initiatives to meet the requirements of the Mining Charter.

Murray & Roberts has qualified for the JSE SRI index for the second consecutive year. Fifty-eight companies in the FTSE/JSE All Share Index participated in the 2005 review of which forty-nine, including Murray & Roberts, met the criteria.

The SRI Index is the first of its kind for an emerging market. It measures a company's commitment to and performance against the environmental, social and economic pillars of sustainability practice with corporate governance as the foundation.

Corporate governance

Murray & Roberts has a corporate governance framework that has been in operation for many years. It is constantly reviewed to ensure compliance with latest corporate governance practice in South Africa and internationally as appropriate. Our corporate governance policies and practices are set out on pages 47 to 49 of this report.

Risk management

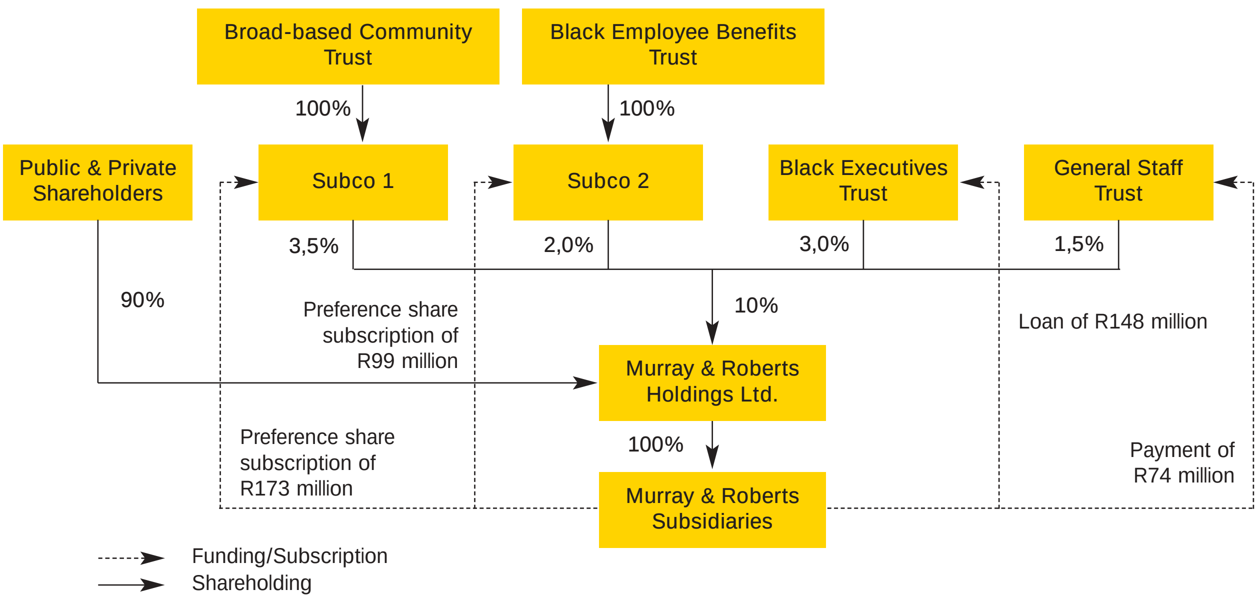
Murray & Roberts has introduced a comprehensive risk framework to manage rather than eliminate the risk inherent in achieving its business objectives. A risk committee is mandated by the audit & risk management committee to manage risk at an executive level and assist the Board to fulfil its corporate governance supervision responsibilities relating to risk management. The full report of the committee is set out on pages 50 and 51 of this report.

Black economic empowerment

Murray & Roberts believes that broad-based empowerment of business in South Africa is essential for long-term economic and social stability.

We have developed a unique advanced model for delivering this belief in terms of the Broad-Based Black Economic Empowerment Act and various industry charters. Our belief and strategy are supported by clear statements of intent by our

The Murray & Roberts broad-based empowerment and employee equity ownership arrangement



Board and executive leadership and BEE issues are monitored regularly at a group level. All operations within the Group focus their BEE activities on human capital, equity ownership, preferential procurement and corporate social involvement.

During the year, the directors approved a proposal to repurchase 10% of the issued share capital of the Group for use in a broad-based empowerment and employee equity ownership arrangement.

At an operations level, Murray & Roberts has developed successful partnerships with high-level BEE entities and individuals who are interested in and bring appropriate gravitas to the construction and mining industries. They have proven capacity to support our underlying operations with working capital and performance guarantees.

In our operations, we have developed a number of partnerships with small and medium-sized emerging businesses. These partners are required to invest “sweat” equity in specific projects or operations and Murray & Roberts builds capacity in them over time. The operations which undertake construction projects in South Africa are often required to include a BEE component in projects, either by joint venture arrangements, subcontracting or procurement of materials.

Human capital development

We finalised our human resource (HR) strategic framework during the year to facilitate the development of our people and ensure that our human capital is positioned as a competitive advantage. The framework focuses on diversity, capacity, performance, reward and risk & relations. Each area is driven by an objective and supported by practical initiatives.

The remuneration & human resources committee assists the Board to fulfil its responsibilities relating to the Group’s HR framework and policies.

Murray & Roberts embraces diversity and considers it an opportunity. We comply with prevailing employment equity and skills development legislation. All of our domestic operations compile employment equity plans and reports required by the Department of Labour and employment equity forums, representing employees, contribute to the pursuit of our objectives.

In recent years, we have attracted a growing number of previously disadvantaged executives who see in our Group a long-term career opportunity. Almost 80% of our South African employees are black, while 11% of group employees are female. Of the 15 directors on our Board, four (27%) are black and two (13%) are women, while approximately 52% of all levels designated as management in our domestic operations are black and 10% female.

We spent more than R11 million during the year providing formal training and career development for our people. We offer skills development programmes in adult basic education and leadership and processed 103 people through learnerships in the year, 80% of whom were black. We intend to reopen in-house regional training centres for artisans and specialist labour to address skills shortages in the construction industry. To expand the number of young black employees entering Murray & Roberts, we have initiated a graduate recruitment and development programme. Two thirds of our intake for the pilot 2005 graduate development programme are black and 23% are female.

A talent management programme was initiated during the year to identify individuals defined as “top talent” and manage their motivation, development and retention more effectively.

We are establishing a competitive performance culture with exacting standards, balanced criteria and a focus on delivery across the full spectrum of activities required of a

Consolidated summary of the Murray & Roberts employment equity profile

Occupational levels	Male				Female				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	8	6	11	75	3	1	0	5	109
Senior management	39	18	29	187	6	2	2	14	297
Middle management	74	60	36	360	15	8	4	29	586
Junior management	523	382	117	580	85	36	21	144	1 888
Semi-skilled	2 753	637	149	485	319	82	66	208	4 699
Unskilled	2 039	137	19	67	100	22	3	4	2 391
Total permanent	5 436	1 240	361	1 754	528	151	96	404	9 970

sustainable business, including health, safety, environmental management and community development.

In a competitive business environment, we understand that the incentives of recognition and reward are crucial to retaining and motivating existing talent and gaining the status of a preferred employer. We operate within a remuneration framework that sets the parameters for executive and general staff remuneration relative to performance targets.

Additional information on our human resource policies and practices is available in the remuneration & human resources committee report on page 54.

Health, safety & environment

We are committed to the integration of sound health, safety and environmental (HSE) management into all aspects of our business activities.

The HSE committee was established in 2003 to assist the Board with its corporate governance supervision responsibilities relating to HSE management. The committee's full report is set out on pages 55 to 57.

Sustainable HSE performance demands high-level leadership focused more on culture and emotion than on procedure and reporting. The diverse nature of Murray & Roberts makes this a high risk endeavour. During the year ahead, we will introduce a comprehensive revaluation of HSE culture and performance throughout the Group to enable compliance with the performance aspirations listed in the above report.

Corporate social involvement

Our business activities have a profound impact on the communities in which we operate and we are committed to managing this impact responsibly.

Murray & Roberts focuses its CSI activity on development projects aligned with its business strategy, supporting mathematics, science and technology education, numerical education in early childhood development and environmental education.

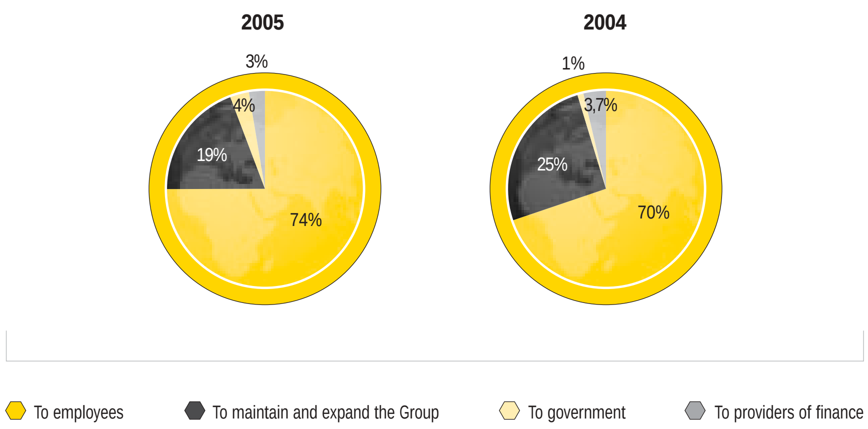
We spent almost R10 million on scheduled CSI projects during the year. Our key investments were the Murray & Roberts Building Africa Exhibition at the new Sci-Bono Discovery Centre in Newtown, extension of the Technology Olympiad to remote rural schools in KwaZulu-Natal and Limpopo provinces, the Murray & Roberts Chair of Environmental Education at Rhodes University and establishment of the Chair of Manufacturing at the University of the Witwatersrand.

We make a number of awards each year to recognise and reward initiatives that contribute to the enhancement of our society. These include the Jack Cheetham Memorial Award for development in sport, the Des Baker Award for students of architecture and the JD Roberts Award for environmentally sustainable solutions to human dilemmas.

We support the United Nations Decade on Education for Sustainable Development declaration, which signals a global commitment to the important role of education in sustainable development.

Value created

During the year Murray & Roberts created value of R3,7 billion (2004: R2,6 billion) which was distributed as follows:



Corporate governance

Statement of compliance

The Board of Murray & Roberts (Board) is committed to the principles embodied in the Code of Corporate Practices and Conduct (Code) included in the King Report on Corporate Governance for South Africa 2002 (King Report). In supporting the Code, the Board recognises the need to conduct the business of the Group with openness, integrity and accountability. A corporate governance framework has been in operation in the Group for many years and is reviewed from time to time and updated where appropriate. The Board is of the opinion that Murray & Roberts substantially complies with the Code.

Board of directors

Murray & Roberts has a unitary Board with fifteen directors, ten of whom are independent non-executive directors and five are executive directors. In line with best practice, the roles of chairman and chief executive are separated.

The Board is responsible for the strategic direction of the Group and is governed by a charter that sets out the framework of its accountability, responsibility and duty to the company.

The Board conducts its business in the best interest of the Group and ensures that the Group performs in the best interests of its broader stakeholder group, including present and future investors in the Group and in its products and services, its business partners and employees and the societies in which it operates. In order to address its accountability and responsibility, the Board:

- monitors that the Group complies with all relevant laws, regulations and codes of business practice and that it communicates with all relevant stakeholders (internal and external) openly and promptly and with substance prevailing over form
- defines levels of materiality, reserving specific powers to itself and delegating other matters by written authority to executive management
- gives direction to the Group in all matters and approves the strategic plan developed by management in the context of the Board charter
- monitors implementation of the strategic plan by management
- monitors performance through the various board committees established to assist in the discharge of its duties
- monitors the key risk areas and key performance areas of the Group and identifies the non-financial aspects relevant to the Group and its business
- considers its size, diversity and demographic make-up
- determines the policy and processes to ensure the integrity of:
  - risk management and internal controls
  - executive and general remuneration
  - external and internal communications
  - director selection, orientation and evaluation

The Board undertakes an annual review of its charter and is committed to corporate governance best practice above the minimum requirements set by the King Report.

Board meetings

The Board meets at least five times a year in formal meetings. In addition, the directors meet informally ahead of the meeting at which the Group's budget and business plan are examined in the context of the approved strategy. At this meeting, senior executives in the Group engage with the directors in a broad conversation on implementation of the Group's strategy. All directors are kept informed between meetings of major developments affecting the Group.

The record of attendance by each director at the five board meetings and four special board meetings held during the year under review is reflected in the tables on page 52 of this report.

Chairman and group chief executive

The chairman and group chief executive operate under separate mandates issued by the Board that clearly differentiate the division of responsibilities within the company, ensuring a balance of power and authority. The chairman presides over the Board, providing effective and directed leadership and ensuring that all relevant information and facts are placed before the Board for decision. The group chief executive is charged with responsibility for the day to day ongoing operations of the Group. He develops the Group's long-term strategy and recommends the business plan and budgets to the Board for consideration.

The Board appoints the group chief executive and ensures that succession is planned through the remuneration & human resources committee.

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 Group. These are:

- executive
- audit & risk management
- remuneration & human resources
- nomination
- health, safety & environment

The Board and each committee give attention to both new and existing matters of governance and compliance within their respective mandates. A statement from the chairman of the Board and the chairman of each committee is included in this report.

Each committee operates according to terms of reference approved by the Board which are reviewed annually. With the exception of the executive committee, all other committees are chaired by independent non-executive directors of the Board. The independent non-executive directors complement the executive directors through the diverse range of skills and experience they bring from their involvement in other businesses and sectors. They bring independent perspectives on corporate governance and general strategy to the Board as a whole.

The record of attendance by each member of the respective committees for the year under review is reflected in the tables on page 53 of this report.

International advisory board

In line with its strategy Globalising Murray & Roberts and given the complexity of the international environment, the Board has established an international advisory board to assist with its oversight responsibilities in respect of the development of the international activities of the Group. The international advisory board has no statutory or delegated powers to bind the company. It serves as a forum for executive and non-executive directors to interact with selected prominent individuals who have proven experience in the engineering and construction industry and international markets.

The terms of reference of the international advisory board are reviewed annually within a broad mandate to advise the Board in the following areas relating to the international business environment:

- regional, geo-political and legislative dynamics
- industry specific dynamics
- business partnerships
- finance and banking
- competitive and competitor dynamics

The international advisory board met once during the period under review.

Selection of directors

The Board has approved a policy on the criteria for the selection of directors and the nomination and evaluation processes to be followed.

Independent advice

All directors are entitled to seek professional independent advice at the Group's expense.

Board effectiveness

A board evaluation was conducted between July and September 2004 by an outside consultant to assess the strengths and weaknesses of the directors and the Board and to make recommendations in areas which may require improvement. The next board evaluation which will be internal, is scheduled to be conducted in 2006.

Orientation programme

While it has been the practice to ensure that non-executive directors appointed to the Board engage in a comprehensive induction process to familiarise themselves with the Group, the Board recognises that a more formal induction programme is required. The process includes visits to key operations in the company of group executives and extensive discussions with group leadership. A continuing education programme has been instituted under the direction of the chairman and implemented by the company secretary.

Company secretary

All directors have access to the advice and services of the company secretary who is responsible for the proper administration of board and corporate governance procedures. The company secretary provides guidance to the directors on their responsibilities within the prevailing regulatory and statutory environment and the manner in which such responsibilities should be discharged.

Executive committee

The directors of Murray & Roberts Limited serve as the executive committee of the Board which is chaired by the group chief executive. It supports the group chief executive in his responsibility to:

- implement the strategies and policies of the Group
- manage the business and affairs of the Group
- prioritise the allocation of capital, technical know-how and human resources
- establish best management practices and functional standards
- approve the appointment of senior management and monitor the performance of senior management
- fulfil any activity or power delegated to the executive committee by the Board that is in conformity with the company's articles of association

Risk management, internal control and internal audit

The Board promotes the rational engagement of risk in return for commensurate reward and is responsible for ensuring that risk management including related systems of internal control are formalised throughout the Group. These systems of risk management, internal control and internal auditing aim to ensure the effective and efficient management of operations, protection of the Group's assets, legislative compliance, business continuity, reliable reporting and the interests of all stakeholders. Details of the Group's risk management status are set out on pages 50 and 51 of this report.

Share dealings

The Group has an insider trading policy that requires directors and officers who could be expected to have access to price sensitive information to be precluded from dealing in the Group's shares as well as the shares of any listed associate company for a period of approximately two months prior to the release of the Group's interim results and a period of three months prior to the release of the annual results.

To ensure that dealings are not carried out at a time when other price sensitive information may be known, directors and officers must at all times obtain permission from the chairman or group chief executive before dealing in the shares of the Group. Approved dealings in the Group's shares by directors are disclosed to the JSE and published on the Stock Exchange News Service (SENS). All approved dealings are reported in arrears to the regular meetings of the Board.

Audit & risk management committee

> **Martin Shaw**

The audit & risk management committee (committee) assists the Board to fulfil its corporate governance supervision responsibilities relating to accurate financial reporting and adequate systems, controls and risk management processes. The committee evaluates the findings of external audits, the actions taken and the appropriateness and adequacy of systems of internal financial and operational control; it reviews accounting policies and financial information issued to stakeholders and it recommends the appointment of external auditors and their remuneration.

The Board is provided with regular reports on committee activities. The external auditors have unrestricted access to the chairperson of the committee. The independence of the external auditors is regularly reviewed and all non-audit related services are reported in terms of an agreed policy.

The committee met three times during the year under review.

Membership

The committee must consist of at least three non-executive directors and must be chaired by an independent director. During the year under review MJ Shaw served as chairman of the committee with AA Routledge as a member. AJ Morgan resigned on 26 July 2004 and was replaced by IN Mkhize on 1 January 2005.

All committee members are independent non-executive directors and are financially literate. The chairman, group chief executive, group financial director, group executive responsible for risk management and external auditors, attend meetings by invitation.

Terms of reference

The committee's responsibilities include:

- monitoring the group accounting policies and making recommendations to the Board to ensure compliance with generally accepted accounting practice
- discussing and agreeing the scope, nature and priority of the audit
- reviewing the external audit reports for the interim review and full-year audit
- reviewing the group annual financial statements and the group results and making recommendations to the Board for publication in the interim and preliminary report and the annual report
- reviewing and recommending to the Board for approval, the Group's statement on the maintenance of a sound system of risk management and internal control

The committee's terms of reference are reviewed annually at the April board meeting.

Audit and administration

Financial and administrative management within Murray & Roberts was strengthened during the period under review, with the appointment of a number of senior financial executives into both corporate and operational roles.

The full-year independent audit has been efficiently managed by new audit partner Andrew Mackie following the untimely death in April 2005 of his predecessor Mike Goldsworthy.

International Financial Reporting Standards (IFRS)

An internal project team was established to deal with conversion to IFRS which involved an impact assessment study, training for senior financial management, preparation of

IFRS conversion reporting packs and other tools, roll-out of conversion issues and adjustments, with full compliance in place from 1 July 2005 onwards.

Risk management

A project to review and install an entire system of risk management and internal audit within the Group is ongoing with an anticipated completion date of June 2006. Once completed, the project will result in a fully integrated approach to risk management and internal audit throughout the Group.

A risk framework has been designed to manage, rather than eliminate, the risk inherent in achieving agreed business objectives. This framework was approved by the Board in February 2005 with the group risk management executives (group risk) responsible for coordinating roll-out of the framework. Risk coordinators have been appointed with accountability for implementation in each of the operating companies.

A key element of the risk framework is an opportunity management system, which was developed during the year and is aimed at enabling improved decision-making in the pursuit of project opportunities. This has necessitated formalisation of a risk appetite for the Group, which includes such project characteristics as country, legal code, partners, clients and other commercial factors against which opportunities are evaluated. An operational risk committee has been constituted to act as custodian of the group risk appetite, respond to the risk register and interrogate risks associated with key decisions.

Group risk is responsible for recruitment of operational risk managers, professional training programmes, adoption of an international risk management standard and procurement of a generic system for disciplined, consistent risk management and internal control.

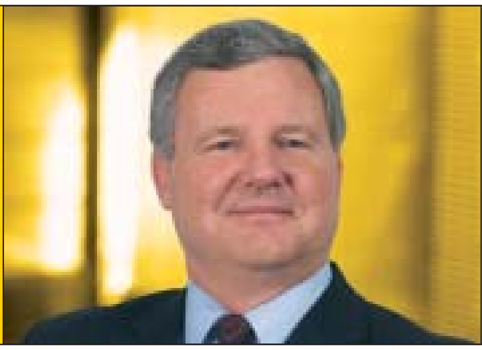
A risk report is tabled at each committee meeting and a register of major risks facing the Group is reviewed by the committee twice a year.

There is regular communication between the group chief executive and group risk. In addition, the Group employs a firm of forensic consultants and investigators and an independent whistle-blowing service that report monthly to the group chief executive.

Group risk participated in various activities during the year including acquisition due diligence reviews, major bid development, project audits and strategic and project risk assessments.

Murray & Roberts is a founding member of the Engineering and Construction Risk Institute, formed under the auspices of the World Economic Forum. The Institute aims to promote best practice in risk management throughout the engineering and construction industry.

Martin Shaw
Chairman



Nomination committee

> Roy Andersen

The nomination committee (committee) aims to ensure that the structure, size, composition and effectiveness of the Board and board committees are maintained at levels that are appropriate in the context of the Group's strategy. It does so by regularly evaluating the Board's performance, undertaking performance appraisals of the chairman and directors, evaluating the effectiveness of board committees and making recommendations to the Board.

The committee comprises the chairman of the Board and at least two other independent non-executive directors. The chairman of the committee is appointed by the Board.

RC Andersen served as chairman of the committee and SE Funde and JJM van Zyl continued as members during the year. The committee met formally three times.

An independent review of the effectiveness of the Board, the directors and the chairman was completed in July 2004. The outcome of the review was generally favourable.

Specific matters that received the attention of the committee during the year included consideration of the outcome of the board review and recommendations to the Board concerning the appointment of two independent non-executive directors and two executive directors.

Recommendations to the Board were made concerning the appointment of members of the international advisory board and regarding changes to the membership of board committees.

Succession planning, taking into account the strategy of the Group and future retirements from the Board, was also addressed.

Roy Andersen
Chairman

Record of attendance at directors' meetings for the 2005 financial year

Name of director	Category of director	23 Jul 2004 (Special)	25 Aug 2004	18 Oct 2004 (Special)	3 Dec 2004	26 Jan 2005 (Special)	28 Feb 2005	13 Apr 2005	7 Jun 2005 (Special)	29 Jun 2005
RC Andersen	Independent chairman	✔	✔	✔	✔	✔	✔	✔	✔	✔
BC Bruce	Chief executive	✔	✔	✔	✔	✔[1]	✔	✔	✔	✔
WP Esterhuyse *	Independent	✔	✔	✔	✔	X	✔	N/A	N/A	N/A
SJ Flanagan [3]	Executive	N/A	N/A	N/A	✔	✔	✔	✔	✔	✔
SE Funde	Independent	✔	✔	✔	✔	✔	X	✔	✔	✔
N Jorek **	Executive	N/A	N/A	✔	✔	✔[1]	✔	✔	✔	✔
SJ Macozoma	Independent	X	X	X	✔	✔	✔	✔	X	X
Dr NM Magau **	Independent	N/A	N/A	✔	✔	✔	✔	✔	✔	✔
JM McMahon **	Independent	N/A	N/A	✔	✔	✔[1]	✔	✔	✔	✔
IN Mkhize ***	Independent	N/A	N/A	N/A	N/A	X	✔	✔	✔	✔
AJ Morgan [2]	Independent	✔	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
RW Rees	Executive	X	✔	✔	✔	✔	✔	✔	✔	✔
AA Routledge	Independent	✔[1]	✔	X	✔	✔	✔	✔	✔	✔
MJ Shaw	Independent	✔	✔	X	✔	✔	X	✔	X	✔
KE Smith	Executive	✔	✔	✔	✔	✔	✔	✔	✔	✔
JJM van Zyl	Independent	X	✔	✔	✔	✔[1]	✔	✔	X	✔
RT Vice ***	Independent	N/A	N/A	N/A	N/A	✔	✔	✔	X	✔

N/A = Not applicable   * Retired 28 February 2005   ** Appointed 8 September 2004   *** Appointed 1 January 2005
[1] Participated via telephone conference   [2] Resigned 26 July 2004   [3] Appointed 1 November 2004

Record of attendance

Record of attendance at board committee meetings for the 2005 financial year

Audit & risk management committee

Name of member	24 August 2004	25 February 2005	27 June 2005
MJ Shaw (Chairman)	✔	✔	✔
IN Mkhize *	N/A	✔	✔
AA Routledge	✔	✔	✔

N/A = Not applicable * Appointed 1 January 2005

Remuneration & human resources committee

Name of member	24 August 2004	23 February 2005	28 June 2005
JJM van Zyl (Chairman)	✔	✔	✔
RC Andersen	✔	X	✔
BC Bruce	✔	✔	✔
Dr NM Magau *	N/A	✔	✔
SJ Macozoma	X	✔	X
AA Routledge	✔	✔	✔

N/A = Not applicable * Appointed 8 September 2004

Nomination committee

Name of member	24 August 2004	23 February 2005	28 June 2005
RC Andersen (Chairman)	✔	✔	✔
SE Funde	X	✔	✔
JJM van Zyl	✔	✔	✔

Health, safety & environment committee

Name of member	22 November 2004	12 April 2005
JM McMahon (Chairman)	✔	✔
BC Bruce	✔	✔
WP Esterhuyse *	X	N/A
SE Funde	✔	✔

N/A = Not applicable * Retired 28 February 2005

Remuneration & human resources committee

> **Boetie van Zyl**

The Group's remuneration philosophy and human capital framework is aligned with its business strategy to attract, retain, motivate and reward directors, senior executives and staff by the payment of fair, competitive and appropriately structured remuneration and through effective employment policies and practices. The remuneration & human resources committee (committee) met three times during the year to monitor the achievement of these objectives.

Membership

The committee comprises the chairman, at least two other independent non-executive directors and the group chief executive. The group financial director and group human capital executive attend all meetings in an *ex officio* capacity. JJM van Zyl served as chairman and other members of the committee are RC Andersen, BC Bruce, Dr NM Magau, SJ Macozoma and AA Routledge.

Terms of reference

The terms of reference of the committee are reviewed annually. These were reviewed and approved by the Board on 22 June 2004, 25 August 2004 and 13 April 2005.

The committee assists the Board by regularly submitting reports and recommendations regarding the Murray & Roberts employment policies, human capital development and employment equity, as well as succession planning in respect of executive directors and senior executives. The committee is also responsible for considering and approving proposals regarding the remuneration, benefits, share options and related matters of executive directors, including the group chief executive, all managing directors of the Group's operating entities and senior executives. In addition, the functions, role and mandate of the group chief executive are considered by the committee and his performance is assessed.

An independent advisor has been appointed to offer independent review of the Group's remuneration policies and practices. He attends all meetings of the committee.

Director remuneration

The Group employs the services of an independent consultant to advise on the profiling and appropriate remuneration levels of executive directors and senior executives.

The remuneration packages of executive directors and senior executives include performance-related remuneration, which is determined in terms of incentive schemes operated at group and operating entity level. These schemes have been designed and implemented with assistance from the independent remuneration consultants, to competitively reward those directors and executives who have contributed to the Group's sustainable earnings growth and value creation. The remuneration of executive directors for the year ended 30 June 2005 is set out in note 33 to the consolidated financial statements.

Non-executive directors receive a fee for their contribution to the Board and board committees of which they are members. The level of fees for service as directors, additional fees for service on board committees and the chairman's fee are reviewed annually. The committee recommends fee structures to the Board following research on trends in, and levels of, directors' remuneration for ultimate approval by shareholders.

Remuneration details of non-executive directors for the year ended 30 June 2005 are set out in note 33 to the consolidated statements.

Service contracts

Directors do not have fixed-term contracts and executive directors are subject to notice periods of between one and twelve months. Normal retirement of executive directors is at age 63, while non-executive directors are required to retire at age 70, unless decided otherwise by the Board at its sole discretion.

Retirement and other benefit funds

The retirement funds operated by the Group in South Africa are registered as pension or provident funds and are accordingly governed by the Pension Funds Act 24 of 1956. In South Africa, the Group operated four privately administered defined contribution retirement plans: Murray & Roberts Retirement Fund, Investment Solutions Pension Fund, Murray & Roberts Provident Fund and the Cementation Company Provident Fund.

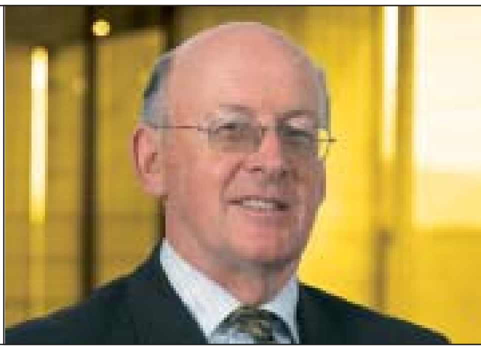
The assets of the funds are independently controlled by boards of trustees which include representatives elected by the members. The funds vest in the members who on exit, are entitled to the funds which have accrued to them. Further details on retirement and other benefit funds are provided in note 32 to the consolidated financial statements.

The Group has submitted a nil surplus scheme to the Financial Services Board in terms of the primary group retirement fund, the Murray & Roberts Retirement Fund. The Group is finalising the remainder of the investigations into the impact of this legislation and indications are that it will not have any negative or significant financial impact on the Group.

Boetie van Zyl

Chairman

Health, safety & environment committee



> **Michael McMahon**

The health, safety & environment committee (committee) assists the Board to fulfil its corporate governance supervision responsibilities relating to the integration of sound health, safety and environmental (HSE) management into all aspects of business activity. The committee evaluates global best practice in HSE management; actions taken and the appropriateness and adequacy of policies and procedures; reviews statistical information issued to stakeholders and guides the Board relating to HSE policy, strategy, leadership and the management of HSE risks.

Membership

The committee consists of at least three non-executive directors and the group chief executive and is chaired by an independent director. During the year under review SE Funde and BC Bruce served as members of the committee. AJ Morgan resigned as chairman on 26 July 2004 and WP Esterhuyse retired on 28 February 2005. JM McMahon was appointed chairman from 8 September 2004. Dr NM Magau was appointed to the committee on 26 June 2005.

With the exception of the group chief executive, all committee members are independent non-executive directors. The group operations directors and the group executive responsible for human capital as well as the group HSE manager attend meetings by invitation.

Terms of reference

The committee responsibilities include:

- reviewing and monitoring the framework, strategy, policies and standards for HSE management
- monitoring substantive national and international regulatory and technical development and practice in HSE management
- reviewing compliance by the company, its contractors and associates with policy, guidelines and appropriate local and international standards and relevant local laws in HSE matters
- monitoring effective risk assessment processes, medical surveillance requirements and accident investigation systems
- reviewing and recommending to the Board for approval an HSE management system consistent with international best practice

The committee terms of reference are reviewed annually. They were initially approved by the Board on 25 August 2004, reviewed on 13 April 2005 and revised on 29 June 2005 by removal of corporate social involvement from the responsibility of the committee.

The committee met formally twice during the year.

Safety

Safety in the workplace during the year has been a matter of concern and increasing attention. Performance overall was disappointing with 12 fatalities recorded across all operations, compared to seven in the previous year. Of the fatalities, seven were employees of Murray & Roberts and five were from subcontractors and service providers. Two of the fatalities were in the Middle East, with the balance being in South Africa. A further three fatalities in July 2005 led to a Board-level reappraisal of the status of our safety efforts.

The acquisition of Cementation in July 2004 (13 000 people in the traditionally hazardous mining sector) and a strategic shareholding in Clough in November 2004 (operating in the HSE focused oil & gas sector) has helped to crystallise greater focus on HSE management in the Group.

HSE is primarily a risk matter, associated with our people (executives, staff and labour) and their behaviour, the recording of data and statistics as an administration process and its financial impact on performance productivity. Contracting operations have an additional complication in that the majority of people working under the Group's custody and control are employees of third-party subcontractors and service providers, many of whom are no more than occasional participants in the process.

The Board has approved a process centred around more vigorous intervention in the workplace based on a programme of leadership, direct engagement and internal communication.

Many industry and mining sectors have set the key benchmark that records safety performance as a progressive lost time injury frequency rate (LTIFR) at a level at 5,0. During the year under review Murray & Roberts' consolidated rate was 4,60. There is significant scope for further improvement, particularly in those of our operations that are considerably worse than the group average, and the following performance targets have been set with immediate effect.

1 An aspiration to zero harm consequence from our activities, on our company and clients, all people and the environment

2 Fatalities and permanent disablement benchmarked at zero

3 Target LTIFR below a benchmark of (3,0) with a long-term objective of (1,0)

4 Comprehensive incident reporting

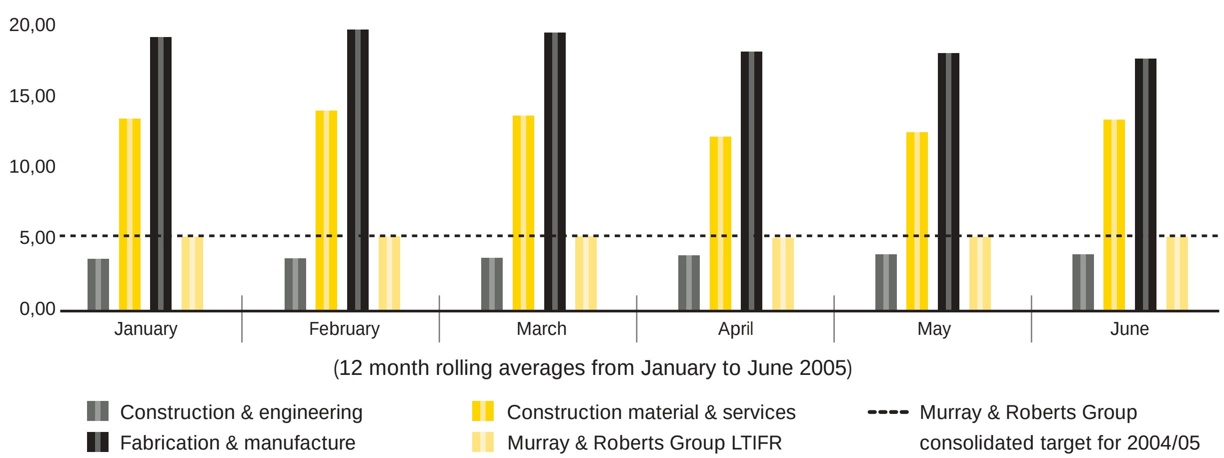
5 The development of business strategies to deliver the above

Comprehensive incident reporting offers a statistical trend of non-conforming behaviour within a workplace environment that gives predictive information for corrective action. This includes the nature of injuries, the severity of near-misses as a crucial indicator of "at risk behaviour" and root-cause analyses of accidents.

A web-based incident reporting system has been introduced throughout the Group to assist with the compilation of reliable and complete data. An incident management tool enables root-cause analysis which assists in the investigation of incidents and accidents and the choice of targeted preventative action.

Lost time injury frequency rate

LTIFR measures work related injury that results in an employee/contractor not being able to return to unrestricted normal duties where trained to operate on the next calendar day. The factor is calculated using the total number of lost hours per one million hours worked.



Health

A group wellness forum has been established, consisting of corporate and operations executives, to review, coordinate and oversee the Group's approach to health matters under the banner of a "wellness strategy".

In a group as diversified as Murray & Roberts it is difficult to determine the prevalence and impact of HIV and Aids. While various "know your status" programmes have been initiated in the Group it has been concluded that our "wellness strategy" in this area should presume that South African national averages are the basis of probable infection rates in our local operations.

The "wellness strategy" plans to move forward from the current early stage of problem definition, to a reasoned set of action plans to minimise the risks to employee and company alike from such threats as HIV/Aids, tuberculosis, malaria and other common ailments in our diverse workforce.

Much capital has been spent in recent years to reduce the health hazards of airborne and noise pollution, particularly at our industrial operations. The extent to which this has been adequate or complete will form part of the "wellness" assessment and strategy.

Lifestyle (commonly based on poverty) has a major impact on the health of many of our employees. While the Group receives its employees into its care each day in a condition determined largely by such factors it is corporate policy to aspire to and apply world class standards in our approach to the health risks facing them – no matter what the origin.

Environment

There is, as yet, no overall appreciation of the environmental risks facing the Group, nor is there any set of group-wide policies. On their own initiative many group operations have become compliant with the ISO 9001 quality management standard and a few have likewise achieved certification for ISO 14001 and OHSAS 18001.

An appreciation of the environmental standards and performance across the Group, and an assessment of appropriate standards and policies for the different types of operations in the Group are among the HSE committee's objectives for the coming year.

Murray & Roberts has supported environmental education for many years and has recently entered a partnership with GoldFields in the Murray & Roberts Chair of Environmental Education at Rhodes University.

Michael McMahon
Chairman

Financial director report

> **Roger Rees**
Group financial director

We completed our five years Rebuilding Murray & Roberts with a strong balance sheet and a sound financial performance. Our income statement this year has been influenced by many changes in the structure of our business and a return to normal levels of taxation.

Although our share price stalled over the past two years following a strong performance in 2003, the market has responded positively to this year's results in the context of improved prospects in all our markets.

Balance sheet

Our balance sheet had cash on hand of R1,9 billion at year-end which is an improvement of R800 million on the previous year. This includes the disposal of the Group's 45% share in Unitrans Limited for R935 million offset by the acquisition of Cementation in South Africa and Canada for R200 million and further equity in Clough Limited in Australia of R400 million.

We are currently pursuing a number of opportunities that will see surplus cash converted to operating assets. With our return to a more normalised tax rate we plan to carry an appropriate level of borrowings to be more capital efficient.

The R500 million required to repurchase 10% of the company's shares to initiate our Black Economic Empowerment transaction will be funded from existing cash resources.

During the year, interest-bearing long-term liabilities increased to R339 million which primarily relates to a loan facility arranged to fund a portion of the acquisition of the Group's shares in Clough Limited.

Other investments have risen by R55 million to R360 million of which R46 million relates to a fair value increase in concession investments. These investments represent the Group's capacity to invest in projects that give acceptable long-term rates of return.

Cash generated by operations was R668 million for the year, an improvement on the R289 million for the previous year. A working capital increase of R362 million was reported in the first half-year. This was recovered in the second half-year resulting in a net decrease in working capital for the full year of R33 million.

Capital expenditure during the year was R303 million including R94 million for specific projects in Cementation and R59 million for new capacity in Foundries. Depreciation was R250 million for the year including Cementation, where project assets are depreciated over the expected project life.

The property headlease portfolio has been stable during the year with no underlying commercial deterioration. The majority of these headleases are accounted for as finance lease liabilities with an obligation under finance leases at 30 June 2005 of R353 million. Related investment property at year-end was stated at R250 million.

In accordance with AC105, fixed lease escalations relating to operating leases within the property headlease portfolio have been straight lined over the life of the lease rather than being expensed when incurred. This resulted in a R13 million credit to exceptional items in the current year and additional disclosure on the face of the balance sheet.

Goodwill of R48 million has arisen on the acquisition of Cementation during the year. The goodwill brought forward of R5 million was fully impaired during the year through exceptional items and relates to the acquisition in 2000 of JCI Projects. No impairment was considered necessary on the Cementation goodwill after annual impairment testing.

The Group's investment in associate companies at 30 June 2005 was R505 million, down from R653 million at 30 June 2004, which represented Unitrans. Included in the carrying value of these investments is R287 million of provisional goodwill arising on acquisition. For more details refer to note 4 of the financial statements.

Income statement

In the year to 30 June 2005, Murray & Roberts increased earnings before interest, tax and exceptional items to R543 million at an operating margin of 5,1%. This is an increase of 29% over the R421 million for the 2004 financial year at an operating margin of 5,0%.

Revenue increased by 27% on the prior year, driven by the acquisition of Cementation in South Africa and Canada. Adjusting for discontinued operations, ongoing revenue increased by 34% in the year.

The Group's effective tax rate normalised to 24,4% in the current year, increasing from 6,5% in the previous year. Adjusting for capital gains tax on the Unitrans disposal the total rate is 27,3%. A return to profitability in South Africa over the past five years utilised tax losses brought forward. In the current year the Group recorded losses in the Middle East with no tax relief.

Offshore cash balances attract low interest, which is further reduced by a strengthened South African Rand against the United States Dollar where certain fixed long-term borrowings carry punitive interest rates. During the year the South African operations were in a net borrowed position with a combination of cash, short-term and long-term debt.

Exceptional items

The disposal of Unitrans produced an exceptional profit of R214 million. This was offset in the period against a provisional loss of R144 million on liquidation of Consani and an exceptional loss on sale of Booker Tate of R47 million, which relates primarily to the pension fund deficit.

Exceptional charges have also been raised against the Group's remaining interest in Borbet South Africa (R15 million) and in the write down of the outstanding goodwill relating to the purchase of JCI Projects in 2000 (R5 million).

Straight lining of fixed lease escalations in the property headlease portfolio resulted in a credit of R13 million in the year.

Earnings and dividends

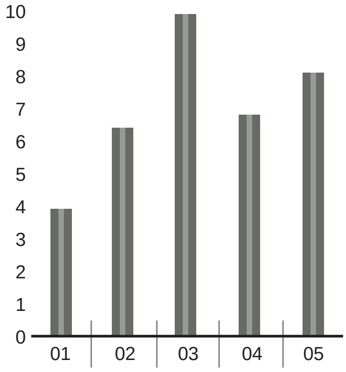
The Group reported diluted headline earnings per share of 140 cents compared to 155 cents in the prior year. A full reconciliation of headline earnings is disclosed in note 24 in the financial statements.

The total dividend for the year has been maintained at 45 cents per share with a final payment of 30 cents per share.

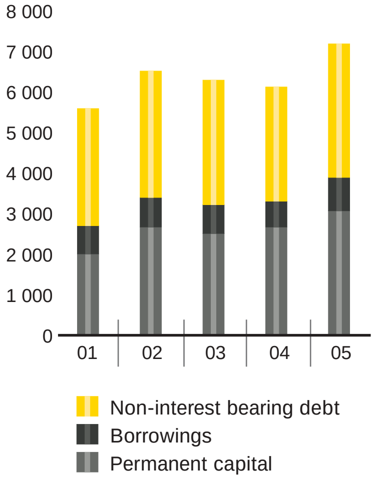
Roger Rees
Group financial director

Financial performance

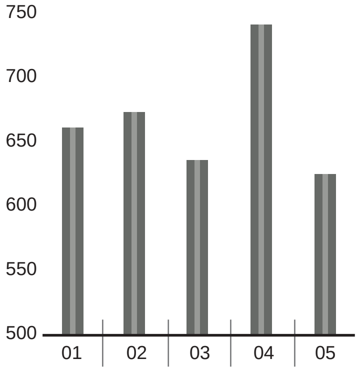
Return on average total assets
(%)



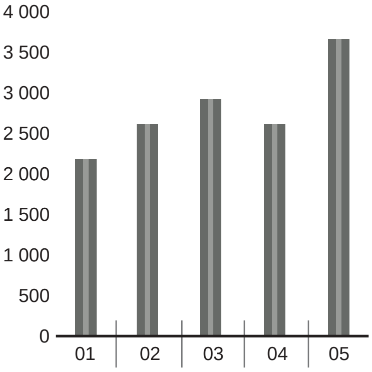
Funding of assets
(R millions)



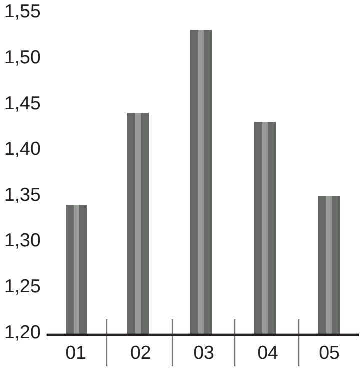
Productivity of assets
(assets per R1 000 turnover)



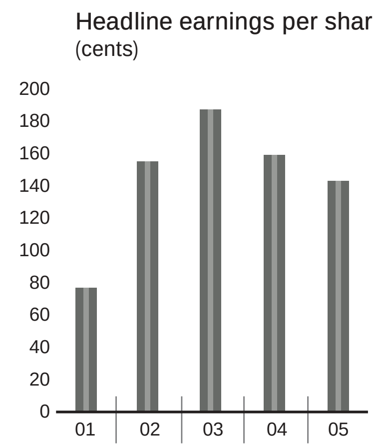
Creation of value
(R millions)

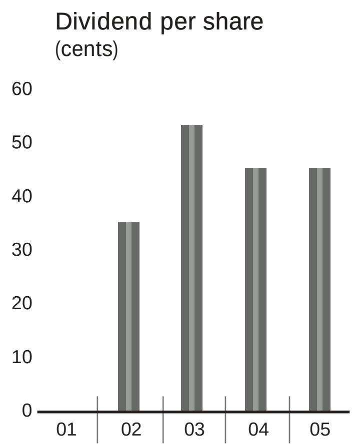


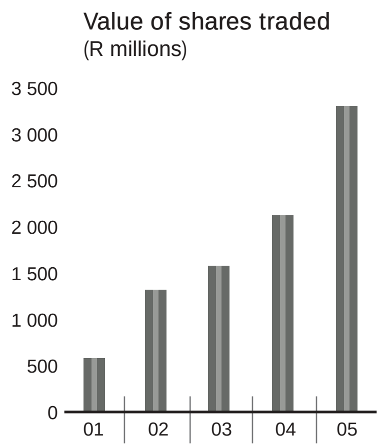
People productivity
(value ratio)

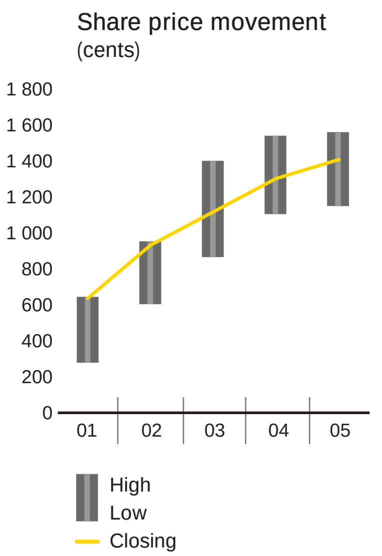


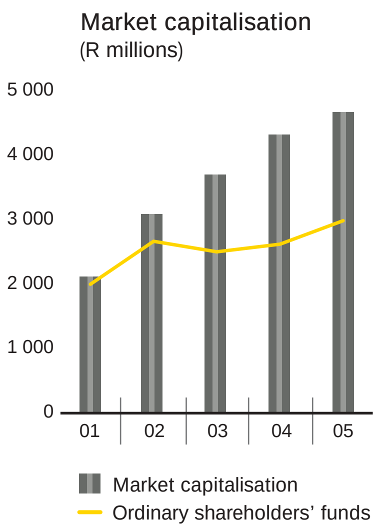
Share performance











Analysis of members

as at 30 June 2005

	Number of shareholders	% of shareholders	Number of shares	% of shares
PORTFOLIO SIZE				
Holdings (shares)				
1 – 1 000 shares	1 990	40,75	1 017 444	0,31
1 001 – 10 000 shares	2 064	42,26	7 472 886	2,25
10 001 – 100 000 shares	583	11,94	20 112 998	6,06
100 001 – 1 000 000 shares	199	4,07	63 092 627	19,01
1 000 001 shares and over	48	0,98	240 196 664	72,37
Total	4 884	100,00	331 892 619	100,00
CATEGORY				
Banks	84	1,72	87 648 334	26,41
Close corporations	66	1,35	516 428	0,16
Endowment funds	54	1,11	1 960 838	0,59
Individuals	3 481	71,27	14 958 881	4,51
Insurance companies	56	1,15	41 669 118	12,55
Investment companies	24	0,49	36 248 318	10,92
Medical aid schemes	8	0,16	333 022	0,10
Mutual funds	116	2,38	35 247 578	10,62
Nominees and trusts	607	12,43	4 524 594	1,36
Other corporations	50	1,02	163 806	0,05
Pension funds	219	4,48	90 734 872	27,34
Private companies	104	2,13	3 187 249	0,96
Public companies	12	0,25	765 438	0,23
Share Trust	3	0,06	13 934 143	4,20
Total	4 884	100,00	331 892 619	100,00

FUND MANAGERS HOLDING 5% OR MORE OF THE ISSUED SHARE CAPITAL

as at 30 June 2005

	Number of shares	% of shares
Old Mutual Asset Management (ZA)	63 017 963	18,99
Alliance Capital Management	32 392 419	9,76
Sanlam Investment Management	30 593 566	9,22
Metropolitan Asset Managers	20 295 080	6,11
RMB Asset Management	19 297 649	5,81

BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE OF THE ISSUED SHARE CAPITAL

as at 30 June 2005

	Number of shares	% of shares
Public Investment Commissioners	53 852 619	16,23
Old Mutual Life Assurance	34 784 789	10,48

SHAREHOLDER SPREAD

At 30 June 2005

	Number of shareholders	% of shareholders	Number of shares	% of shares
Non-public *	9	0,18	15 325 053	4,62
Public	4 875	99,82	316 567 566	95,38

* Includes directors, Murray & Roberts Trust and The Murray & Roberts Retirement Fund

Murray & Roberts
Financial statements

P

Murray & Roberts International Offices

Australia

155-157 Lane Street
Boulder, Kalgoorlie
West Austraila, 6432
Tel: +61 890 21 7777
Fax: +61 890 21 3333
E-mail: raisebore@ruc.com.ae

Botswana

Plot 1214, Nkuruma Road, Old Industrial Site
PO Box 657, Gaborone
Tel: +267 395 1871
Fax: +267 395 1877
E-mail: m&r@murrob.bw

Indonesia

S. Widjojo Centre 4th Floor,
Jl. Jenderal Sudirman 71
Jakarta Selatan 12190, Indonesia
Tel: +622 152 903 940
Fax: +622 152 903 941
E-mail: murrob@murrob.co.id

Isle of Man

2nd Floor, Well Road House
Market Street, Douglas
Isle of Man
IM2 4NS
British Isles
Tel: +44 1624 61 5999
Fax: +44 1624 61 1126
E-mail: roger.mower@murrob.co.im

Namibia

7 Joule Street, Southern Industria
Windhoek, Namibia
PO Box 33, Windhoek
Tel: +264 61 23 8500
Fax: +264 61 22 2189 or +264 61 23 8803
E-mail: murrob@mrc.com.na

Tanzania

Plot 1830, Karume Road, Msasani
PO Box 394, Dar es Salaam
Tel: +255 22 266 8231
Fax: +255 22 266 8128
E-mail: murrob@murrobtz.com

United Arab Emirates

Ground Floor, Dubai National Insurance Building
Sheikh Zayed Road
PO Box 30023, Dubai
Tel: +971 4 321 1999
Fax: +971 4 321 1212
E-mail: mrdubai@murrob.co.ae

United Kingdom

1st Floor, 25 Saville Row
London W1S2ES
United Kingdom
Tel: +44 0 207 440 1700
Fax: +44 0 207 440 1708
E-mail: info@murrob.co.uk

Zimbabwe

165 Sam Nujoma, Belgravia
PO Box CY490, Causeway, Harare
Tel: +263 4 73 9711/5
Fax: +263 4 72 0615
E-mail: murrobzim@murrob.co.zw

Associate company

Clough Limited

Level 6, 251 St Georges Terrace
Perth, Western Australia 6000
Tel: +61 8 9281 9281
Fax: +61 8 9481 6699
E-mail: clough@clough.com.au

Financial review

for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
SUMMARISED INCOME STATEMENTS										
Revenue	10 694	8 424	10 111	9 027	8 535	13 318	12 972	12 586	12 082	10 746
Earnings before exceptional items and interest	543	421	633	386	218	294	203	545	227	575
Exceptional items	13	(16)	(5)	(2)	(3)	(697)	(76)	348	(118)	128
Earnings (loss) before interest and taxation	556	405	628	384	215	(403)	127	893	109	703
Net interest (expense) income*	(5)	10	(66)	71	(6)	(64)	(109)	(262)	(308)	(182)
Earnings (loss) before taxation	551	415	562	455	209	(467)	18	631	(199)	521
Taxation	(150)	(27)	(76)	(36)	(27)	(39)	(32)	(65)	(42)	(128)
Earnings (loss) after taxation	401	388	486	419	182	(506)	(14)	566	(241)	393
Income from associates	77	114	97	90	71	–	–	–	–	–
Minority shareholders' interest	(30)	(25)	(9)	(4)	(1)	(65)	(52)	(48)	(31)	(18)
Earnings (loss) attributable to ordinary shareholders	448	477	574	505	252	(571)	(66)	518	(272)	375
SUMMARISED BALANCE SHEETS										
Non-current assets	2 414	2 422	2 082	2 007	1 761	1 861	2 155	2 334	2 870	2 934
Current assets	4 700	3 671	4 211	4 504	3 819	3 796	4 631	5 758	4 135	4 253
Goodwill	48	5	10	15	16	–	151	269	502	708
Deferred taxation assets	38	33	–	–	–	–	–	–	–	–
Total assets	7 200	6 131	6 303	6 526	5 596	5 657	6 937	8 361	7 507	7 895
Ordinary shareholders' equity	2 967	2 603	2 485	2 648	1 982	1 717	2 410	3 003	2 693	3 326
Minority interest	92	54	13	9	8	8	329	362	215	213
Permanent capital	3 059	2 657	2 498	2 657	1 990	1 725	2 739	3 365	2 908	3 539
Non-current liabilities	905	734	713	733	700	819	896	1 146	1 359	1 476
Current liabilities	3 236	2 740	3 092	3 136	2 906	3 113	3 302	3 850	3 240	2 880
Total equity and liabilities	7 200	6 131	6 303	6 526	5 596	5 657	6 937	8 361	7 507	7 895

On 30 June 2000, the Group's holding in Unitrans Limited reduced to 43,8% and Unitrans Limited became an equity accounted associate company. The Group disposed of its remaining interest in Unitrans Limited effective 31 December 2004.

* includes currency conversion effects on offshore treasury funds in 2002 and 2003.

Ratios and statistics

for the year ended 30 June 2005

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
EARNINGS										
Earnings (loss) per share (cents)										
Basic	141	150	181	152	74	(165)	(19)	150	(79)	109
Diluted	139	147	176	152	74	(165)	(19)	150	(79)	109
Headline earnings (loss) per share (cents)										
Basic	142	158	186	154	76	36	3	49	(44)	72
Diluted	140	155	181	154	76	36	3	49	(44)	72
Dividend per share (cents)	45,0	45,0	52,5	35,0	–	–	50,0	48,5	48,5	48,5
Dividend cover	3,1	3,3	3,3	4,3	–	–	–	3,1	–	2,2
Interest cover	8,7	8,2	7,0	37,1	10,3	4,6	1,9	2,1	0,7	3,2
PROFITABILITY										
EBIT on revenue (%)	5,1	5,0	6,3	4,3	2,6	2,2	1,6	4,3	1,9	5,4
EBIT on average total assets (%)	8,1	6,8	9,9	6,4	3,9	4,7	3,0	8,2	3,1	8,4
Attributable earnings on average ordinary shareholders' funds (%)	16,1	19,0	22,4	21,8	13,6	(27,7)	(2,4)	18,2	(9,0)	11,8
PRODUCTIVITY										
Per R1 000 of revenue:										
Payroll cost (rand)	254	216	188	201	189	177	188	196	223	223
Total average assets (rand)	623	738	634	671	659	473	530	529	601	639
Value created (Rm)	3 658	2 606	2 913	2 609	2 174	2 156	2 807	3 737	3 030	3 353
Value ratio	1,35	1,43	1,53	1,44	1,34	0,91	1,15	1,52	1,12	1,40
FINANCE										
Relative to permanent capital:										
Interest bearing debt (%)	33	30	38	25	28	33	27	(23)	38	26
Total liabilities (%)	140	133	153	146	181	228	153	85	143	111
Current assets to current liabilities	1,45	1,34	1,36	1,44	1,31	1,22	1,40	1,50	1,28	1,48
Operating cash flow (Rm)	668	289	356	712	558	370	493	1 275	(99)	210
Operating cash flow per share (cents)	201	87	107	214	164	107	142	369	(29)	61
OTHER										
Weighted average ordinary shares in issue (millions)	331,9	331,9	331,9	331,9	340,1	346,0	346,0	346,0	346,0	344,4
Weighted average ordinary shares owned by The Murray & Roberts Trust (millions)	13,7	13,8	14,1	–	–	–	–	–	–	–
Number of employees – 30 June	23 904	13 149	15 827	15 379	16 337	26 098	32 361	43 268	48 464	49 489

DEFINITIONS

EBIT	Earnings before interest, taxation and exceptional items
EBT	Earnings before taxation
EAT	Earnings after taxation
Interest cover	EBIT divided by interest
Value ratio	Value created as a multiple of payroll cost
Permanent capital	Ordinary shareholders' equity and minority interest
Net asset value (NAV)	Ordinary shareholders' equity
Average	Arithmetic average between consecutive year-ends

Responsibilities of directors for annual financial statements

for the year ended 30 June 2005

The directors are responsible for the preparation of financial statements that fairly present the state of affairs of the company and the Group at the end of the financial year and of the profit or loss for that year in conformity with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

To enable the directors to meet these responsibilities:

- the Board and management set standards and management implements systems of internal controls, accounting and information systems
- the audit committee recommends Group accounting policies and monitors these policies

The directors are responsible for the systems of internal control. These are designed to provide reasonable, if 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 control procedures and systems has occurred during the year under review.

The annual financial statements have been prepared in accordance with the Companies Act, 1973, as amended, and South African Statements of Generally Accepted Accounting Practice and are based on consistently applied, appropriate accounting policies, supported by reasonable and prudent judgements.

The directors are of the opinion that the company and the Group have adequate resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The auditors concur with the directors' statement on going concern.

It is the responsibility of the auditors to express an opinion on the financial statements. Their report to the members of the company is set out on page 67.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the company and the Group for the year ended 30 June 2005, set out on pages 68 to 121, were approved by the board of directors at its meeting held on 31 August 2005 and are signed on its behalf by:

RC Andersen
Chairman

BC Bruce
Group chief executive

RW Rees
Group financial director

Certificate by company secretary

I hereby certify that in accordance with section 268G(d) of the Companies Act, 1973, as amended, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are, to the best of my knowledge and belief, correct and up to date.

SF Linford
Company secretary

Report of the independent auditors

To the members of Murray & Roberts Holdings Limited

We have audited the annual financial statements and group annual financial statements of Murray & Roberts Holdings Limited for the year ended 30 June 2005 set out on pages 68 to 121. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion, the annual financial statements fairly present, in all material respects, the financial position of the company and the Group at 30 June 2005 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (SA)
Registered Accountants and Auditors

Sandton
31 August 2005

Report of the directors

This report presented by the directors is a constituent document of the group financial statements at 30 June 2005.

GROUP FINANCIAL RESULTS

Group attributable earnings for the year ended 30 June 2005 was R448,1 million (2004: R477,0 million), representing diluted earnings per share of 139 cents (2004: 147 cents). Diluted headline earnings per share was 140 cents (2004: 155 cents).

Full details of the financial position and results of the Group are set out in these financial statements.

SHARE CAPITAL

Full details of the authorised and issued capital of the company at 30 June 2005 are contained in note 10 of the financial statements. There were no changes to the authorised and issued share capital during the year under review.

Share scheme

Particulars relating to The Murray & Roberts Trust (the Trust) are set out in note 10 of the financial statements. During the year, the Trust granted an aggregate total of 2 480 000 ordinary shares (2004: 1 790 000 ordinary shares) to senior executives, including executive directors.

At June 2005, the Trust held 13 924 893 ordinary shares (2004: 13 701 427 ordinary shares) against the commitment of 12 222 315 ordinary shares (2004: 12 690 480 ordinary shares).

The total number of ordinary shares that may be utilised for purposes of the share scheme is limited to 10% of the total issued share capital of the company from time to time, currently 33 189 262 ordinary shares (2004: 33 189 262 ordinary shares).

30 000 000 unissued ordinary shares are the subject of a general authority granted to directors, in terms of section 221 of the Companies Act, 1973, as amended, which authority remains valid until the next annual general meeting to be held on 26 October 2005. At that meeting, shareholders will be asked to place 30 000 000 unissued ordinary shares under the control of the directors.

Purchase of own shares

In terms of the general authority obtained at the last annual general meeting, the company or its subsidiaries may repurchase ordinary shares in the company to a maximum of 20% of the issued ordinary shares. No shares were repurchased during the year. Approval will be sought at the forthcoming annual general meeting on 26 October 2005 to renew this general authority.

DIVIDEND

The following dividends were declared in respect of the year ended 30 June 2005:

- Interim dividend number 106 of 15 cents per ordinary share (2003: 15 cents)
- Final dividend number 107 of 30 cents per ordinary share (2004: 30 cents)

SUBSIDIARIES AND ASSOCIATE COMPANIES

Particulars of the major operating subsidiaries and associate companies of the Group are given in Annexure 1 on page 116.

Acquisition of The Cementation Company (Africa) Limited (Cementation)

It was announced on 22 July 2004 that the Group had acquired Skanska Cementation International Holdings Limited's entire interest in Cementation's issued ordinary (79,13%) and preference share (57,44%) capital for a consideration of R114 million. In terms of the Securities Regulation Code on Takeovers and Mergers, a mandatory offer was extended to the minority shareholders of Cementation for a cash consideration of 865 cents per Cementation share. To date, a further 17,1% of the issued ordinary shares and a further 6,0% of the preference share capital of Cementation have been acquired.

Acquisition of a strategic interest in Clough Limited (Clough)

Shareholders were advised on 26 August 2004 that an agreement had been concluded with McRae Investments Pty Limited to increase the Group's interest in Clough from 4,9% to 29,28%. The value of this transaction was some R380 million and the regulatory conditions were fulfilled giving effect to this transaction from 1 November 2004. A further 0,9% was acquired in June 2005, taking the shareholding on 30 June 2005 to 30,19%.

Disposal of investment in Unitrans Limited (Unitrans)

Shareholders were advised on 6 September 2004 that the Group had accepted an offer from Steinhoff International Holdings Limited (Steinhoff) for its 45% holding in Unitrans. Approval from the Competition Tribunal was obtained in January 2005 and the total consideration received from Steinhoff was R935 million.

Special resolutions

Only special resolutions relating to name changes were passed by subsidiary companies during the year under review, to reflect "Murray & Roberts" as a prefix in the name of the subsidiary company concerned.

DIRECTORATE AND SECRETARY

During the period under review the following changes took place:

As reported in last year's annual report, AJ Morgan, an independent non-executive director, resigned on 26 July 2004 to avoid a conflict of interest. Dr NM Magau and JM McMahon were appointed as independent non-executive directors and N Jorek as an executive director on 8 September 2004. SJ Flanagan was appointed as an executive director on 1 November 2004 while IN Mkhize and RT Vice were appointed as independent non-executive directors on 1 January 2005. Prof WP Esterhuyse retired as an independent non-executive director on 28 February 2005.

SF Linford was appointed as company secretary with effect from 1 November 2004.

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

Independent non-executive

RC Andersen (chairman), SE Funde, SJ Macozoma, Dr NM Magau, JM McMahon, IN Mkhize, AA Routledge, MJ Shaw, JJM van Zyl and RT Vice.

Executive

BC Bruce (group chief executive), SJ Flanagan (group executive director), N Jorek (group executive director), RW Rees (group financial director) and KE Smith (group executive director).

The company secretary's business and postal addresses appear on page 128 of the annual report.

Interests of directors

At 30 June 2005, the present directors of the company held direct and indirect beneficial and non-beneficial interests in 1 235 787 of the company's issued ordinary shares (2004: 1 235 787 ordinary shares). Details of these ordinary shareholdings are listed below. A total of 6 621 000 share options are allocated to directors in terms of the company's share scheme. Further details are set out in note 33 on page 110.

	Beneficial	
	Direct	Indirect
BC Bruce	256 079	–
KE Smith	22 555	–
JJM van Zyl	–	763 928
	Non-beneficial	
	Direct	Indirect
RW Rees	–	193 225

ACCOUNTING POLICIES

The accounting policies of the Group as set out on pages 77 to 82 of this report comply with South African Statements of Generally Accepted Accounting Practice (SA GAAP).

These accounting policies are consistent with those of the prior year except for the change in the accounting treatment of business combinations, goodwill arising on acquisition, the recognition of operating lease costs and income with fixed escalations and depreciation on the capitalised headlease properties. These restatements have resulted in modifications to the financial statement presentation. Details of the restatements are set out in note 34 on page 111.

International Financial Reporting Standards (IFRS)

In terms of the revised JSE Listings Requirements, the Group is required to prepare its annual financial statements in accordance with IFRS from 1 July 2005. The adoption of IFRS will therefore be reflected in the consolidated financial statements for the six months to 31 December 2005 and the year ending 30 June 2006. SA GAAP differs in some areas from IFRS. The Group's IFRS transition date is 1 July 2004 with an adoption date of 1 July 2005.

Entities complying with IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to the IFRS transition date. Most adjustments required on transition to IFRS will be made, retrospectively, against opening accumulated profit as at 1 July 2004. In some cases choices of accounting policies are available, including elective exceptions under IFRS 1: *First-time Adoption of IFRS*. These choices have been analysed to determine the most appropriate accounting policy for the Group.

The Group is still in the process of quantifying all the impacts of the adoption of IFRS on the financial statements. This process is continuing and will be completed during the period ending 31 December 2005.

POST-BALANCE SHEET EVENTS

Details of post-balance sheet events are set out in note 36.

31 August 2005

Consolidated balance sheet
at 30 June 2005

All monetary amounts are expressed in millions of rand	Notes	2005	2004
ASSETS			
Non-current assets			
Property, plant and equipment	1	1 194,3	1 090,6
Investment property	2	259,3	271,5
Goodwill	3	47,9	4,7
Investment in associate companies	4	504,9	652,8
Other investments	5	360,1	304,7
Deferred operating lease income accrual		95,8	103,9
Deferred taxation assets	15	37,8	32,8
Total non-current assets		2 500,1	2 461,0
Current assets			
Inventories	6	554,2	489,6
Contracts-in-progress and contract receivables	7	1 125,0	928,1
Trade and other receivables	8	1 046,2	1 077,4
Deferred operating lease income accrual		8,1	4,4
Derivative financial instruments	9	33,8	67,4
Bank balances and cash		1 932,8	1 103,6
Total current assets		4 700,1	3 670,5
TOTAL ASSETS		7 200,2	6 131,5
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	10	1 425,2	1 445,1
Non-distributable reserves		(195,4)	(273,7)
Accumulated profit		1 737,5	1 431,7
Total ordinary shareholders' equity		2 967,3	2 603,1
Minority interest		92,1	54,0
Permanent capital		3 059,4	2 657,1
Non-current liabilities			
Long-term loans	12	339,0	139,2
Obligations under finance headleases	13	274,2	346,1
Long-term provision	14	4,5	29,3
Deferred operating lease cost accrual		85,1	101,8
Deferred taxation liabilities	15	202,1	117,9
Total non-current liabilities		904,9	734,3
Current liabilities			
Trade and other payables	16	2 160,9	1 884,8
Deferred operating lease cost accrual		16,6	17,0
Derivative financial instruments	9	7,6	17,2
Subcontractor liabilities	17	575,1	509,2
Current taxation liabilities		94,9	28,8
Bank overdrafts and short-term loans	18	380,8	283,1
Total current liabilities		3 235,9	2 740,1
TOTAL EQUITY AND LIABILITIES		7 200,2	6 131,5

Consolidated income statement

for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	Notes	2005	2004
Revenue	19	10 693,8	8 424,0
Continuing operations		10 488,4	7 803,4
Discontinued operations		205,4	620,6
Earnings before interest, exceptional items and depreciation		792,9	615,1
Amortisation of goodwill	3	–	(5,5)
Depreciation		(249,7)	(188,7)
Earnings before exceptional items and interest		543,2	420,9
Continuing operations		546,3	425,8
Discontinued operations		(3,1)	(4,9)
Exceptional items	20	13,4	(16,1)
Headlease and other discontinued property activities		11,2	(7,1)
Other		2,2	(9,0)
Earnings before interest and taxation	21	556,6	404,8
Interest expense	22	(54,5)	(34,3)
Interest income	22	49,2	44,4
Earnings before taxation		551,3	414,9
Taxation	23	(150,4)	(26,8)
Earnings after taxation		400,9	388,1
Income from associates		77,5	113,7
Minority shareholders' interest		(30,3)	(24,8)
Earnings attributable to ordinary shareholders		448,1	477,0
Weighted average ordinary shares (000)		322 840	324 278
Weighted average ordinary shares in issue		331 893	331 893
Weighted average ordinary shares owned by The Murray & Roberts Trust		(13 664)	(13 788)
Dilutive adjustment for share options		4 611	6 173
Earnings per share (cents)			
– Diluted	24	139	147
– Basic	24	141	150
Headline earnings per share (cents)			
– Diluted	24	140	155
– Basic	24	142	158
Total dividend per ordinary share (cents)*	25	45,0	45,0

** Based on the years to which the dividend relates*

Consolidated cash flow statement

for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	Notes	2005	2004
Cash flows from operating activities		504,9	120,6
Cash generated by operations	A	678,5	332,4
Net interest received		4,0	10,1
Taxation paid	B	(14,4)	(53,5)
Operating cash flow		668,1	289,0
Dividends paid		(143,2)	(167,0)
Dividends paid to minority shareholders		(20,0)	(1,4)
Cash flows from investing activities		107,3	(253,3)
Increase in other investments		(54,0)	(92,9)
Acquisition of associate company		(394,2)	–
Acquisition of businesses	C	(180,4)	–
Dividends received		0,7	10,2
Dividends received from associate company		34,2	31,8
Purchase of property, plant and equipment		(303,2)	(352,9)
Replacement		(134,1)	(155,9)
Additions		(169,1)	(197,0)
Proceeds on disposal of associate company		900,6	–
Net cash (outflow) inflow on disposal/closure of businesses	D	(8,7)	22,1
Proceeds on reduction in investments		29,2	58,9
Proceeds on disposal of property, plant and equipment		83,1	69,5
Net cash generated (utilised)		612,2	(132,7)
Cash flows from financing activities		102,7	(197,5)
Net increase (decrease) in borrowings	E	119,0	(154,1)
Increase in share trust holding cost		(16,3)	(43,4)
Net increase (decrease) in net bank balances and cash		714,9	(330,2)
Net bank balances and cash at beginning of year		984,9	1 475,1
Effect of foreign exchange rates on bank balances and cash		38,3	(160,0)
Net bank balances and cash at end of year	F	1 738,1	984,9

Notes to the consolidated cash flow statement

for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	2005	2004
A. CASH GENERATED BY OPERATIONS		
Earnings before exceptional items and interest	543,2	420,9
Adjustments for:		
Fair value adjustments	(40,0)	(3,6)
Other non-cash items	4,9	7,8
Net cash outflow from exceptional items		
Discontinued headlease property activities	(67,5)	(113,7)
Other	(18,9)	–
Amortisation of goodwill	–	5,5
Depreciation	249,7	188,7
Dividends received	(0,7)	(10,2)
Profit on disposal of investments	–	(37,8)
Net profit on disposal of property, plant and equipment	(25,5)	(37,1)
Change in working capital	33,3	(88,1)
Inventories	(96,1)	47,9
Contracts-in-progress and contract receivables	(28,8)	(40,2)
Trade and other receivables	13,5	53,4
Trade and other payables	78,8	(207,4)
Subcontractor liabilities	65,9	58,2
	678,5	332,4
B. TAXATION PAID		
Taxation unpaid at beginning of year	(28,8)	(31,6)
Acquisition of businesses	6,1	–
Disposal of businesses	2,8	–
Taxation charged to the income statement, excluding deferred taxation	(89,4)	(50,7)
Taxation unpaid at end of year	94,9	28,8
	(14,4)	(53,5)

C. ACQUISITION OF BUSINESSES

On 1 July 2004 the Group acquired 96,2% of the ordinary share capital and 63,4% of the preference share capital of The Cementation Company (Africa) Limited in South Africa and 100% of the share capital of Cementation Canada Inc in Canada. The acquired businesses contributed revenue of R2 238,1 million and attributable profit of R69,3 million during this period. Details of the net assets acquired and the goodwill are as follows:

	2005	2004
Purchase consideration:		
Cash paid	(199,9)	
Direct costs relating to the acquisition	(6,7)	
Total purchase consideration	(206,6)	
Fair value of net assets acquired	144,7	
Goodwill (note 3)	(61,9)	

The goodwill is attributable to the high profitability of the acquired businesses and the significant synergies expected to arise after the acquisition.

Notes to the consolidated cash flow statement
for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand

C. ACQUISITION OF BUSINESSES *(continued)*

The net assets acquired and the goodwill arising, are as follows:

	Acquiree's carrying value	Fair value
Property, plant and equipment and investments	(132,6)	(132,6)
Other non-current assets	(0,1)	(0,1)
Cash balances in businesses	(26,2)	(26,2)
Other current assets	(298,9)	(298,9)
Non-current liabilities	16,7	16,7
Current liabilities	283,5	283,5
Minority interest	3,6	3,6
Contingent liabilities		9,3
Net assets acquired	(154,0)	(144,7)
Goodwill		(61,9)
Total consideration		(206,6)
Net cash outflow arising on acquisition:		
Cash consideration paid		(206,6)
Cash balances acquired		26,2
		(180,4)

	2005	2004
D. NET CASH (OUTFLOW) INFLOW ON DISPOSAL/CLOSURE OF BUSINESSES		
During the year the Group disposed/closed businesses with a fair value of assets sold and liabilities released of:		
Property, plant and equipment and investments	32,0	89,4
Cash balances in businesses	43,0	5,9
Other current assets	212,0	56,1
Current liabilities	(86,3)	–
Loss on disposal/closure of businesses	(148,4)	(6,2)
Total proceeds	52,3	145,2
Less: Cash balances in businesses disposed	(43,0)	(5,9)
Less: Balance remaining on loan account	(18,0)	(117,2)
	(8,7)	22,1
E. NET INCREASE (DECREASE) IN BORROWINGS		
Loans raised	182,6	4,5
Loans repaid	(83,0)	(161,0)
	99,6	(156,5)
Capitalised leases raised	52,1	4,5
Capitalised leases repaid	(32,7)	(2,1)
	119,0	(154,1)
F. NET BANK BALANCES AND CASH		
Bank balances and cash	1 932,8	1 103,6
Bank overdrafts	(194,7)	(118,7)
	1 738,1	984,9

Group statement of changes in equity
for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand

	Share capital		Non-distributable reserves						
	Share capital	Share premium	Capital redemption reserve fund	Revaluation of immovable-properties	Hedging reserve	Non-trading financial asset reserve	Foreign currency translation reserve	Accumulated profit	Total
Balance at 30 June 2003	31,8	1 456,7	2,2	38,9	(4,9)	(28,3)	(114,9)	1 103,0	2 484,5
Effects of restatement (note 34)								3,4	3,4
Balance at 30 June 2003 as restated	31,8	1 456,7	2,2	38,9	(4,9)	(28,3)	(114,9)	1 106,4	2 487,9
Foreign currency translation movements							(163,3)		(163,3)
Fair value adjustments						12,0			12,0
Cash flow hedges – reclassified and added to property, plant and equipment					1,9				1,9
Net income (expense) recognised directly in equity	–	–	–	–	1,9	12,0	(163,3)	–	(149,4)
Earnings attributable to ordinary shareholders								477,0	477,0
Total recognised income and expenses	–	–	–	–	1,9	12,0	(163,3)	477,0	327,6
Additions of treasury shares	–	(14,5)							(14,5)
Exercise of share options	–	(28,9)							(28,9)
Movement for the year				(17,3)				15,3	(2,0)
Dividends declared and paid								(167,0)	(167,0)
Balance at 30 June 2004	31,8	1 413,3	2,2	21,6	(3,0)	(16,3)	(278,2)	1 431,7	2 603,1
Foreign currency translation movements							59,9		59,9
Cash flow hedges – reclassified and added to property, plant and equipment					3,0				3,0
Net income recognised directly in equity	–	–	–	–	3,0	–	59,9	–	62,9
Earnings attributable to ordinary shareholders								448,1	448,1
Total recognised income and expenses	–	–	–	–	3,0	–	59,9	448,1	511,0
Additions of treasury shares	–	(6,7)							(6,7)
Exercise of share options	–	(13,2)							(13,2)
Movement for the year				(0,9)		16,3		0,9	16,3
Dividends declared and paid								(143,2)	(143,2)
Balance at 30 June 2005	31,8	1 393,4	2,2	20,7	–	–	(218,3)	1 737,5	2 967,3

Statement of value created

for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	2005		2004	
Revenue	10 693,8		8 424,0	
Less: Cost of materials, services and subcontractors	(7 049,6)		(5 802,0)	
	3 644,2		2 622,0	
Exceptional items	13,4		(16,1)	
Value created	3 657,6		2 605,9	
Distributed as follows:		%		%
To employees				
Payroll cost	2 713,4	74,2	1 817,5	69,8
To providers of finance				
Lease costs and net interest on loans	96,0	2,6	95,9	3,7
To government				
Company taxation	150,4	4,1	26,8	1,0
To maintain and expand the Group				
Reserves retained	448,1		477,0	
Depreciation	249,7		188,7	
	697,8	19,1	665,7	25,5
	3 657,6	100,0	2 605,9	100,0
Number of employees	23 904		13 149	
State and local taxes charged to the Group or collected on behalf of governments by the Group				
Company taxation	150,4		26,8	
Indirect taxation	194,8		92,9	
Employees' tax	279,7		196,0	
RSC levies	13,6		11,6	
Rates and taxes	12,7		18,4	
Customs and excise duty	8,2		3,4	
Government grants and subsidies	(3,1)		(0,1)	
	656,3		349,0	

Accounting policies
for the year ended 30 June 2005

BASIS OF PREPARATION
The financial statements are prepared in accordance with the historic cost convention, except for the revaluation of certain financial instruments and assets that are periodically revalued.

The principal accounting policies of the Group, which are set out below, comply with South African Statements of Generally Accepted Accounting Practice. These accounting policies are consistent with those of the prior year except for the following (refer note 34):

- the accounting treatment of business combinations and goodwill arising on acquisition
- the recognition of fixed escalations on operating leases
- the recognition of depreciation on headlease property

The Group will be adopting International Financial Reporting Standards (IFRS) in the next financial year in line with requirements of the JSE Limited. The most significant changes from current policies are expected in:

- presentation and disclosure
- the recognition of property, plant and equipment and related depreciation
- the accounting for the effects of changes in foreign exchange rates
- the accounting for share option expenses and other share-based payments

BASIS OF CONSOLIDATION
Subsidiary companies
The group financial statements present the consolidated financial position and the operating results and cash flow information of the company and its subsidiaries. Entities in which the Group has an interest of more than one half of the voting rights or the power to exercise control of the board of directors, have been consolidated as subsidiaries.

The results of subsidiaries are included for the period during which the Group exercises control over the subsidiary. Where necessary, accounting policies for subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Where subsidiary companies transact with each other, unrealised profits and losses are eliminated.

Subsidiaries are excluded from consolidation when:

- control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future
- it operates under severe long-term restrictions that significantly impair its ability to transfer funds to the parent

Joint ventures
Activities which are jointly controlled by way of contractual agreement between the Group and other venturers are regarded as joint ventures. These joint ventures may take the form of jointly controlled operations, assets, partnerships or companies.

Joint ventures are accounted for by means of the proportionate consolidation method whereby the Group's share of the assets, liabilities, income, expenses and cash flows of joint ventures are included on a line by line basis in the financial statements unless, in the opinion of the directors, circumstances indicate that it is prudent to account for income from such investments only as and when received.

The net difference of the cost of acquisition of joint venture companies and the Group's share of the net assets, fairly valued, is recognised as goodwill on acquisition and accounted for as such.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred.

ASSOCIATE COMPANIES
Companies in which the Group actively participates in the commercial and financial policy decisions and thereby exercises a significant influence, and which are not classified as subsidiary or joint venture companies are regarded as associate companies. The Group's share of the results of these companies is included in the financial statements from the effective dates of acquisition using the equity method. Attributable earnings since acquisition, less dividends received, are added to the book value of the investments in these companies.

The Group's interest in associate companies is carried in the balance sheet at an amount that reflects its share of the net assets and any goodwill on acquisition. Where in the opinion of the directors, the value of the interest is below the carrying value and the diminution of value is considered to be of a permanent nature, the investment is written down to the expected realisable value.

Where the Group transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset.

BUSINESS COMBINATIONS AND GOODWILL

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

Goodwill is recognised at the acquisition date of a business, subsidiary, associate or jointly controlled entity as an asset.

Goodwill on acquisition of businesses, subsidiaries and joint venture companies is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Initially goodwill is measured at cost, being the excess of the cost of the acquisition over the interest in the fair value of the assets, including identified intangible assets, liabilities and contingent liabilities acquired and recognised.

Goodwill is not amortised. Instead, an impairment test is performed annually or more frequently if circumstances indicate that it might be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Whenever negative goodwill arises, the identification and measurement of the acquired identifiable assets, liabilities and contingent liabilities is reassessed. If negative goodwill still remains, this is recognised in the income statement immediately.

On disposal of a business, subsidiary, associate or jointly controlled entity, the attributable goodwill is included in the determination of the profit or loss on disposal. The same principle is applicable for partial disposals, ie a portion of the goodwill is expensed as part of the cost of disposal.

FOREIGN CURRENCIES

Measurement currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements are presented in South African Rand, which is the measurement currency of the parent.

Transactions and balances

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the transaction date. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains or losses arising on translation are credited to or charged against income.

Any exchange difference arising on an intra-group monetary item, whether short-term or long-term, continues to be recognised as income or an expense since the monetary item represents a commitment to convert one currency into another and exposes the Group to a gain or loss through currency fluctuations. However, exchange differences arising on a monetary item that, in substance, forms part of the Group's net investment in a foreign entity are classified as equity until the disposal of the net investment, at which time the cumulative amount of the exchange differences that have been deferred and relate to that foreign entity are recognised as income or expenses in the same period in which the gain or loss on disposal is recognised.

Foreign entities

The financial statements of foreign entities are translated into South African Rand as follows:

- assets, including intangibles such as goodwill, and liabilities, at rates of exchange ruling at the balance sheet date
- income, expenditure and cash flow items at average rates

All resulting exchange differences are reflected as part of shareholders' equity. On disposal, these translation differences are recognised in the income statement as part of the cumulative gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprises immovable properties, plant, machinery, vehicles and equipment. Immovable properties are classified as either owner-occupied property or investment property and accounted for accordingly.

Owner-occupied property is carried at cost less accumulated depreciation and accumulated impairment losses, if any. Investment property is carried at cost less accumulated depreciation and accumulated impairment losses, if any. All other property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes transfers from equity of any gains/losses on qualifying cash flow hedges of currency purchase costs.

Subsequent costs are included in an asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group, the cost of the item can be measured reliably, and it is probable that the future economic benefits are in excess of the originally assessed standard of performance of the existing asset. All other repairs and maintenance expenditures are recognised in the income statement in the year incurred.

Immovable properties are revalued at least every five years on the basis of current market values and major variations between such valuations and book values are incorporated into the financial statements by transfer to or from non-distributable reserves. In the event of the sale of an immovable property that had been revalued, the revaluation surplus is transferred to accumulated profit and taken into account in the calculation of the profit or loss on disposal.

Depreciation is generally calculated on the straight line basis at rates considered appropriate to reduce the book value of the assets to estimated residual value over their useful lives as follows:

- immovable property 40 years
- investment property 40 years
- plant and machinery 5 to 10 years
- other equipment 3 to 5 years

Land is not depreciated as it is deemed to have an indefinite life.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to the recoverable amount.

THE GROUP AS LESSEE

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases, where material, are capitalised. All other leases are classified as operating leases.

Capitalised leased assets are depreciated using the straight line basis at rates considered appropriate to reduce the book values over the useful lives to the estimated residual values as set out in the property, plant and equipment policy. Where it is not certain that an asset will be taken over by the Group at the end of the lease, the asset is depreciated over the shorter of the lease period and the estimated useful life of the asset.

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

Operating lease payments are recognised in the income statement on a straight line basis over the lease term. In prior years, the operating lease payments were recognised in the income statement in the year incurred. Refer to note 34.

THE GROUP AS LESSOR

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. These assets are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised on a straight line basis over the lease term.

HEADLEASES AND OTHER DISCONTINUED PROPERTY ACTIVITIES

Finance headleases

All headleases in which the Group has a controlling interest in the property at the end of the lease are classified as finance leases. The specific assets are capitalised as investment property at their recoverable amounts and a corresponding liability is raised. These capitalised headlease investment properties are depreciated using the straight line basis at rates considered appropriate to reduce the book values over the useful lives to the estimated residual values as set out in the property, plant and equipment policy.

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

Operating headleases

All other headleases are classified as operating leases. A long-term provision is raised in respect of the onerous headleases that are classified as operating headleases and is based on the projected losses being the difference between the gross headlease commitments and the projected net revenue inflows. Operating headlease payments are recognised in the income statement on a straight line basis over the lease term. In prior years, the operating lease payments were recognised in the income statement in the year incurred. Refer to note 34.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the balance sheet when the Group has become a party to the contractual provisions of the instruments. Purchases and sales of financial instruments are recognised on trade date, ie the date on which the Group commits to purchase or sell the asset.

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Bank balances and cash

Banks balances and cash comprise cash and short-term deposits held by the Group. The carrying amount of these assets approximates to their fair values due to their short-term nature.

Loans and receivables

Loans and receivables are stated at amortised cost.

Non-trading financial assets

Non-trading financial assets are stated at fair value.

Gains and losses arising on the revaluation of non-trading financial assets are recognised as a non-trading financial asset reserve in the statement of changes in equity until the asset is disposed of or impaired, when the cumulative gain or loss is recognised in the income statement.

Non-trading financial liabilities

Non-trading financial liabilities are recognised at amortised cost, namely original debt less principal payments and amortisations of related costs.

Designated held-for-trade financial instruments

Financial instruments designated as held-for-trade are stated at fair value.

Resulting gains or losses are recognised in the income statement.

Trading and derivative financial instruments

Trading and derivative financial instruments are stated at fair value.

Resulting gains or losses are recognised in the income statement.

Offset

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

Hedge accounting

When forward foreign exchange contracts are entered into as fair value hedges, no hedge accounting is applied. All gains and losses on such contracts are recognised in the income statement.

Where a derivative instrument is designated as a cash flow hedge of an asset, liability or expected future transaction, the effective part of any gain or loss arising on the derivative instrument is classified as a hedging reserve in the statement of changes in equity until the underlying transaction occurs. The ineffective part of any gain or loss is immediately recognised in the income statement.

If the expected future transaction results in the recognition of an asset or liability, the associated gain or loss is transferred from the hedging reserve to the underlying asset or liability. Other cash flow hedge gains or losses are recognised in the income statement at the same time as the hedged transaction occurs.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price for financial assets is the current bid price.

The fair value of investments in service concessions is determined using discounted cash flow models and market discount rates. The discounted cash flow models are based on traffic estimates, forecasted operating costs, inflation rates and other economic fundamentals.

The fair value of financial instruments not traded in active markets is determined by using valuation techniques. The Group uses a variety of methods and market assumptions that are based on market conditions existing at each balance sheet date such as estimated discounted cash flows.

The fair value of interest rate swap agreements is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

INVESTMENTS

Investments in service concessions are classified as designated held-for-trade financial asset investments. All other investments are classified as either non-trading financial assets or loans and receivables. The relevant accounting policies are set out in the financial instruments policy.

Income from investments is only brought to account to the extent that dividends have been received or declared.

INVENTORIES

Inventories comprise raw materials, properties for resale, consumable stores and in the case of manufacturing entities, work-in-progress and finished goods. Inventories are valued at the lower of cost and net realisable value generally determined on the first-in, first-out basis. Finished goods and work-in-progress, in addition to direct materials and labour, include a proportion of factory overheads appropriate to the stage of completion.

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Costs of inventories include transfers from equity of any gains/losses on qualifying cash flow hedges of currency purchase costs.

CONTRACTS-IN-PROGRESS AND CONTRACT RECEIVABLES

The valuation of contracts-in-progress and contract receivables takes account of all direct expenditure and related indirect expenditure on contracts and includes a proportion of profit determined with reference to the stage of completion and the nature of each contract. Payments on account and anticipated losses to completion are deducted.

RETIREMENT BENEFIT COST

Post-retirement benefits incorporate the obligations of the Group to current and retired employees and are accounted for as follows:

Defined contribution plans

Contributions paid to defined contribution plans are recognised as an expense in the year to which they relate.

Defined benefit plans

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

Post-retirement medical benefits

Post-retirement benefits are expensed over the remaining working lives of employees. Deficits arising on these funds, if any, are recognised immediately in respect of retired employees and over the remaining service lives of current employees.

REVENUE

Revenue is the aggregate of the turnover of subsidiaries and the Group's share of the turnover of joint ventures after elimination of intra-group turnover. Contracting turnover included therein comprises the value of work executed on contracts during the year.

Sale of goods

Revenue arising from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and when goods are delivered.

Rendering of services

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

Long-term contracts

Where the outcome of a construction contract can be reliably measured, revenue and costs are recognised by reference to the stage of completion of the contract at the balance sheet date, as measured by the proportion that contract costs incurred for work to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that agreement has been reached with the customer. Anticipated losses to completion are immediately recognised as an expense in contract costs. Where the outcome of the construction contract cannot be estimated reliably, contract revenue is recognised to the extent that incurred costs are recoverable and the recoverability is probable.

Interest and dividend income

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity. When a receivable is recognised, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rates, and continues unwinding the discount as interest income.

Dividends are recognised when the right to receive payment is established.

EXCEPTIONAL ITEMS

Exceptional items are material items which derive from events or transactions that fall outside the ordinary trading activities of the Group and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view.

BORROWING COSTS

It is group policy that borrowing costs are not capitalised.

RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed as incurred.

Development costs relating to the production of a new or substantially improved product or process are capitalised if the product or process is technically and commercially feasible. Other development costs are expensed as incurred.

PROVISIONS

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

DEFERRED TAXATION

Deferred taxation is accounted for using the balance sheet liability method for all temporary differences between the tax bases of the assets and liabilities and the carrying values for financial statement purposes.

In principle, deferred taxation liabilities are recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits within the Group's budgeting horizon, will be available against which deductible temporary differences can be utilised.

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

DISCONTINUED OPERATIONS

Discontinued operations are components of an enterprise that pursuant to a single plan are sold, abandoned or are the subject of a formal plan for disposal or discontinuance and represent a separate major line of business or geographical area of operation and can be distinguished operationally and for financial reporting purposes.

The profit or loss on the sale or abandonment of a discontinued operation is determined from the formalised discontinuance date and includes the operating results from this date, the difference between the proceeds on disposal and the net carrying value of the assets and liabilities to be disposed of, as well as all costs and expenses directly associated with the disposal.

If a loss is expected, full provision is made from the discontinuance date.

IMPAIRMENT OF ASSETS

The recoverability of long-term assets which include properties, other fixed assets, goodwill and investments is continually assessed in relation to the estimated future discounted cash flows. Provision is raised for impairments, if any, if the carrying value of the assets exceeds the future discounted cash flows.

EARNINGS PER SHARE

Earnings per share is calculated on the weighted average number of ordinary shares in issue during the financial year less the weighted average number of shares held by the Trust as treasury shares. For the purpose of calculating the weighted average number of ordinary shares in issue it is assumed that shares issued for the acquisition of shares in other companies were issued on the date from which the respective income is included in earnings, irrespective of the actual date of issue.

THE MURRAY & ROBERTS TRUST

Consolidation of the share trust

The Murray & Roberts Trust (the Trust) is consolidated in line with the ruling of the JSE's GAAP Monitoring Panel. Where the Trust has purchased the company's equity share capital, the consideration paid, including any attributable incremental external costs net of income taxes, is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold, or reissued, any consideration received is included in shareholders' equity.

Equity compensation benefits

Share options are granted to management and key employees. No cost is recognised in the income statement in respect of such options. Options exercised are fulfilled through an issue of shares from the Trust. Options are not settled though a new issue of shares.

DIVIDENDS

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

CONTINGENT ASSETS

In the ordinary course of business the Group 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 inflow of economic benefits is probable, the contingent asset is disclosed in a note.

Notes to the consolidated financial statements
for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand

	Immovable property	Owner-occupied headlease property	Plant and machinery	Other	Total
1. PROPERTY, PLANT AND EQUIPMENT					
Cost or valuation:					
At 1 July 2003	188,9	50,4	1 756,7	371,2	2 367,2
Reclassification to investment property	(10,0)	–	–	–	(10,0)
Additions	9,7	0,8	203,9	137,3	351,7
Capitalisation of hedging reserve	–	–	1,9	–	1,9
Disposals	(8,8)	–	(73,1)	(18,0)	(99,9)
Disposals of businesses	(20,4)	–	(172,2)	(7,5)	(200,1)
Reclassification	19,2	–	(40,3)	21,1	–
Scrappings	–	–	(4,8)	(4,3)	(9,1)
Exchange rate adjustment	(1,7)	–	(33,8)	(9,8)	(45,3)
At 30 June 2004	176,9	51,2	1 638,3	490,0	2 356,4
Additions	28,8	–	185,7	88,7	303,2
Acquisition of businesses	11,0	–	388,2	32,0	431,2
Capitalisation of hedging reserve	–	–	3,0	–	3,0
Disposals	(5,6)	–	(130,8)	(17,1)	(153,5)
Disposals of businesses	(2,1)	(1,3)	(8,3)	(17,7)	(29,4)
Reclassification	5,8	–	143,5	(149,3)	–
Scrappings	–	–	(44,6)	(13,3)	(57,9)
Transfer to investment property	–	(3,7)	–	–	(3,7)
Transfer from investment property	–	11,0	–	–	11,0
Exchange rate adjustment	0,4	–	24,5	0,4	25,3
At 30 June 2005	215,2	57,2	2 199,5	413,7	2 885,6
Accumulated depreciation and impairment:					
At 1 July 2003	43,1	1,4	1 038,6	204,3	1 287,4
Restatement (note 34.3)	–	(1,1)	–	–	(1,1)
Reclassification to investment property	(0,2)	–	–	–	(0,2)
Charge for the year	3,2	0,3	155,3	29,9	188,7
Disposals	–	–	(50,0)	(16,2)	(66,2)
Disposals of businesses	(2,6)	–	(101,4)	(6,7)	(110,7)
Reclassification	3,7	–	4,4	(8,1)	–
Scrappings	–	–	(4,5)	(4,2)	(8,7)
Exchange rate adjustment	(0,9)	–	(14,5)	(8,0)	(23,4)
At 30 June 2004	46,3	0,6	1 027,9	191,0	1 265,8

Notes to the consolidated financial statements

for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand

	Immovable property	Owner-occupied headlease property	Plant and machinery	Other	Total
1. PROPERTY, PLANT AND EQUIPMENT *(continued)*					
Accumulated depreciation and impairment:					
At 30 June 2004	46,3	0,6	1 027,9	191,0	1 265,8
Charge for the year	3,6	0,3	212,1	33,7	249,7
Impairment loss	–	–	25,3	2,1	27,4
Acquisition of businesses	3,0	–	275,8	18,5	297,3
Disposals	(0,3)	–	(83,0)	(13,5)	(96,8)
Disposals of businesses	(0,5)	–	(6,6)	(14,2)	(21,3)
Reclassification	2,2	–	–	(2,2)	–
Scrappings	–	–	(32,6)	(13,1)	(45,7)
Transfer to investment property	–	(0,3)	–	–	(0,3)
Transfer from investment property	–	0,7	–	–	0,7
Exchange rate adjustment	0,3	–	13,8	0,4	14,5
At 30 June 2005	54,6	1,3	1 432,7	202,7	1 691,3
Net book value:					
At 30 June 2005	160,6	55,9	766,8	211,0	1 194,3
At 30 June 2004	130,6	50,6	610,4	299,0	1 090,6
Net carrying value of capitalised leased assets included in the above is:					
At 30 June 2005	3,5	55,9	29,2	14,6	103,2
At 30 June 2004	3,3	50,6	9,4	9,6	72,9

Details in respect of immovable property are set out in a register which may be inspected at the company's registered office.

Freehold immovable properties were valued in October 2001. The valuation was carried out by Murray & Roberts Properties Group, a related party, and the fair value approximates the carrying value.

The Group has pledged certain plant and machinery as security for certain interest-bearing borrowings. (Refer note 11 Secured liabilities)

All monetary amounts are expressed in millions of rand	Headlease property	Other investment property	Total
2. INVESTMENT PROPERTY			
Cost or valuation:			
At 1 July 2003	284,7	–	284,7
Reclassification from property, plant and equipment	–	10,0	10,0
Additions	–	1,2	1,2
Disposals	–	(0,8)	(0,8)
Headleases settled	(13,5)	–	(13,5)
At 30 June 2004	271,2	10,4	281,6
Additions	–	0,4	0,4
Disposals	–	(0,5)	(0,5)
Transfer to owner-occupied	(11,0)	–	(11,0)
Transfer from owner-occupied	3,7	–	3,7
At 30 June 2005	263,9	10,3	274,2
Accumulated depreciation:			
At 1 July 2003	7,2	–	7,2
Restatement (note 34.3)	(2,3)	–	(2,3)
Reclassification from property, plant and equipment	–	0,2	0,2
Charge for the year	4,9	0,2	5,1
Disposals	–	(0,1)	(0,1)
At 30 June 2004	9,8	0,3	10,1
Charge for the year	4,9	0,3	5,2
Transfer to owner-occupied	(0,7)	–	(0,7)
Transfer from owner-occupied	0,3	–	0,3
At 30 June 2005	14,3	0,6	14,9
Net book value:			
At 30 June 2005	249,6	9,7	259,3
At 30 June 2004	261,4	10,1	271,5
Fair value:			
At 30 June 2005	264,3	15,0	279,3
At 30 June 2004	271,2	15,0	286,2

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

The fair value of the investment properties at 30 June 2005 has been arrived at on the basis of a valuation carried out by Murray & Roberts Properties Group, a related party, on an open market basis.

The headlease investment property forms part of the Group's headlease and other discontinued property activities. (Refer note 13 Obligations under finance headleases)

Notes to the consolidated financial statements

for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	2005	2004
3. GOODWILL		
Goodwill at beginning of year	4,7	10,2
Amortisation (note 34.1)	–	(5,5)
Acquisition of businesses	61,9	–
Disposal of equity interest	(14,3)	–
Impairment loss	(4,7)	–
Exchange rate adjustment	0,3	–
	47,9	4,7
Goodwill is allocated to the Group's cash-generating units identified according to the business segments that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:		
Engineering	–	4,7
Mining	47,9	–
	47,9	4,7

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

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond the three year period are extrapolated using an estimated growth rate of 2,0%. The growth rate does not exceed the long-term average growth rate for the relevant market. The discount rate used of 10,3% is pre-tax and reflects the Group's weighted average cost of capital.

The current year impairment charge arose in the engineering business segment following the adoption of AC140: *Business Combinations.* The JCI Projects business acquired in 2000 was absorbed into the business of Murray & Roberts Engineering Solutions and as such no separate cash-generating unit was identified.

	2005	2004
4. INVESTMENT IN ASSOCIATE COMPANIES		
The Group's share of associate companies included in the consolidated balance sheet is as follows:		
At 1 July	652,8	570,9
Reclassification from other investments (note 5)	56,6	–
Additions – Clough Limited	394,2	–
Disposal – Unitrans Limited	(679,8)	–
Share of post-acquisition earnings, net of dividends received	43,3	81,9
Exchange rate adjustment	37,8	–
At 30 June	504,9	652,8
The carrying value of the investment can be analysed as follows:		
Net tangible assets acquired	231,1	279,7
Fair value adjustments	(66,8)	–
Goodwill	286,5	–
Share of post-acquisition earnings, net of dividends received	16,3	373,1
Exchange rate adjustments	37,8	–
	504,9	652,8

The acquisition accounting for Clough Limited is on a provisional basis.
120 000 000 shares of the Group's investment in the shares of Clough Limited have been pledged as security for a bank loan. (Refer note 11 Secured liabilities)

All monetary amounts are expressed in millions of rand			2005	2004
4. INVESTMENT IN ASSOCIATE COMPANIES *(continued)*				
Details of the associate companies are as follows:				
Name of associate	Incorporation	Main activity	% of ownership	
Unitrans Limited	South Africa	Transport and motor	–	44,5
Clough Limited	Australia	Engineering	30,2	–
Valuation of shares				
Market value of listed Unitrans Limited (2005: nil shares) (2004: 34 216 680 shares)			–	958,1
Market value of listed Clough Limited (2005: 144 983 161 shares) (2004: nil shares)			349,6	–
Summarised financial information in respect of the Group's associates is set out below:				
			Clough 2005	Unitrans 2004
Non-current assets			701,9	1 351,9
Current assets			1 565,3	1 619,9
Total assets			2 267,2	2 971,8
Non-current liabilities			81,1	170,7
Current liabilities			1 246,3	1 414,4
Total liabilities			1 327,4	1 585,1
Net assets			939,8	1 386,7
Revenue			2 380,3	9 291,0
Attributable (loss) profit for the year			(276,2)	252,1

The Group's share of the attributable loss of Clough Limited is a post-acquisition income of R16,3 million. This is derived largely from Clough's 83% listed subsidiary PT Petrosea in Indonesia, oil & gas service projects and property development activity in Australia. Clough itself has recorded an attributable loss of AUD59,6 million for the year to 30 June 2005, the majority of which relates to pre-acquisition matters. These matters relate largely to an engineer, procure, install and commision (EPIC) oil & gas project off Melbourne in the Bass Straights.

Although the Group has significant influence over the financial and operating policies of Murray & Roberts (Zimbabwe) Limited, it is not equity accounted into the group financial statements as it operates under severe long-term restrictions that significantly impair its ability to transfer funds to the Group.

Although the Group holds more than 20% of the voting power in Borbet SA (Pty) Limited, the Group does not exercise significant influence over it as the Group's holding is intended to be temporary.

Notes to the consolidated financial statements

for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	2005	2004
5. OTHER INVESTMENTS		
DESIGNATED HELD-FOR-TRADE FINANCIAL ASSETS		
Unlisted investments at beginning of year	108,2	106,0
Additions, disposals, repayments, investments and other movements	(19,7)	(4,8)
Fair value adjustment recognised in income statement	46,1	7,0
Fair value of unlisted designated held-for-trade investments	134,6	108,2
(Directors' valuation R134,6 million, 2004: R108,2 million)		
NON-TRADING FINANCIAL ASSETS		
Unlisted investments at beginning of year	1,9	13,8
Additions, disposals and other movements	(0,8)	(24,6)
Fair value adjustment recognised in equity	–	12,7
Fair value of unlisted non-trading investments	1,1	1,9
(Directors' valuation R1,1 million, 2004: R1,9 million)		
Listed investments at beginning of year	60,0	5,9
Reclassification to investment in associate companies (note 4)	(56,6)	–
Additions, disposals and other movements	(2,9)	54,8
Fair value adjustment recognised in equity	–	(0,7)
Fair value of listed non-trading investments	0,5	60,0
(Market value R0,5 million, 2004: R60,0 million)		
LOANS AND RECEIVABLES		
Unsecured loans	223,9	134,6
	360,1	304,7

Designated held-for-trade financial assets comprise the Group's interest in the following toll road service concessions:

	% Interest	Remaining concession period	2005	2004
N3 Toll Concessions (Pty) Limited	13,07	24 years	89,5	63,6
Bakwena Platinum Corridor Concessionaire (Pty) Limited	7,12	26 years	45,1	44,6

Details in respect of the other investments are set out in a register that may be inspected at the company's registered office. Details of loans to related parties are set out in note 33.

All monetary amounts are expressed in millions of rand	2005	2004
6. INVENTORIES		
Raw materials	181,0	220,4
Work-in-progress	70,7	53,0
Finished goods and manufactured components	174,9	124,0
Consumable stores	114,7	65,9
Property	12,9	26,3
	554,2	489,6
Inventories with a carrying value of R1,7 million (2004: R1,9 million) have been pledged as security over long-term loans. (Refer note 11 Secured liabilities)		
7. CONTRACTS-IN-PROGRESS AND CONTRACT RECEIVABLES		
Costs incurred plus recognised profits, less recognised losses on contracts-in-progress at year-end	447,9	326,0
Amounts receivable on contracts	758,1	550,6
	1 206,0	876,6
Advances received in excess of work completed	(304,3)	(114,7)
Net amounts receivable from contracts	901,7	761,9
Retentions receivable	223,3	166,2
	1 125,0	928,1
8. TRADE AND OTHER RECEIVABLES		
Trade receivables	824,6	836,3
Provision for doubtful debts	(44,2)	(23,8)
Other receivables	265,8	264,9
	1 046,2	1 077,4
Details in respect of the Group's credit risk management policies are set out in note 31.		
9. DERIVATIVE FINANCIAL INSTRUMENTS		
Assets		
Forward foreign exchange contracts	33,6	67,0
Interest rate swap	0,2	0,4
	33,8	67,4
Liabilities		
Forward foreign exchange contracts	4,0	11,1
Interest rate swap	3,6	6,1
	7,6	17,2
Details in respect of the derivative financial instruments and the Group's financial risk management policies are set out in note 31.		

Notes to the consolidated financial statements
for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	2005	2004
10. SHARE CAPITAL AND PREMIUM		
Authorised		
500 000 000 ordinary shares of 10 cents each		
(2004: 500 000 000 of 10 cents each)	50,0	50,0
Issued and fully paid		
331 892 619 ordinary shares of 10 cents each		
(2004: 331 892 619 of 10 cents each)	33,2	33,2
Less: Treasury shares held by The Murray & Roberts Trust at par value	(1,4)	(1,4)
Net share capital	31,8	31,8
Share premium	1 639,6	1 639,6
Less: Treasury shares held by The Murray & Roberts Trust at net cost	(246,2)	(226,3)
Net share premium	1 393,4	1 413,3
	1 425,2	1 445,1

Share Trust

The shares held by The Murray & Roberts Trust had a market value at 30 June 2005 of 1 400 cents per share (2004: 1 295 cents per share) totalling R194,9 million (2004: R177,4 million).

	Number of shares	Number of shares
Unissued shares:		
(i) Shares available for allotment by the directors in terms of the employee share purchase scheme	19 543 085	19 280 500
(ii) Shares which the directors may allot, grant options over or otherwise deal with at their own discretion	30 000 000	30 000 000
(iii) Other unissued shares	118 564 296	118 826 881
	168 107 381	168 107 381

10. SHARE CAPITAL AND PREMIUM *(continued)*

Share incentive scheme

The Murray & Roberts Holdings Limited Employee Share Incentive Scheme (the Scheme) was approved by shareholders in October 1987 to operate through the means of The Murray & Roberts Trust. At 30 June 2005, the Trust held 13 924 893 (2004: 13 701 427) shares against the commitment of options granted by the trust totalling 12 222 315 (2004: 12 690 480) shares.

The details of the movement in the outstanding options granted by the Trust during the year ended 30 June 2005 are as follows:

Schemes implemented on:		Outstanding options at 30 June 2004	Granted during the year	Surrendered during the year	Exercised during the year	Outstanding options at 30 June 2005	Option price per share (cents)
30 June 1994		23 853		(23 853)		–	1 870
29 June 1995		132 240		(132 240)		–	2 150
27 June 1996		280 039		(56 500)		223 539	1 720
07 July 1997		126 840		(5 000)	(68 840)	53 000	913
09 March 1998		854 630		(149 500)	(231 630)	473 500	805
17 March 1999		1 606 838		(67 500)	(771 025)	768 313	233
25 August 1999		50 000		(18 000)	(15 000)	17 000	440
08 May 2000		971 440		(82 500)	(440 577)	448 363	316
15 June 2000		950 000			(100 000)	850 000	316
29 August 2000		1 000 000				1 000 000	325
14 March 2001	Standard	1 222 500		(47 500)	(515 000)	660 000	460
14 March 2001	Hurdle	725 000		(25 000)		700 000	460
19 October 2001		20 000				20 000	700
13 March 2002	Standard	802 550			(64 125)	738 425	693
13 March 2002	Hurdle	718 050			(45 625)	672 425	693
29 November 2002		40 000				40 000	1 225
06 March 2003	Standard	644 000		(30 000)	(18 750)	595 250	1 100
06 March 2003	Hurdle	732 500		(10 000)		722 500	1 100
15 March 2004	Standard	990 000		(15 000)		975 000	1 304
15 March 2004	Hurdle	800 000		(15 000)		785 000	1 304
07 September 2004	Standard	–	150 000			150 000	1 200
07 September 2004	Hurdle	–	100 000			100 000	1 200
28 June 2005	Standard	–	1 230 000			1 230 000	1 400
28 June 2005	Hurdle	–	1 000 000			1 000 000	1 400
		12 690 480	2 480 000	(677 593)	(2 270 572)	12 222 315	

Notes:

1. For the 1998 and prior schemes, the options vest as to 50% at the fourth and 100% at the fifth anniversary of the grant.

2. For the 1999 and later schemes, the options vest at 25% per annum in each of the second to fifth anniversaries of the grant.

3. For the 2004 and prior schemes, termination occurs on the tenth anniversary of the grant and any unexercised options expire at that date.

4. For the 2005 and later schemes, termination occurs on the sixth anniversary of the grant and any unexercised options expire at that date.

5. For the 2001 to 2003 schemes hurdle rate is 25% per annum compound growth on option price.

6. For the 2004 and 2005 schemes hurdle rate is CPI + 4% per annum compound growth on option price.

Notes to the consolidated financial statements

for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	2005	2004
11. SECURED LIABILITIES		
Liabilities of the Group are secured as follows:		
Loans secured by inventories with a book value of R1,7 million (2004: R1,9 million)	7,7	9,3
Loans secured over plant and machinery with a book value of R91,2 million (2004: R54,4 million)	33,1	46,7
Loans secured by investment in associate company with a book value of R412,7 million (2004: nil)	200,1	–
	240,9	56,0
Reflected in the balance sheet under:		
Long-term loans (note 12)	217,0	27,6
Bank overdrafts and short-term loans (note 18)	23,9	28,4
	240,9	56,0
12. LONG-TERM LOANS		
Secured loans		
Current year	23,9	28,4
Next five years excluding current	16,9	27,6
After five years	200,1	–
	240,9	56,0
Less: Current portion (note 18)	(23,9)	(28,4)
	217,0	27,6
Unsecured loans		
Current year	55,0	69,2
Next five years excluding current	96,2	102,3
After five years	1,2	–
	152,4	171,5
Less: Current portion (note 18)	(55,0)	(69,2)
	97,4	102,3
Capitalised finance leases		
Current year	28,0	11,6
Next five years excluding current	24,6	9,3
	52,6	20,9
Less: Current portion (note 18)	(28,0)	(11,6)
	24,6	9,3
	339,0	139,2

Details of the repayment terms of loans and the related interest rates are set out in Annexure 2. The assets encumbered to secure the loans are detailed in note 11.

All monetary amounts are expressed in millions of rand	2005	2004
13. OBLIGATIONS UNDER FINANCE HEADLEASES		
Current year	79,2	55,2
Next five years excluding current	274,2	332,1
After five years	–	14,0
	353,4	401,3
Less: Current portion (note 18)	(79,2)	(55,2)
	274,2	346,1
Details of the repayment terms of the obligations and the related interest rates are set out in Annexure 2. The assets encumbered to secure the loans are detailed in notes 1 and 2.		
14. LONG-TERM PROVISION		
Headleases and other discontinued property activities		
At beginning of year	48,4	78,5
Provision released to the income statement	(15,7)	(10,1)
Trading losses	(7,6)	(20,0)
At end of year	25,1	48,4
Less: Current portion included in trade and other payables (note 16)	(20,6)	(19,1)
	4,5	29,3

Notes to the consolidated financial statements

for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	2005	2004
15. DEFERRED TAXATION		
Deferred taxation assets		
The movement on the deferred taxation asset account is as follows:		
At beginning of year	32,8	–
Acquisition of businesses	0,5	–
Income statement credit	4,4	32,8
Exchange rate adjustment	0,1	–
At end of year	37,8	32,8
Comprising:		
Plant	(9,9)	(10,2)
Work-in-progress	2,0	11,8
Assessable loss	34,6	31,2
Other	11,1	–
	37,8	32,8
Deferred taxation liabilities		
The movement on the deferred taxation liability account is as follows:		
At beginning of year	117,9	109,0
Acquisition of businesses	20,2	–
Income statement charge	65,4	8,9
Exchange rate adjustment	(1,4)	–
At end of year	202,1	117,9
Comprising:		
Inventory	(4,7)	–
Uncertified work and other construction temporary differences	72,5	17,3
Plant	87,9	16,3
Financial leases	56,9	60,0
Tax losses	(7,7)	–
Provision for doubtful debts	2,0	4,2
Prepayments	5,4	–
Advance payments received	(6,1)	–
Fair value adjustments	13,5	–
Other	(17,6)	20,1
	202,1	117,9

All monetary amounts are expressed in millions of rand	2005	2004
16. TRADE AND OTHER PAYABLES		
Trade and other payables	2 046,7	1 801,7
Payroll accruals	93,6	64,0
Short-term portion of long-term provision (note 14)	20,6	19,1
	2 160,9	1 884,8
17. SUBCONTRACTOR LIABILITIES		
Contracts-in-progress and contract receivables include claims against clients in respect of subcontractor liabilities. These liabilities are only settled when payment has been received from clients.		
18. BANK OVERDRAFTS AND SHORT-TERM LOANS		
Bank overdrafts	194,7	118,7
Current portion of long-term loans (note 12)		
– secured	23,9	28,4
– unsecured	55,0	69,2
Current portion of capitalised finance leases (note 12)	28,0	11,6
Current portion of obligations under finance headleases (note 13)	79,2	55,2
	380,8	283,1
19. REVENUE		
Continuing operations		
Contracting revenue	6 582,4	4 445,7
Sale of goods	3 640,9	3 146,0
Rendering of services	173,3	190,3
Other	91,8	21,4
	10 488,4	7 803,4
Discontinued operations	205,4	620,6
	10 693,8	8 424,0
20. EXCEPTIONAL ITEMS		
Headlease and other discontinued property activities (notes 1, 2, 13, 14)	11,2	(7,1)
Provision released to income statement	15,7	10,1
Net lease income from discontinued headlease property	65,7	49,7
Depreciation of discontinued headlease property	(5,2)	(5,2)
Interest expense on obligations under finance headleases	(57,2)	(61,7)
Additional liability raised	(7,8)	–
Net profit (loss) on disposals and closures	189,2	(9,0)
Impairment loss recognised on unlisted loan investments	(159,2)	–
Impairment loss recognised on goodwill	(4,7)	–
Impairment loss recognised on property, plant and equipment	(23,1)	–
	13,4	(16,1)

Notes to the consolidated financial statements
for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	2005	2004
21. EARNINGS BEFORE INTEREST AND TAXATION		
Earnings before interest and taxation is arrived at after taking into account:		
Amortisation of goodwill	–	5,5
Auditors' remuneration:		
Fees for audits	14,5	12,5
Other services	2,0	2,0
Expenses	0,4	0,2
Compensation from insurance claims	(22,8)	–
Dividends received	(0,7)	(10,2)
Depreciation:		
Immovable property	3,6	3,2
Plant and machinery	212,1	155,3
Other property, plant and equipment	33,7	29,9
Other investment property	0,3	0,2
Fees paid for:		
Managerial services	14,2	18,1
Technical services	2,9	6,6
Administrative services	9,9	11,5
Secretarial services	0,7	0,7
Impairment loss recognised on property, plant and equipment	4,3	–
Impairment losses:		
Trade receivables	31,9	12,7
Contract receivables	13,1	0,5
Other receivables	10,2	1,4
Payroll cost	2 713,4	1 817,5
Profit on disposal of investments	–	(37,8)
Profit on disposal of property, plant and equipment	(25,9)	(37,5)
Loss on disposal of property, plant and equipment	0,4	0,4
Net foreign exchange gains	(7,7)	(25,9)
Net fair value gains of financial instruments	(40,0)	(3,6)
Operating lease costs:		
Immovable property	20,3	27,0
Plant and machinery	0,3	0,2
Other	12,9	18,7
Research and development costs	1,4	2,4
Operating expenses by function		
Cost of sales	9 143,6	7 187,7
Distribution and marketing costs	138,7	129,2
Administration costs	1 102,6	1 010,3
Other operating income	(234,3)	(324,1)

All monetary amounts are expressed in millions of rand	2005	2004
22. NET INTEREST (EXPENSE) INCOME		
Interest expense:		
Bank overdrafts	(16,9)	(11,2)
Capitalised finance leases	(5,2)	(4,1)
Present value expense	(12,9)	(3,9)
Loans and other liabilities	(19,5)	(15,1)
	(54,5)	(34,3)
Interest income:		
Bank balances and cash	33,6	25,3
Present value income	2,1	3,2
Unlisted loan investments and other receivables	13,5	15,9
	49,2	44,4
Net interest (expense) income	(5,3)	10,1
23. TAXATION		
South African normal taxation:		
Current year	62,4	0,9
Prior year	1,0	(0,2)
Secondary taxation on companies	0,3	3,1
Foreign taxation:		
Current year	25,7	46,9
Deferred taxation:		
Current year	61,0	(23,9)
	150,4	26,8
	%	%
Reconciliation of effective rate of taxation to the standard rate of taxation		
Effective rate of taxation	27,3	6,5
Reduction in rate of taxation due to:		
Capital and non-taxable items	23,1	3,4
Taxation losses utilised	0,2	30,5
Deferred taxation assets	2,4	7,8
Prior year adjustments	0,4	0,1
	53,4	48,3
Increase in rate of taxation due to:		
Non-deductible expenditure	(21,5)	(2,8)
Current year's losses not recognised	(0,4)	(3,7)
Taxation on foreign companies	(1,1)	(7,5)
Foreign withholding taxation	(0,3)	(1,7)
Imputed foreign income	(0,7)	(1,8)
Change in rate of taxation	(0,3)	–
Secondary taxation on companies	(0,1)	(0,8)
South African standard rate of taxation	29,0	30,0

Notes to the consolidated financial statements
for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	2005	2004
24. EARNINGS AND HEADLINE EARNINGS PER SHARE		
Reconciliation of headline earnings		
Earnings attributable to ordinary shareholders	448,1	477,0
Adjustments:		
Exceptional items (note 20), all non-headline	(13,4)	16,1
Taxation on exceptional items	16,1	–
Goodwill amortisation	–	5,5
Non-headline portion of income from associate	2,4	4,8
Headline earnings	453,2	503,4
Reconciliation of weighted average number of shares in issue (000)		
Weighted average number of ordinary shares in issue	331 893	331 893
Less: Weighted average number of shares held by The Murray & Roberts Trust	(13 664)	(13 788)
Weighted average number of shares in issue used in the determination of basic per share figures	318 229	318 105
Add: Dilutive adjustment for share options	4 611	6 173
Weighted average number of shares in issue used in the determination of diluted per share figures	322 840	324 278
Earnings per share (cents)		
– Diluted	139	147
– Basic	141	150
Headline earnings per share (cents)		
– Diluted	140	155
– Basic	142	158
25. ORDINARY DIVIDENDS		
Interim dividend No 106 of 15,0 cents declared on 26 February 2005	47,7	
Final dividend No 107 of 30,0 cents declared on 31 August 2005	95,5	
Interim dividend No 104 of 15,0 cents declared on 26 February 2004		47,7
Final dividend No 105 of 30,0 cents declared on 25 August 2004		95,5
Add: Dividends relating to treasury shares	6,2	6,2
	149,4	149,4
Dividends are accounted for on the date of declaration in accordance with AC107 and are not accrued as a liability in the financial statements until declared.		
26. PROFIT AND LOSSES OF SUBSIDIARIES		
Aggregate profits	973,8	458,2
Aggregate losses	(144,9)	(110,5)

All monetary amounts are expressed in millions of rand	2005	2004
27. JOINT VENTURES		
A proportion of the Group's operations are performed through joint ventures.		
The Group operates through two types of joint ventures:		
Joint venture entities		
Incorporated arrangements such as jointly controlled companies.		
Joint venture operations		
Unincorporated arrangements such as partnerships and contracts.		
The Group's aggregate proportionate share of joint ventures included in the consolidated balance sheet is as follows:		
Non-current assets	23,0	4,9
Current assets	669,9	604,6
Total assets	692,9	609,5
Non-current liabilities	15,7	1,9
Current liabilities	521,6	473,0
Total liabilities	537,3	474,9
Net assets	155,6	134,6
The Group's aggregate proportionate share of joint ventures included in the consolidated income statement is as follows:		
Revenue	1 097,6	1 125,3
Earnings after taxation	50,6	20,8

	Business segment	% ownership 2005	% ownership 2004
The Group has the following significant joint venture entities:			
SNC Lavalin-Murray & Roberts (Pty) Limited	Construction & Engineering	50,0	50,0
Alert Steel Polokwane (Pty) Limited	Construction Materials & Services	50,0	50,0
Freyssinet Posten (Pty) Limited	Construction Materials & Services	50,0	50,0
Precast Reinforcing Steel (Pty) Limited	Construction Materials & Services	50,0	50,0
Reinforcing Steel Contractors East London (Pty) Limited	Construction Materials & Services	50,0	50,0
Shisane Reinforcing Steel (Pty) Limited	Construction Materials & Services	40,0	40,0
National Metal Cape Town (Pty) Limited	Construction Materials & Services	40,0	40,0
Flaming Silver 163 (Pty) Limited	Fabrication & Manufacture	50,0	–
Falcon Aluminium Alloys (Pty) Limited	Fabrication & Manufacture	33,3	–

Notes to the consolidated financial statements

for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	Business segment	% ownership 2005	% ownership 2004
27. JOINT VENTURES *(continued)*			
The Group has the following significant joint venture operations:			
Al Habtoor – Murray & Roberts – Takenaka Joint Venture	Construction & Engineering	40,0	–
Al Habtoor – Murray & Roberts Joint Venture	Construction & Engineering	50,0	50,0
Cemdelsam Joint Venture	Construction & Engineering	50,0	–
Murray & Roberts BBMM Joint Venture	Construction & Engineering	50,0	50,0
Murray & Roberts Jolinde Joint Venture	Construction & Engineering	85,0	85,0
Nass – Murray & Roberts Joint Venture	Construction & Engineering	50,0	50,0
Platinum Joint Venture	Construction & Engineering	26,6	26,6
Rand Roads/Murray & Roberts 12/15 Joint Venture	Construction & Engineering	33,3	33,3
NTRV (Maintenance Phase) Joint Venture	Construction & Engineering	50,0	50,0

	2005	2004
28. CONTINGENT LIABILITIES		
The Group 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 Group will have a material adverse effect on the financial condition or future of the Group.		
The ascertainable contingent liabilities at 30 June being	147,9	56,4
Total financial institution guarantees given to third parties on behalf of group companies amounted to	1 787,5	1 351,7
The directors do not believe any exposure to loss is likely.		
29. CAPITAL COMMITMENTS		
Approved by the directors, contracted and not provided in the balance sheet	59,9	97,7
Approved by the directors, not yet contracted for	336,3	298,9
	396,2	396,6
Capital expenditure will be financed from internal resources and existing facilities.		

All monetary amounts are expressed in millions of rand	2005	2004
30. OPERATING LEASE ARRANGEMENTS		
General operating leases		
Operating lease payments represent rentals payable by the Group for certain of its office properties and certain items of plant and machinery, and furniture and fittings. These leases have varying terms, escalation clauses and renewal periods.		
Operating lease cost		
Operating lease costs recognised in the income statement are set out in note 21.		
Operating lease commitments		
The future minimum lease payments under non-cancelable operating leases are as follows:		
Due within one year	22,8	30,5
Due between two and five years	49,5	22,7
Due thereafter	0,3	1,7
	72,6	54,9
Operating headleases		
Operating headlease payments represent rentals payable by the Group for the headlease property in which the Group does not have a controlling interest at the end of the lease and consist of leases over commercial, industrial and retail properties. These leases have varying terms, escalation clauses and renewal periods.		
Operating headlease cost and income		
Operating lease costs and income are recognised in the income statement as exceptional items (note 20).		
The future minimum sublease payments expected to be received for the next three years under the subleases are R267,4 million (2004: R478,4 million).		
Operating headlease commitments		
The future minimum lease payments under non-cancelable operating headleases are as follows:		
Due within one year	30,5	42,3
Due between two and five years	99,2	131,3
Due thereafter	33,9	33,9
	163,6	207,5

Notes to the consolidated financial statements

for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand

31. FINANCIAL RISK MANAGEMENT

The Group does not trade in financial instruments other than designated held-for-trade financial assets but, in the normal course of operations, is exposed to currency, credit, interest and liquidity risk. In order to manage these risks, the Group may enter into transactions that make use of derivative financial instruments. The Group's financial instruments consist mainly of deposits with banks, local money market instruments, equity investments, derivatives, accounts receivable and payable and interest-bearing borrowings.

Treasury risk management

The Group's treasury operations provide the Group with access to local and foreign money markets and provide group subsidiaries with the benefits of bulk financing and depositing.

Foreign currency management

Loans

All material foreign loans are covered, in terms of group policy, by forward foreign exchange contracts except where a natural hedge against the underlying assets exists.

Trade exposure

The Group's policy is to cover forward all trade commitments. Each division manages its own trade exposure. In this regard the Group has entered into certain forward foreign exchange contracts. All such contracts are supported by underlying commitments, receivables or payables. The risk of having to close out these contracts is considered to be low.

The amounts below represent the net Rand equivalents of commitments to purchase and sell foreign currencies. The majority of the contracts will be utilised during the next 12 months. (Refer note 9)

Details of these contracts are as follows:

	2005 Foreign amount	2005 Rand amount	2004 Foreign amount	2004 Rand amount
Related to specific balance sheet items				
Bought				
United States Dollars	17,9	117,7	4,8	33,6
Euros	5,4	45,0	5,6	43,4
British Pounds	1,0	16,0	11,9	94,0
Other	–	–	1,1	6,6
Total		178,7		177,6
Sold				
United States Dollars	5,6	35,4	30,0	189,9
Euros	8,4	68,7	13,0	99,0
British Pounds	8,5	74,9	6,2	56,3
Other	0,2	1,2	–	–
Total		180,2		345,2
Related to future commitments				
Bought				
United States Dollars	–	–	1,2	11,4
Euros	0,2	1,5	–	–
Japanese Yen	589,5	36,6	466,9	30,7
Total		38,1		42,1

All monetary amounts are expressed in millions of rand

31. FINANCIAL RISK MANAGEMENT *(continued)*

Foreign currency management *(continued)*

The carrying amount of the Group's significant financial assets is denominated in the following currencies:

	Bank balances and cash	Trade and contract receivables
Australian Dollar	13,9	19,7
Bahraini Dinar	26,3	21,4
Botswana Pula	28,1	47,0
British Pound	2,6	7,8
Canadian Dollar	41,8	110,7
Egyptian Pound	0,2	4,6
Euro	18,2	1,0
Malaysian Ringgit	23,4	8,7
Qatari Rial	29,3	85,1
South African Rand	1 328,0	1 183,5
United Arab Emirates Dirham	172,5	253,3
United States Dollar	231,7	62,2
Other	16,8	20,8
Gross receivables	1 932,8	1 825,8
Present value and other adjustments	–	(19,8)
	1 932,8	1 806,0

The carrying amount of the Group's significant financial liabilities is denominated in the following currencies:

	Bank overdrafts	Trade payables and subcontractor liabilities	Interest-bearing borrowings
Australian Dollar	–	8,5	0,9
Bahraini Dinar	–	15,1	–
Botswana Pula	–	61,4	4,1
British Pound	0,3	0,9	78,8
Canadian Dollar	–	29,9	–
Egyptian Pound	61,3	3,0	–
Euro	–	0,6	–
Malaysian Ringgit	–	10,2	–
Qatari Rial	–	77,6	–
South African Rand	27,9	740,1	483,2
United Arab Emirates Dirham	50,7	288,5	32,2
United States Dollar	54,4	14,0	200,1
Other	0,1	38,5	–
Gross liabilities	194,7	1 288,3	799,3
Present value and other adjustments	–	(4,1)	–
	194,7	1 284,2	799,3

Notes to the consolidated financial statements
for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand

31. FINANCIAL RISK MANAGEMENT *(continued)*

Interest rate risk management

The Group is exposed to interest rate risk through its bank overdrafts and other interest-bearing borrowings. The Group does not normally hedge its exposure. Group companies generally adopt a policy of ensuring that their borrowings are at market related rates to address their interest rate risk. The directors are of the opinion that the current process works effectively and is therefore sufficient.

Details of the financial liabilities and related interest rates are set out in Annexure 2.

As at 30 June 2005 the Group had two interest rate swap agreements outstanding as detailed below. (Refer note 9)

	Currency	Interest rate (%)	Maturity date	Fair value of asset (liability)
Pay floating rate, receive fixed rate	ZAR	13,4	02 January 2007	0,2
Pay fixed rate, receive floating rate	GBP	8,0	20 February 2007	(3,6)

Maturity profile of financial instruments

The maturity profiles of the recognised financial instruments are summarised as follows:

	<1 year	1 – 6 years	Total
Financial assets			
Bank balances and cash	1 932,8	–	1 932,8
Contract receivables	981,4	–	981,4
Trade and other receivables	1 046,2	–	1 046,2
Derivative financial instruments	33,8	–	33,8
Other investments	–	360,1	360,1
Financial liabilities			
Bank overdrafts	194,7	–	194,7
Interest-bearing borrowings	186,1	613,2	799,3
Trade and other payables	2 046,7	–	2 046,7
Derivative financial instruments	7,6	–	7,6
Subcontractor liabilities	575,1	–	575,1

Fair value of financial assets and liabilities

The book value of the above financial assets and liabilities approximates fair value.

Credit risk management

Potential areas of credit risk consist of trade receivables and short-term cash investments.

Trade receivables consist mainly of a large widespread customer base. Group companies monitor the financial position of their customers on an ongoing basis. Where considered appropriate, use is made of credit guarantee insurance. The granting of credit is controlled by application processes and enforcement of account limits. Provision is made for specific bad debts and at year-end management believed that any material credit risk exposure was covered by credit guarantee or a bad debt provision.

Group policy is to deposit short-term cash investments with major financial institutions.

All monetary amounts are expressed in millions of rand	2005	2004
31. FINANCIAL RISK MANAGEMENT *(continued)*		
Liquidity risk management		
The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.		
Borrowing capacity		
The company's borrowings and guarantees are limited by its articles of association to	4 451,0	3 904,7
Total borrowings and guarantees, excluding performance guarantees	(1 208,8)	(1 042,0)
Unutilised borrowing capacity	3 242,2	2 862,7

32. RETIREMENT AND OTHER BENEFIT FUNDS

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

Defined contribution plans – pension funds

In South Africa, the Group operates the privately administered defined contribution pension plans listed below:

Murray & Roberts Retirement Fund
Investment Solutions Pension Fund

Membership comprises mainly salaried employees. The assets of the funds are independently controlled by a board of trustees which includes representatives elected by the members. The funds vest in the members who on exit, are entitled to the funds which have accrued to them. The funds were actuarially valued on the following dates and declared to be in a sound financial position:

Murray & Roberts Retirement Fund	31 December 2004
Investment Solutions Pension Fund	31 December 2003

The total cost to the Group in respect of the above funds for the year ended 30 June 2005 was R32,8 million (2004: R44,4 million).

Defined contribution plans – provident funds

In South Africa, the Group operates the privately administered defined contribution provident plans listed below:

Murray & Roberts Provident Fund
The Cementation Company Provident Fund

Membership of the Murray & Roberts Provident Fund comprises mainly salaried employees. The assets of the fund are independently controlled by a board of trustees which includes representatives elected by the members. The fund was actuarially valued on 28 February 2005 and declared to be in a sound financial position.

Membership of The Cementation Company Provident Fund comprises mainly hourly paid employees. The fund was actuarially valued on 31 December 2004 and declared to be in a sound financial position.

The funds vest in the members who on exit, are entitled to the funds which have accrued to them.

The total cost to the Group in respect of the above funds for the year ended 30 June 2005 was R16,6 million (2004: R0,8 million).

Notes to the consolidated financial statements

for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand

32. RETIREMENT AND OTHER BENEFIT FUNDS *(continued)*

Surplus legislation

Each of the above funds needs to comply with the process as prescribed in the Pension Funds Second Amendment Act 2001. The envisaged date of finalisation of the process for each fund is set out below. These are estimates as revised dates may be arranged by each fund in consultation with the Financial Services Board.

Murray & Roberts Retirement Fund	Completed
Investment Solutions Pension Fund	31 August 2005
Murray & Roberts Provident Fund	31 August 2005
The Cementation Company Provident Fund	31 December 2005

Although investigations still need to be finalised, indications are that this legislation will not have a significant financial impact on the Group.

Defined benefit plan – pension fund

During the current year the Group disposed of its subsidiary company in the United Kingdom (Booker Tate Limited) which operates two defined benefit pension schemes for its employees. At 30 June 2004 the net unfunded position was 6,6 million sterling, determined in accordance with FRS17.

	2005	2004
Present value of funded liability	–	393,1
Fair value of fund assets	–	(318,6)
	–	74,5
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	–	5,8%
Expected return on plan assets		
– Equities	–	8,0%
– Bonds	–	5,0%
– Cash	–	4,5%
Pension increases	–	3,0%
Salary growth	–	3,0%
Defined benefit plan – post-retirement medical aid		
Employees who joined the Group prior to 1 July 1996, and who satisfy certain qualifying criteria, may have an entitlement in terms of this plan.		
Present value of funded liability	58,3	70,8
Fair value of plan assets	(82,9)	(70,8)
	(24,6)	–

The fair value of the funded liability has been calculated in accordance with the provisions of AC116: *Employee Benefits* which makes provision for calculating the liability on accrued service. The current fair value of the plan assets is sufficient to cover the total liability of the Group, including future service.

All monetary amounts are expressed in millions of rand	2005	2004
32. RETIREMENT AND OTHER BENEFIT FUNDS *(continued)*		
Defined benefit plan – post-retirement medical aid *(continued)*		
Costs for the year included in payroll cost in the income statement (note 21):		
Current service cost	13,6	15,0
Interest cost	6,8	6,7
Expected return on plan assets	(4,9)	(3,1)
Net actuarial loss recognised	–	2,7
Contributions paid	9,3	–
	24,8	21,3
Movements in the net asset were as follows:		
Present value at beginning of year	–	25,3
Amounts recognised in the income statement	24,8	21,3
Contributions paid	(24,8)	(46,6)
At 30 June	–	–
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	10,0%	10,0%
Expected return on plan assets	5,1%	6,5%
Long-term increase in medical subsidies	5,8%	5,8%

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

Defined benefit plan – disability benefits

Disability benefits for mainly salaried employees are provided via the Murray & Roberts Group Employee Benefits Policy No 107385. The defined benefit entitlement is equal to 75% of pensionable salary, potentially payable up to the normal retirement age of 63. When an employee is entitled to benefits in terms of the policy, the benefits may be reviewed annually and increases are discretionary and not guaranteed.

	2005	2004
Present value of funded liability	44,0	41,4
Fair value of plan assets	(47,4)	(43,6)
	(3,4)	(2,2)
Costs for the year included in payroll cost in the income statement (note 21):		
Current service cost	7,8	5,3
Interest cost	3,9	4,2
Expected return on plan assets	(4,0)	(4,0)
Net actuarial loss recognised	–	0,1
	7,7	5,6
Movements in the net asset were as follows:		
Present value at beginning of year	–	(4,7)
Amounts recognised in the income statement	7,7	5,6
Contributions paid	(7,7)	(0,9)
At 30 June	–	–

Notes to the consolidated financial statements

for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	2005	2004
32. RETIREMENT AND OTHER BENEFIT FUNDS *(continued)*		
Defined benefit plan – disability benefits *(continued)*		
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	8,3%	10,0%
Expected return on plan assets	7,5%	9,7%
Long-term increase in disability benefits	4,8%	5,8%
The plan assets do not directly include any significant group financial instruments, nor any property occupied by, or other assets used by, the Group.		

33. RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTERESTS

Transactions and balances between the company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions and balances with other related parties are disclosed below.

Related party transactions

During the year the company and its subsidiaries, in the ordinary course of business, entered into various inter-group sale and purchase transactions. These transactions are no less favourable than those arranged with third parties. No other material related party transactions have occurred during the year.

Amounts owed by related parties

The following unsecured loan balances are included in the unlisted loan investments in note 5:

	2005	2004
Loan to Borbet SA (Pty) Limited, net of impairment provision	72,7	90,9
Loan to Consani Engineering (Pty) Limited*, net of impairment provision	40,9	–
Loan to Flaming Silver 163 (Pty) Limited	1,7	–
Loan to Resteel Trading Limited	1,4	1,3
Loan to Falcon Aluminium Alloys (Pty) Limited	1,2	–
Loan to Freyssinet Posten (Pty) Limited	–	2,5
Loan to Alert Steel Polokwane (Pty) Limited	–	0,7
Loan to Shisane Reinforcing Steel (Pty) Limited	–	0,7
	117,9	96,1

* Consani Engineering (Pty) Limited was placed into liquidation in the current year. In the prior year, the loan was eliminated on consolidation.

Related party guarantees

A subsidiary company has provided a suretyship to a third party on behalf of Borbet SA (Pty) Limited. The contingent liability is limited to a maximum amount of R8,5 million.

Subsidiary companies

Details of the Group's major operating subsidiary companies are disclosed in Annexure 1.

Joint ventures

Details of the Group's major operating joint ventures are disclosed in note 27.

Associate companies

Details of the associate companies are disclosed in note 4.

All monetary amounts are expressed in thousands of rand

33. RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTERESTS *(continued)*

Directors' emoluments

Executive directors

The remuneration of executive directors for the year ended 30 June 2005 was as follows:

	Directors' fees	Salary	Retirement fund contributions	Allowances	Other benefits	Total guaranteed remuneration	Gain on exercise of share options	Performance related*	Total 2005	Total 2004
BC Bruce	49	2 349	280	–	295	2 973	–	2 300	5 273	6 986
SJ Flanagan **	37	815	115	133	22	1 122	–	1 100	2 222	–
N Jorek **	49	1 122	–	–	92	1 263	–	800	2 063	–
RW Rees	49	1 427	181	–	215	1 872	3 620	1 650	7 142	4 567
KE Smith	49	1 271	180	380	32	1 912	3 184	1 650	6 746	2 953
	233	6 984	756	513	656	9 142	6 804	7 500	23 446	14 506

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

** Remuneration other than performance related reflects the period since appointment during the year.

Non-executive directors

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

The remuneration of non-executive directors for the year ended 30 June 2005 was as follows:

	Directors Fees	Committee Fees	Chairman's Fees	Total 2005	Total 2004
RC Andersen	8	–	717	725	398
SE Funde	96	67	–	163	110
SJ Macozoma	58	–	–	58	95
NM Magau	74	21	–	95	–
JM McMahon	83	44	–	127	–
IN Mkhize	46	21	–	67	–
AA Routledge	104	62	–	166	121
MJ Shaw	80	73	–	153	151
JJM van Zyl	89	87	–	176	153
RT Vice	46	–	–	46	–
Other**	120	–	–	120	762
	804	375	717	1 896	1 790

** Past director emoluments: BN Bam (15), WP Esterhuyse (65), PG Joubert (15), AJ Morgan (25).

Details of service on board committees are set out on page 53.

Notes to the consolidated financial statements

for the year ended 30 June 2005

33. RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTERESTS *(continued)*

Interest of directors in share capital of the company

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

Subsequent changes in directors' shareholdings

At the date of signature of the group annual financial statements there had been no changes to the above shareholdings.

Interest of directors in share options

The directors of the company held in aggregate, directly or indirectly, grants of option from The Murray & Roberts Trust in respect of 2,0% (2004: 1,8%) of the ordinary shares of the company. These options are subject to the terms and conditions of the employee share scheme.

The movements in share options of directors during the year ended 30 June 2005 are as follows:

	Conditions	Outstanding options at 30 June 2004	Granted during the year	Forfeited during the year	Exercised during the year	Exercise date	Exercise price (cents)	Gain (R'000)	Outstanding options at 30 June 2005
BC Bruce	Standard	2 555 463	90 000	15 463					2 630 000
	Hurdle	650 000	90 000						740 000
SJ Flanagan	Standard	259 881	100 000	4 631					355 250
	Hurdle	253 750	100 000						353 750
N Jorek	Standard	150 000	80 000						230 000
	Hurdle	100 000	70 000						170 000
RW Rees	Standard	980 000	15 000						570 000
					100 000	12 October 2004	316	890	
					200 000	12 October 2004	460	1 492	
					125 000	11 May 2005	460	1 238	
	Hurdle	500 000	–						500 000
KE Smith	Standard	851 000	100 000	4 000					577 000
					150 000	19 October 2004	233	1 476	
					30 000	19 October 2004	316	270	
					190 000	19 October 2004	460	1 438	
	Hurdle	455 000	40 000						495 000

Interest of directors in contracts

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

Directors' service contracts

Details regarding directors' service contracts are set out on page 54.

34. RESTATEMENTS, CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES

34.1 Business combinations (AC140)

The Group adopted AC140: *Business Combinations* during the current year. The adoption of this statement resulted in a change in the accounting policy for goodwill. For all business combinations on or after 31 March 2004 goodwill is measured as the excess of the "cost of the acquisition" over the "interest in the fair value of the assets, liabilities and contingent liabilities acquired and recognised".

Until 30 June 2004, goodwill was:
– amortised on a straight line basis over its useful life with a maximum of ten years.

In accordance with the provisions of AC140:
– the Group ceased amortisation of goodwill from 1 July 2004;
– accumulated amortisation as at 30 June 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and
– from 1 July 2004 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment.

Adoption of this accounting policy resulted in goodwill amortisation amounting to R4,7 million being ceased and a goodwill impairment charge of R4,7 million. The impact of the restatement on earnings and headline earnings per share is set out below.

34.2 Operating lease costs and income (AC105)

In prior years, operating lease payments were recognised in the income statement in the year incurred. Interpretative guidance by the South African Institute of Chartered Accountants, Circular 7/2005 issued in August 2005, requires minimum lease payments that are subject to fixed escalations to be spread over the life of the lease instead of as incurred.

	R millions
The adjustments resulting from the restatement can be summarised as follows:	
Increase of 2003 accumulated profit opening balance	–
Recognition of deferred operating lease income accrual	108,3
Recognition of deferred operating lease cost accrual	(118,8)
Decrease of 2004 net profit	(10,5)
Increase of 2005 net profit	12,7

The impact of the restatement on earnings and headline earnings per share is set out below.

34.3 Depreciation of headlease property

In prior years, the land element of the capitalised headlease property was incorrectly depreciated together with the building element. This has been corrected by a reversal of R6,8 million in prior year accumulated depreciation.

	R millions
The adjustments resulting from the restatement can be summarised as follows:	
Increase of 2003 accumulated profit opening balance	3,4
Increase of 2004 net profit	3,4
Increase of 2005 net profit	3,4

Notes to the consolidated financial statements

for the year ended 30 June 2005

34. RESTATEMENTS, CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES *(continued)*

34.4 Impact on earnings and headline earnings per share

The impact of the restatements on earnings and headline earnings per share is set out below.

	Increase (decrease) in basic and diluted earnings per share	
	2005 Cents	2004 Cents
Non-amortisation of goodwill	2	–
Impairment of goodwill	(2)	–
Recognition of operating lease payments and income on a straight line basis*	4	(3)
Adjustments to the depreciation of headlease property*	1	1
Total impact	5	(2)

These adjustments had no impact on basic and diluted headline earnings per share.

* Relates to the headlease and other discontinued property activities.

34.5 Comparatives

The comparative information presented has been restated for the following:

– reclassification of investment property from property, plant and equipment to investment property;
– reclassification of an impairment provision from other accruals to other investments;
– separate disclosure of derivative financial instruments on the balance sheet;
– restatement of operating lease costs and income on a straight line basis; and
– restatement of the depreciation on headlease property.

35. SUBSIDIARY COMPANIES

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

	% direct ownership	
	2005	2004
Murray & Roberts Abu Dhabi LLC	49	49
Murray & Roberts Contractors (Middle East) LLC	49	49
Johnson Arabia LLC	49	49

The financial year-end of Johnson Arabia LLC is 31 December each year. For the purpose of consolidation, financial statements are prepared for the 12 months ended 30 June each year.

36. POST-BALANCE SHEET EVENTS

The following significant events have occured subsequent to 30 June 2005:

Empowerment

The directors have approved a proposal to repurchase 10% of the issued share capital of the Group for use in the broad-based empowerment and employee ownership of equity in the Group. Details of this proposal are included in a separate circular to shareholders for consideration at a special general meeting.

Business combinations – Clough

The Group has reached agreement with McRae Investments and the Board of Clough, subject to regulatory approvals, to increase its shareholding in Clough through an issue of new shares and options by the company and an equivalent sell-down by McRae. Murray & Roberts will thereafter hold the right to 49% of Clough.

Business combinations – Oconbrick

The Group has acquired an initial 80% shareholding in Oconbrick (Pty) Limited for a consideration of approximately R96 million.

Disposals – Criterion Equipment

The sale of Criterion Equipment to J&J Group from 1 September 2005 has been approved.

Other

No other events have occurred between the year-end and the date of the approval of the financial statements that would materially affect the disclosure of the financial statements.

Murray & Roberts Holdings Limited financial statements

All monetary amounts are expressed in millions of rand	Notes	2005	2004
BALANCE SHEET			
at 30 June 2005			
ASSETS			
Interest in subsidiary company	2	1 635,9	1 769,5
Loan to The Murray & Roberts Trust		230,0	212,7
Total assets		1 865,9	1 982,2
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	3	1,672,8	1 672,8
Non-distributable reserve		0,9	0,9
Accumulated profit	4	191,0	307,1
Total ordinary shareholders' equity		1 864,7	1 980,8
Current liabilities			
Accounts payable		1,2	1,4
Total equity and liabilities		1 865,9	1 982,2
INCOME STATEMENT			
for the year ended 30 June 2005			
Income			
Interest income		–	2,0
Interest income from subsidiary company		–	0,7
Dividend received from subsidiary company		34,2	124,5
Fees received from subsidiary company		2,3	2,2
Total income		36,5	129,4
Total expenses		2,6	2,8
Interest expense		0,3	0,7
JSE fees		0,1	0,1
Other		2,2	2,0
Earnings before taxation		33,9	126,6
Taxation (charge) credit	5	(0,6)	5,0
Ordinary shareholders' earnings		33,3	131,6

These financial statements should be read together with the group financial statements set out on page 68 to 121.

Notes to the Murray & Roberts Holdings Limited financial statements

for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand

1. CASH FLOW AND STATEMENT OF CHANGES IN EQUITY

The operations of Murray & Roberts Holdings Limited consist mainly of the receipt of dividends and interest from its wholly-owned subsidiary, Murray & Roberts Investments Limited, and the payment of dividends to the members of the company. Consequently a cash flow statement and statement of changes in equity for the company have not been presented since they would provide no meaningful additional information.

	2005	2004
2. INTEREST IN SUBSIDIARY COMPANY		
Shares at cost	0,4	0,4
Net amounts due	1 635,5	1 769,1
	1 635,9	1 769,5
3. SHARE CAPITAL AND PREMIUM		
– refer to note 10 of the consolidated financial statements		
4. ACCUMULATED PROFIT		
Accumulated profit		
Opening balance	189,6	182,5
Ordinary shareholders' earnings	33,3	131,6
Dividend declared and paid	(31,9)	(124,5)
	191,0	189,6
Accumulated profit (previously transferred from share premium account not subjected to STC)		
Opening balance	117,5	167,2
Dividend declared and paid	(117,5)	(49,7)
	–	117,5
Closing balance	191,0	307,1
5. TAXATION (CHARGE) CREDIT		
Normal taxation		
– prior year under provision	(0,6)	–
Secondary taxation on companies		
– prior year overprovision	–	5,0
	(0,6)	5,0
6. EMOLUMENTS OF DIRECTORS (paid by company or subsidiary companies)		
Executive directors	23,4	14,5
Non-executive directors	1,9	1,8
	25,3	16,3
Included in the above are fees paid for services as directors of the company	1,1	1,3
Number of directors at year-end	15	11
Details of individual director emoluments are disclosed in note 33 on the consolidated financial statements.		
7. CONTINGENT LIABILITIES		
There are contingent liabilities in respect of limited and unlimited guarantees covering loans, banking facilities and other obligations of joint venture and subsidiary companies and other persons; the ascertainable contingent liabilities at 30 June covered by such guarantees being	214,8	214,8

Annexure 1 – Major operating subsidiaries and associate companies

All companies shown are registered in South Africa except where indicated otherwise

(a) Direct

	Issued share capital amount in rand	Interest in issued share capital 2005 %	Interest in issued share capital 2004 %	Cost of investment 2005 Rm	Cost of investment 2004 Rm	Loan account 2005 Rm	Loan account 2004 Rm
Murray & Roberts Investments Limited	68 000	100	100	0,4	0,4	1 635,5	1 769,1

(b) Indirect

		Issued share capital (in rand except where indicated otherwise)	Interest in capital 2005 %	Interest in capital 2004 %
Murray & Roberts Limited		59	100	100
Construction & engineering				
Cementation Canada Inc.	CAD	2 700 010	100	–
Clough Limited (Associate company)	AUD	115 512 000	30	–
Murray & Roberts (Botswana) Limited	BWP	2	100	100
Murray & Roberts (Namibia) Limited	NAD	80 000	100	100
Murray & Roberts Abu Dhabi LLC	AED	2 000 000	49	49
Murray & Roberts Cementation (Pty) Limited		1 750 000	74	–
Murray & Roberts Concessions (Pty) Limited		100	100	100
Murray & Roberts Construction (Pty) Limited		100	100	100
Murray & Roberts Contractors (Middle East) LLC	AED	2 000 000	49	49
Murray & Roberts Contractors (Nigeria) Limited	NGN	20 000 000	60	60
Murray & Roberts Contractors (Tanzania) Limited	TZS	2	100	100
Murray & Roberts Contractors (Uganda) Limited	UGS	5 000 000	100	100
Murray & Roberts Contractors (Zambia) Limited	ZMK	22 000 000	100	100
Murray & Roberts Engineering Solutions Limited		2	100	100
Murray & Roberts MEI (Pty) Limited		1	100	100
Construction materials & services				
Criterion Equipment (Pty) Limited		1 000	100	100
Genrec Engineering (Pty) Limited		200	100	100
Hall Longmore (Pty) Limited		100	100	100
Harvey Roofing Products (Pty) Limited		100	100	100
Johnson Arabia LLC	AED	300 000	49	49
Much Asphalt (Pty) Limited		100	100	100
Murray & Roberts Steel (Pty) Limited		100	100	100
Rocla (Pty) Limited		250 000	100	100
Tolcon-Lehumo (Pty) Limited		100	74	74
Toll Road Concessionaires (Pty) Limited		12 000	100	100

All companies shown are registered in South Africa except where indicated otherwise

(b) Indirect *(continued)*

		Issued share capital (in rand except where indicated otherwise)	Interest in capital 2005 %	2004 %
Fabrication & manufacture				
Consani Engineering (Pty) Limited		40 000	–	100
Murray & Roberts Foundries Group (Pty) Limited		2	100	100
Pefco (Pty) Limited		200	100	100
Union Carriage and Wagon Company (Pty) Limited		8 160 000	100	100
Corporate				
Interbuild Insurance Limited (BVI)	USD	170 000	100	100
Murray & Roberts (Malaysia) Sdn. Bhd.	MYR	250 000	100	100
Murray & Roberts (Zimbabwe) Limited	ZWD	4 087 742	48	48
Murray & Roberts International Limited (BVI)	USD	5 000 000	100	100
Murray & Roberts Properties Services (Pty) Limited		2	100	100
P.T. Murray & Roberts Indonesia (Indonesia)	USD	250 000	100	100
Unitrans Limited (Associate company)		7 609 100	–	44

Annexure 2 – Interest-bearing borrowings

	Financial years of redemption	Closing interest rate (effective NACM) 2005 %	2004 %	Amount 2005 Rm	2004 Rm
SECURED					
Equal monthly instalments with one balloon payment at the end	2007	6,85	4,59	21,2	28,7
No fixed terms of repayment		4,30	–	200,1	–
Various loans each under R10 million at varying rates of interest and on varying terms of repayment				19,6	27,3
				240,9	56,0
UNSECURED					
Bi-annual instalments	2007	5,57	4,38	78,8	111,5
Various obligations each under R10 million at varying rates of interest and on varying terms of repayment				73,6	60,0
Bank overdrafts				194,7	118,7
				347,1	290,2
CAPITALISED FINANCE LEASES					
Various obligations each under R10 million at varying rates of interest and on varying terms of repayment				52,6	20,9
				52,6	20,9
OBLIGATIONS UNDER FINANCE HEADLEASES					
Bi-annual instalments	2008	11,85	11,85	174,6	209,7
Bi-annual instalments	2009	13,18	13,18	47,7	54,0
Monthly instalments	2011	17,90	17,90	17,9	18,1
Monthly instalments	2007	18,38	18,38	30,2	34,4
Monthly instalments	2010	18,90	18,90	17,9	18,8
Monthly instalments	2012	18,72	18,72	32,9	33,8
Monthly instalments	2011	18,50	18,50	32,2	32,5
				353,4	401,3
Total				994,0	768,4
Reflected in the notes under:					
Long-term loans (note 12)					
Secured loans				217,0	27,6
Unsecured loans				97,4	102,3
Capitalised finance leases				24,6	9,3
Obligations under finance headleases (note 13)				274,2	346,1
Overdrafts and short-term loans (note 18)					
Bank overdrafts				194,7	118,7
Current portion of long-term borrowings				78,9	97,6
Current portion of capitalised finance leases				28,0	11,6
Current portion of obligations under finance headleases				79,2	55,2
				994,0	768,4

Annexure 3 – Group segmental report

All monetary amounts are expressed in millions of rand

The Group's primary format for reporting segmental information is determined in accordance with the nature of business and its secondary format is determined with reference to the geographical location of the operations.

Segmental revenue and expenses

All segment revenue and expenses are directly attributable to the segments. Segment revenue and expenses are allocated to the geographic segments based on the location of the operating activity.

Segmental assets

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

Segmental liabilities

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

PRIMARY REPORTING – BUSINESS SEGMENTS

For management purposes, the Group is organised on a world wide basis into four main business segments. The composition of these segments is set out in Annexure 1 and are further elaborated on in the operations reports on page 28 to 42.

	Construction & engineering	Construction materials & services	Fabrication & manufacture	Corporate	Group
2005					
Revenue	6,237	3,432	1,024	1	10,694
Continuing operations	6,237	3,381	870	1	10,489
Discontinued operations	–	51	154	–	205
Results					
Earnings before exceptional items and interest	226	340	92	(115)	543
Continuing operations	226	337	98	(115)	546
Discontinued operations	–	3	(6)	–	(3)
Exceptional items	(12)	–	(184)	209	13
Earnings before interest and taxation	214	340	(92)	94	556
Net interest income (expense)	5	(23)	(23)	36	(5)
Earnings before taxation	219	317	(115)	130	551
Taxation	(92)	(101)	2	41	(150)
Earnings after taxation	127	216	(113)	171	401
Income from associates	16	–	–	61	77
Minority shareholders' interest	(5)	(19)	(6)	–	(30)
Earnings attributable to ordinary shareholders	138	197	(119)	232	448
2004					
Revenue	4,153	3,011	1,259	1	8,424
Continuing operations	4,153	2,886	763	1	7,803
Discontinued operations	–	125	496	–	621
Results					
Earnings before exceptional items and interest	177	274	70	(100)	421
Continuing operations	177	274	75	(100)	426
Discontinued operations	–	–	(5)	–	(5)
Exceptional items	–	–	(6)	(10)	(16)
Earnings before interest and taxation	177	274	64	(110)	405
Net interest income (expense)	5	(2)	(39)	46	10
Earnings before taxation	182	272	25	(64)	415
Taxation	(30)	(12)	23	(8)	(27)
Earnings after taxation	152	260	48	(72)	388
Income from associate	–	–	–	114	114
Minority shareholders' interest	–	(15)	(10)	–	(25)
Earnings attributable to ordinary shareholders	152	245	38	42	477

Annexure 3 – Group segmental report

All monetary amounts are expressed in millions of rand

	Construction & engineering	Construction materials & services	Fabrication & manufacture	Corporate	Group
PRIMARY REPORTING – BUSINESS SEGMENTS					
2005					
Balance sheet					
Segmental assets	2 427	1 571	602	667	5 267
Segmental liabilities	(1 916)	(1 123)	(360)	(250)	(3 649)
Investment in associate company	505	–	–	–	505
Other information					
Capital expenditure	136	93	67	7	303
Depreciation	134	59	51	6	250
Impairment of goodwill	5	–	–	–	5
Impairment of property, plant and equipment	–	4	23	–	27
Provision for doubtful debts	1	42	–	1	44
Number of employees	18 056	4 025	1 740	83	23 904
2004					
Balance sheet					
Segmental assets	1 408	1 439	849	1 332	5 028
Segmental liabilities	(1 209)	(823)	(261)	(916)	(3 209)
Investment in associate company	–	–	–	653	653
Other information					
Capital expenditure	97	152	96	8	353
Depreciation	71	54	61	3	189
Amortisation of goodwill	5	–	–	–	5
Provision for doubtful debts	2	16	6	–	24
Number of employees	6 622	3 880	2 566	81	13 149

All monetary amounts are expressed in millions of rand

SECONDARY REPORTING – GEOGRAPHICAL SEGMENTS

The Group operates in the following geographic areas:

	South Africa	Africa – other	Europe	The Americas	Pacific Rim/ Southeast Asia	Middle East	Group
2005							
Revenue	8 116	725	5	547	206	1 095	10 694
Percentage	76	7	–	5	2	10	
Segmental assets	3 830	275	620	61	73	408	5 267
Percentage	72	5	12	1	2	8	
Capital expenditure	280	5	1	4	5	8	303
Percentage	92	1	–	2	2	3	
Number of employees	19 030	3 708	5	632	80	449	23 904
Percentage	80	16	–	3	–	1	
2004							
Revenue	6 321	823	148	8	80	1 044	8 424
Percentage	75	10	2	–	1	12	
Segmental assets	3 979	300	122	4	64	559	5 028
Percentage	79	6	3	–	1	11	
Capital expenditure	273	30	–	–	39	11	353
Percentage	77	9	–	–	11	3	
Number of employees	11 281	1 436	37	–	46	349	13 149
Percentage	86	11	–	–	–	3	

Group directorate and executive committee

Non-executive directors

Roy Cecil Andersen (57)

CA(SA) CPA (Texas), independent non-executive chairman

Appointed to the Board in 2003. Appointed chairman in 2004. Chairman of the nomination committee. Member of the remuneration & human resources committee. Trustee of The Murray & Roberts Trust and the International Accounting Standards Committee Foundation. Chairman of Sanlam Limited and Virgin Active (South Africa) (Pty) Limited. Member of the King Committee on Corporate Governance. Former chief executive and chairman of the Liberty Group.

Roy served as executive president of JSE Limited from 1992 to 1997 where he was responsible for overseeing its restructuring, including the introduction of electronic equity trading. Roy was with Ernst & Young from 1971 to 1992 where his last position was executive chairman. He holds the rank of Major General and is Chief of Defence Reserves of the SANDF, Honorary Colonel of the Transvaal Horse Artillery as well as a member of the Council for the Support of National Defence.

Sonwabo Edwin Funde (62)

MSc Eng (Elec), independent non-executive director

Appointed to the Board in 2000. Member of the nomination and health, safety & environment committees. Trustee of the Independent Development Trust, Fundani Trust and TW Kambule Education, Training and Development Trust. President of South African Communications Forum. Chairman of SABC, Sizanani Knowledge Management Services and Shaya Technologies. Director of National Institute for Economic Policy, Khuselo Holdings, Kemlinks International, Petzetakis Africa, Tiyende Holdings, Tiyende Technologies, One Tel, Beco Holdings and Impi Linux.

Sakumzi Justice Macozoma (48)

BA, independent non-executive director

Appointed to the Board in 2001. Member of the remuneration & human resources committee. Trustee of The Murray & Roberts Trust. Chairman of Stanlib Limited, the Council of Higher Education, Grassroots (Pty) Limited, Andisa Capital Limited, Ilso Consulting (Pty) Limited and Nail Outdoor Natanya (Pty) Limited. Co-Chairman of the Business Trust. Deputy chairman of Standard Bank and Safika Holdings Limited. CEO of New Africa Investments Limited. Director of Safika Resources (Pty) Limited, VW South Africa (Pty) Limited, Liberty Holdings Limited, Standard Bank of South Africa (Pty) Limited, Liberty Group Limited and Emblesi (Pty) Limited. Former managing director of Transnet.

Saki is a member of the ANC's National Executive Committee, co-chair of the Business Trust and a council member of the University of the Witwatersrand, Rhodes University and Unisa.

Namane Milcah Magau (53)

BA EdD (Harvard) MEd BEd, independent non-executive director

Appointed to the Board in 2004. Member of the remuneration & human resources committee. Member of the health, safety & environment committee. Trustee of the Murray & Roberts Trust. President of the Businesswomen's Association. Director of Santam Limited, Thebe Investment (Pty) Limited and FastComm (Pty) Limited. Member of the Advisory Board UCT Business School.

Dr Magau is currently director of her own consulting company and was formerly the director for group human capital services at the SABC. She came to SABC from CSIR where she was vice president for human resources.

John Michael McMahon (59)

PrEng BSc Eng (Glasgow), independent non-executive director

Appointed to the Board in 2004. Chairman of the health, safety & environment committee. Director of GoldFields Limited and Impala Platinum Holdings Limited. Former chairman of Gencor Limited and Impala Platinum Holdings Limited. Michael was a project manager in EMS during the 1970's and worked with Murray & Roberts as a client in the 1980's.

Imogen Nonhlanhla Mkhize (42)

BSc Information Systems (Rhodes) MBA (Harvard), independent non-executive director

Appointed to the Board in 2005. Member of the audit & risk management committee. CEO of the World Petroleum Congress 2005. Director of Sasol Limited, Datacentrix Holdings Limited and CSIR. Member of Financial Markets Advisory Board, Rhodes University Board of Governors and Rhodes Investec Business School Advisory Board.

Imogen has extensive leadership and management experience in both the corporate and non-profit sectors. She was the MD of Lucent Technologies South Africa before venturing into the Zitek Group, a management and development consultancy she founded in 2000. Her career history also includes Anglo American, Andersen Consulting, Nedcor and the Association of Black Accountants. In 2001, she was recognised by the World Economic Forum as a Global Leader for Tomorrow.

Anthony Adrian Routledge (58)

BCom CA(SA), independent non-executive director

Appointed to the Board in 1994. Member of the audit & risk management and remuneration & human resources committees. Trustee of the Murray & Roberts Trust. Former executive director of Nedcor Limited, Nedbank Limited and Sankorp Limited.

Martin John Shaw (66)

CA(SA), independent non-executive director

Appointed to the Board in 2003. Chairman of the audit & risk management committee. Chairman of Reunert Limited. Director of Illovo Sugar Limited, JD Group Limited, Liberty Group Limited, Liberty Holdings Limited, Pretoria Portland Cement Company Limited, Standard Bank of South Africa Limited and Standard Bank Group Limited. Martin was chief executive of Deloitte & Touche from 1991 to 1999 and chairman in South Africa until his retirement in 2001.

Johannes Jacobus Marthinus (Boetie) van Zyl (65)

PrEng BSc Eng (Mech), independent non-executive director

Appointed to the Board in 1998. Chairman of the remuneration & human resources committee. Member of the nomination committee. Trustee of the Murray & Roberts Trust. Director of Naspers Limited, Sanlam Limited, Peace Parks Foundation and Atlas Properties Limited.

Royden Thomas Vice (58)

BCom CA(SA), independent non-executive director

Appointed to the Board in 2005. CE of Waco International, the largest LBO in South Africa, with subsidiaries in the UK, Australia, USA, New Zealand, Chile and Southern Africa. Chairman of Consol Limited. Prior to this, Royden was CEO of Industrial and Special Products of the UK-based BOC Group, responsible for operations in over 50 countries and revenue of R25 billion. He was also chairman of African Oxygen Limited (Afrox) from 1994 to 2001 and Afrox Healthcare, which was successfully listed in 1999.

Executive directors

Brian Cameron Bruce (56)

PrEng BSc Eng (Civil) DEng (hc), group chief executive

Appointed to the board and group CE in 2000. Director of Clough Limited. Member of the Construction Industry Development Board (CIDB). Brian's business philosophy derives from his interest in history and philosophy combined with his engineering and management training and experience. Brian built his career through the strategic and project management of a range of world class contracting projects. He has transformed many operating business units in Murray & Roberts and played a key role in the development of the Group's strategic future. As former chairperson of South Africa's CIDB and past president of the South African Institution of Civil Engineering, Brian is also an active participant in the development of the strategic future of the regional construction and engineering sector. He is chairman of the University of the Witwatersrand engineering & the built environment faculty advisory board and a member of the same faculty's advisory board at the University of Cape Town.

Sean Joseph Flanagan (46)

BSc (Building), group executive director

Joined the Group in 1991 and appointed to the Board in 2004. Sean's core competency is project development and management, having established his expertise within some of the leading property development, construction and engineering companies in the United Kingdom and South Africa. Previously the MD of Murray & Roberts Properties (Gauteng), Sean was appointed MD of Murray & Roberts Engineering Solutions in 1997. Within a short period, the company returned to profitability and became recognised as the leading engineering contractor in South Africa. Sean is responsible for the Group's construction, mining and development activities in South Africa and the rest of SADC.

Norbert Jorek (40)

Dipl – Kfm MBA, group executive director

Joined the Group and appointed to the Board in 2004. Director of Clough Limited. Previously vice president and officer of global management consulting firm AT Kearney Inc and the head of its South African practice, Norbert brings to Murray & Roberts thirteen years of international top management experience. He plays a key role in our Group leadership team with a personal focus on guiding Murray & Roberts in the identification of growth opportunities, particularly in the international arena.

Roger William Rees (52)

BSc (Econ) Hons FCA, group financial director

Joined the Group and appointed to the Board in 2000. Roger developed his early career with Arthur Andersen in Johannesburg and London, followed by financial leadership positions in the food, tobacco and media sectors. Roger has developed extensive international experience in corporate finance activities such as due diligence studies, mergers, acquisitions and disposals of companies.

Keith Edward Smith (55)

BCom, group executive director

Joined the Group in 1980 and appointed to the Board in 2001. Keith joined Murray & Roberts as a financial director in the Group's UK-based building and engineering subsidiary. After a period working for the Group in the United States, Keith returned to Africa where he played a key role in building sustainable operations in Botswana and Zimbabwe. In 1995, he was appointed MD of Johnson Crane Hire. Keith moved to the corporate office in July 2000 and has played a key leadership role in Rebuilding Murray & Roberts.

MURRAY & ROBERTS LIMITED

Millard Walter Arnold (58)

BA (Political Science) Juris Doctorate, executive director and legal counsel

Appointed to the Board in 2003. Previously executive chairman of Black & Veatch Africa and the first United States minister counsellor for commercial affairs for the Southern Africa region. Millard is the legal counsel in the office of the group CE.

Brian Cameron Bruce (56)

PrEng BSc Eng (Civil) DEng (hc), chairman and managing director

Appointed to the board in 1998 and group chief executive in 2000. Director of Clough Limited. Member of the CIDB.

Malose Phillip Chaba (45)

PrEng BSc MSc Eng (Elec), executive director – operations

Appointed to the board in 2004. Malose was previously chairman of his own electrical engineering company, Karabo Engineering. His career history also includes Eskom, Anglo Alpha and AECI. Malose is MD of Murray & Roberts Engineering Solutions.

Sean Joseph Flanagan (46)

BSc (Building), group executive director

Appointed to the board in 2001.

Edwin Hewitt (39)

MDip Tech Eng (Metallurgical) MDP, executive director – operations

Appointed to the board in 2005. Since he joined the Group in 2000, Edwin has played a key role in the turnaround of Main Industries and Murray & Roberts Foundries Group. He has been tasked with the role of building engineering leadership and project implementation capacity in the energy, oil and gas sectors.

Norbert Jorek (40)

Dipl – Kfm MBA, group executive director

Appointed to the board in 2004.

Craig Vaughn Lawrence (46)

BCom (Industrial Psychology), executive director – human capital

Appointed to the Board in 2004. Previously group human resources executive of JCI and Liberty Life, Craig built his career in the mining, industrial and financial sectors. He plays a key role guiding the Group's human capital strategy.

Stephen David Pell (47)

BSc (Building Management), executive director – operations

Appointed to the Board in 2002. Stephen was previously MD of Murray & Roberts Gillis Mason and Murray & Roberts Namibia. As MD of Murray & Roberts Construction, he has been involved in the repositioning of the business.

Roger William Rees (52)

BSc (Econ) Hons FCA, group financial director

Appointed to the board in 2000.

Terence William Rensen (58)

FCA CA(SA) FCMA, executive director – corporate services

Appointed to the Board in 2004. Formerly Chairman of Union Carriage and Wagon Company (Pty) Limited and closely involved in the formation and development of UCW Partnership, Terry is now responsible for enterprise wide risk management, internal audit, insurance and group benefits.

Keith Edward Smith (55)

BCom, executive director – operations

Appointed to the board in 2000.

International

Peter Richard Adams (57)

FRICS, executive director – Murray & Roberts International Limited

Appointed in 2004.

Peter was previously executive director of Costain plc in the United Kingdom.

Company Secretary

Sandra Felicity Linford (44)

ACIBM MDP (Cape Town), group secretary

Appointed in 2004. Sandi is the former group secretary of Allied Electronics Corporation Limited.

Sandi developed her early career as company secretary with Frame Group Holdings Limited.

Notice to members

Murray & Roberts Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1948/029826/06)
(Share code: MUR) (ISIN: ZAE00008983)
("the company")

Notice is hereby given that the fifty-seventh annual general meeting of the company will be held in the EG Pringle Conference Room, Douglas Roberts Centre, 22 Skeen Boulevard, Bedfordview, Johannesburg on Wednesday 26 October 2005 at 12:00 to conduct the following business:

1. To receive and consider the annual financial statements for the year ended 30 June 2005.

2. To elect:

   IN Mkhize, SJ Flanagan and RT Vice as directors, who were appointed since the last annual general meeting, and in accordance with the provisions of the company's articles of association retire at this annual general meeting.

   BC Bruce, RW Rees and KE Smith as directors who in terms of the articles of association retire by rotation.

   All the retiring directors are eligible and available for re-election.

   The profiles of the directors up for re-election appear on pages 122 to 123.

3. To reappoint the auditors, Deloitte & Touche.

4. To approve the proposed fees payable quarterly in arrears to non-executive directors with effect from the quarter commencing 1 October 2005 as follows:

		Proposed	Previous
Chairman fee	Includes director and committee fees	R735 000	R735 000 pa[1]
Director fees	Per annum	R30 000	R27 000
	Per meeting	R10 000	R8 000
Committee fees:			
Audit & risk management	Chairman	R77 000 pa	R73 500 pa
	Member	R44 000 pa	R42 000 pa
Remuneration & human resources	Chairman	R66 000 pa	R63 000 pa
	Member	R44 000 pa	R42 000 pa
Nomination	Chairman	R42 000 pa	R42 000 pa*
	Member	R25 000 pa	R25 000 pa
Health, safety & environment	Chairman	R60 000 pa	R45 000 pa
	Member	R44 000 pa	R42 000 pa

[1] *Effective from 1 January 2006*

5. To renew the general authority granted to directors to allot and issue 30 000 000 unissued ordinary shares of the company (including, but not limited to any allotment to ordinary shareholders as capitalisation shares) at such prices and upon such terms and conditions as they in their sole discretion may determine, subject to the provisions of the Companies Act, 1973, as amended, and the Listings Requirements of JSE Limited.

Special business

To consider and if deemed fit, passing, with or without modification the following special resolutions:

6. SPECIAL RESOLUTION NUMBER 1

   "RESOLVED THAT the directors of the company be and are hereby authorised to approve the purchase by the company, or by any of its subsidiaries, of the company's ordinary shares subject to the provisions of the Companies Act, 1973, as amended, and the Listings Requirements of JSE Limited (JSE) provided that:

a) the general authority granted to the directors shall be valid only until the company's next annual general meeting and shall not extend beyond 15 (fifteen) months from the date of this resolution;

b) any general purchase by the company and/or any of its subsidiaries of the company's ordinary shares in issue shall not in aggregate in any one financial year exceed 20% (twenty percent) of the company's issued ordinary share capital at the time that the authority is granted;

c) no acquisition may be made at a price more than 10% (ten percent) above the weighted average of the market value of the ordinary share for the 5 (five) business days immediately preceding the date of such acquisition;

d) the repurchase of the ordinary shares are effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party (reported trades are prohibited);

e) the company may only appoint one agent at any point in time to effect any repurchase(s) on the company's behalf;

f) the company or its subsidiary may not repurchase ordinary shares during a prohibited period;

g) the general authority may be varied or revoked by special resolution of the members prior to the next annual general meeting of the company; and

h) should the company or any subsidiary cumulatively repurchase, redeem or cancel 3% (three percent) of the initial number of the company's ordinary shares in terms of this general authority and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter in terms of this general authority, an announcement shall be made in terms of the Listings Requirements of the JSE."

Having considered the effect on the company of the maximum repurchase under this general authority, the directors are of the opinion that:

i) the company and the Group will be able in the ordinary course of business to pay its debts for a period of 12 (twelve) months after the date of this notice of annual general meeting;

ii) the assets of the company and the Group will be in excess of the liabilities of the company and the Group for a period of 12 (twelve) months after the date of this notice of annual general meeting which assets and liabilities have been valued in accordance with the accounting policies used in the audited financial statements of the Group for the year ended 30 June 2005;

iii) the share capital and reserves of the company and the Group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice of annual general meeting; and

iv) the working capital of the company and the Group are considered adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice of annual general meeting.

Reason for and effect of the special resolution number 1:

The reason for special resolution number 1 is to grant the company's directors a renewable general authority or permit a subsidiary company to acquire ordinary shares of the company. The effect of this special resolution is to confer a general authority on the directors of the company to repurchase ordinary shares of the company which are in issue from time to time.

The Board has no immediate intention to use this authority to repurchase shares in the company, but is of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the next 12 months.

The directors however have approved a proposal to repurchase 10% of the issued share capital of the Group for use in the broad-based empowerment and employee ownership of equity in the Group. Details of this proposal are included in a separate circular to shareholders for consideration at a special general meeting.

Directors' responsibility statement

The directors, whose names appear on page 13, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by the Listings Requirements of the JSE.

Litigation statement

The directors, whose names appear on page 13, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the previous 12 months a material effect on the Group's financial position.

Material change

Other than the facts and developments reported on in the annual report of which this notice of meeting forms part, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the annual financial statements and the date of this notice of meeting.

7. SPECIAL RESOLUTION NUMBER 2

"RESOLVED THAT the existing articles of association of the company be hereby substituted by the adoption of new articles of association, which have been initialled by the chairman for purposes of identification."

Reasons for and effect of special resolution number 2:

The company's existing articles of association were adopted in October 1988. Since then, there have been a number of changes in law and regulations including but not limited to the Companies Act, 1973, the introduction of the Electronic Communication Act, revised JSE Listings Requirements and the publication of King II in respect of the Code on Corporate Governance. As a result of these and others, it was considered appropriate to adopt new articles of association that incorporate a number of these regulatory changes. The effect of special resolution number 2 is that the company adopts new articles of association.

The key changes relating to the proposed new articles of association include the following:

- In line with international trends and global markets, electronic communication by companies with their shareholders has become an important medium of communication. In terms of company law, a company may, if authorised by its articles of association, communicate with its shareholders by way of electronic means. This will, *inter alia,* enable shareholders to vote by way of electronic proxy. The adoption of new articles of association will permit the directors of the company to establish guidelines and procedures to implement such medium of communication as they consider appropriate.
- The addition of further articles concerning certificated and uncertificated shares to update the company's articles of association in line with developments concerning dematerialised shares, electronic trading and the recently promulgated Securities Services Act.
- An executive director shall cease to continue holding office once his employment contract with the company is terminated.
- The quorum for the proceedings of directors shall be a majority of the directors appointed; of which one half shall be non-executive directors.
- The ability for directors to conduct their proceedings through the medium of telephone or video conference providing that a quorum is met.
- Dividends unclaimed for five years are forfeited and may be dealt with by the directors as they deem fit. In the existing articles of association, the period is 12 years.
- A new article dealing with odd-lot offers has been inserted to provide a mechanism to facilitate the reduction, in an equitable manner, of the number of Murray & Roberts shareholders who hold less than 100 ordinary shares in the company.
- Automatic retirement of a director from the Board on reaching 70 years of age.

Copies of the proposed new articles of association may be inspected during normal business hours at the company's registered office, Douglas Roberts Centre, 22 Skeen Boulevard, Bedfordview, Johannesburg.

Voting and proxies

Ordinary shareholders are entitled to attend, speak and vote at the annual general meeting.

Ordinary shareholders may appoint a proxy to attend, speak and vote in their stead. A proxy need not be a shareholder of the company.

Shareholders holding dematerialised shares, but not in their own name must furnish their Central Securities Depositary Participant (CSDP) or broker with their instructions for voting at the annual general meeting. If your CSDP or broker, as the case may be, does not obtain instructions from you, it will be obliged to act in terms of your mandate furnished to it, or if the mandate is silent in this regard, complete the relevant form of proxy attached.

Unless you advise your CSDP or broker, in terms of the agreement between you and your CSDP or broker by the cut off time stipulated therein, that you wish to attend the annual general meeting or send a proxy to represent you at the annual general meeting, your CSDP or broker will assume that you do not wish to attend the annual general meeting or send a proxy.

If you wish to attend the annual general meeting or send a proxy, you must request your CSDP or broker to issue the necessary letter of authority to you. Shareholders holding dematerialised shares in their own name, or holding shares that are not dematerialised, and who are unable to attend the annual general meeting and wish to be represented thereat, must complete the relevant form of proxy attached in accordance with the instructions therein and lodge it with or mail it to the transfer secretaries.

Forms of proxy should be forwarded to reach the transfer secretaries, Computershare Investor Services 2004 (Pty) Limited by no later than 12:00 on Monday 24 October 2005.

The completion of a form of proxy will not preclude a shareholder from attending the annual general meeting.

By order of the Board

Sandi Linford
Group secretary

30 September 2005

Shareholders' diary

Financial year-end	30 June 2005
Mailing of annual report	30 September 2005
Annual general meeting	26 October 2005
Publication of half-year results 2005/6	2 March 2006
Publication of preliminary report 2005/6	30 August 2006

Dividend

Interim dividend	
• SA cents per share	15
• Date declared	28 February 2005
• Last date traded cum dividend	8 April 2005
• Date paid	18 April 2005
Final dividend	
• SA cents per share	30
• Date declared	31 August 2005
• Last day to trade cum dividend	7 October 2005
• Date payable	17 October 2005

Administration

Company registration number
1948/029826/06

Business address and registered office
Douglas Roberts Centre
22 Skeen Boulevard
Bedfordview 2007
Republic of South Africa

Postal and electronic addresses and telecommunications numbers
PO Box 1000
Bedfordview 2008
Republic of South Africa
Telephone: +27 11 456 6200
Fax: +27 11 455 2222
Email: clientservice@murrob.com
Internet: www.murrob.com

Share code: MUR

ISIN: ZAE00008983

Registrars
Computershare Investor Services 2004 (Pty) Limited
PO Box 61051
Marshalltown 2107
Republic of South Africa
Telephone: +27 11 370 5000
Fax: +27 11 370 5271

Auditors
Deloitte & Touche

Sponsor
Merrill Lynch South Africa (Pty) Limited

Form of proxy

MURRAY & ROBERTS HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1948/029826/06)
(Share code: MUR) (ISIN: ZAE00008983)
("the company")

If you are a dematerialised shareholder, other than with "own name" registration, do not use this form. Dematerialised shareholders' other than with "own name" registration, instructions should be provided to their appointed CSDP or broker in the form stipulated in the custody agreement entered into between the shareholders and the CSDP or broker.

I/We ____
(please print)

of ____

do hereby appoint (see note 2)

1. ____

2. ____

3. the chairman of the annual general meeting

as my/our proxy to vote for me/us on my/our behalf at the annual general meeting which will be held at 12:00 on Wednesday, 26 October 2005 in the EG Pringle Conference Room, Douglas Roberts Centre, 22 Skeen Boulevard, Bedfordview, Johannesburg for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat, at each adjournment thereof and to vote on the resolution in respect of the ordinary shares registered in my/our name(s) in accordance with the following instructions (see note 3):

	Number of votes (insert)		
	In favour	Against	Abstain
1. Annual financial statements			
2. Election of directors 2.1 IN Mkhize			
2.2 SJ Flanagan			
2.3 RT Vice			
2.4 BC Bruce			
2.5 RW Rees			
2.6 KE Smith			
3. Re-appointment of auditors			
4. Fees payable to non-executive directors			
5. 30 000 000 unissued ordinary shares under control of directors			
6. Special resolution number 1 General authority to repurchase shares			
7. Special resolution number 2 The adoption of new articles of association			

Signed at ____________________ on ____________________ 2005

Signature ____

Assisted by me (where applicable) ____

Each member is entitled to appoint one or more proxies (none of whom needs to be a member of the company) to attend, speak and, on a poll, vote in place of that member at the annual general meeting.

Notes to proxy

Instructions on signing and lodging the annual general meeting proxy form

1. The following categories of members are entitled to complete a proxy form:

a) certificated members whose names appear on the company's register;

b) own name electronic members whose names appear on the sub-register of a Central Securities Depository Participant (CSDP);

c) CSDPs with nominee accounts; and

d) brokers with nominee accounts.

2. Certificated members wishing to attend the annual general meeting have to ensure beforehand with the Registrar of the company that their shares are registered in their name.

3. Beneficial members whose shares are not registered in their own name but in the name of another, for example, a nominee, may not complete a proxy form, unless a proxy is issued to them by the registered member and they should contact the registered member for assistance in issuing instruction on voting their shares, or obtaining a proxy to attend the annual general meeting.

4. All beneficial owners who have dematerialised their shares through a CSDP or broker, other than those in "own name", must provide the CSDP or broker with their voting instruction. Alternatively, should such a member wish to attend the meeting in person, in terms of the custody agreement with the CSDP or broker, such member may request the CSDP or broker to provide the member with a letter of representation.

5. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the member. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

6. Please insert number of votes in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of ordinary shares than you own in the company, insert the number of ordinary shares in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the member's votes exercisable thereat. Where the proxy is the chairman, failure to comply, will be deemed to authorise the chairman to vote in favour of the resolution. A member or the proxy is not obliged to use all the votes exercisable by the member or by the proxy, but the total of votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the member or by the proxy.

7. Forms of proxy must be received at the office of the company's Registrar, Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Marshalltown, Johannesburg 2001 (PO Box 61051, Marshalltown 2107) by no later than 12:00 South African time on Monday, 24 October 2005.

8. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof.

9. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy.

10. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

11. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced.

12. The chairman of the annual general meeting may reject or accept a form of proxy which is completed and/or received other than in accordance with these notes, if he is satisfied as to the manner in which the member wishes to vote.