Murray & Roberts

AR 2006

Our commitment to sustainable earnings growth
and value creation is not negotiable

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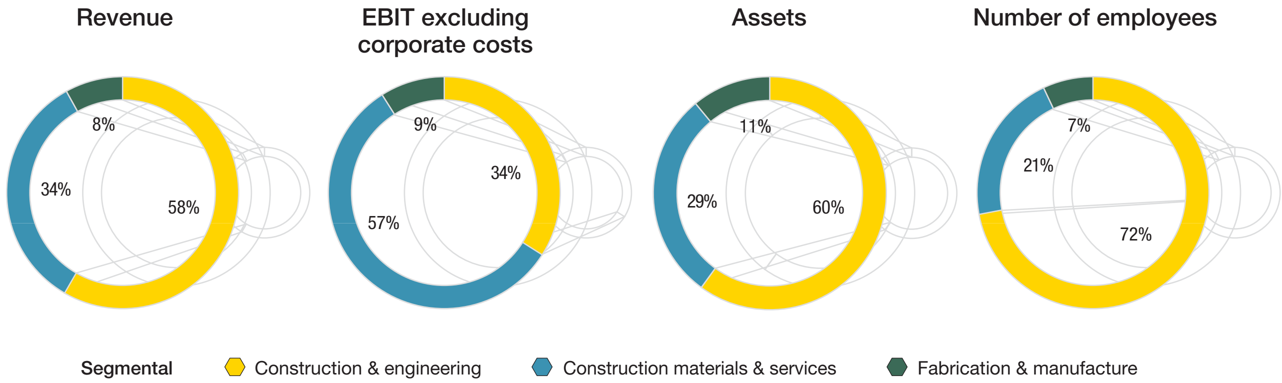
Murray & Roberts is a South African-based construction and engineering group focused on selected regional economies and specialist global markets.

From the platform created by Rebuilding Murray & Roberts, we serve these markets in Southern Africa, Middle East, Southeast Asia, Australasia and North America.

Murray & Roberts 2010 is our short term strategy to deliver sustainable value from increased activity in all our regional and sectoral markets, including growth opportunities associated with the 2010 Soccer World Cup in South Africa.

Financial highlights

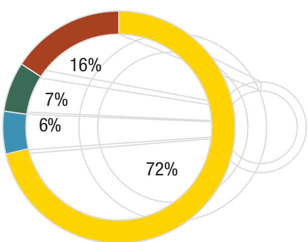
	2006	2005
GROUP SUMMARY (R millions)		
Revenue	**11 920**	10 272
Earnings before exceptional items, interest, taxation, depreciation and amortisation	**1 045**	769
Earnings before exceptional items, interest and taxation	**800**	544
Income from associates	**1**	78
Attributable earnings before minority interest	**561**	493
Total assets	**10 385**	8 104
Operating cash flow	**598**	663
Value created	**4 202**	3 582
Payroll cost	**3 162**	2 671
Total number of employees – 30 June*	**23 867**	23 904
* Varies dependent on project status		
ORDINARY SHARE PERFORMANCE (cents)		
Diluted headline earnings per share (excluding BBBEE expense)	**184**	146
Diluted headline earnings per share	**162**	146
Diluted earnings per share	**165**	143
Operating cash flow per share	**180**	200
Net asset value per share – 30 June	**1 031**	980
Market price per share – 30 June	**2 540**	1 400
Total dividend per share*	**60**	45
* Based on the year to which the dividend relates		
FINANCIAL STATISTICS		
Operating margin (%)	**6,7**	5,2
Attributable earnings on average shareholder funds (%)	**16,7**	16,0
Interest cover (times)	**10,4**	9,6
RATIOS (times)		
Debt/equity	**0,40**	0,32
Current	**1,10**	1,35



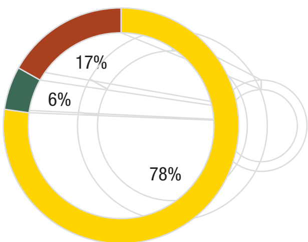
Segmental highlights

	Revenue		EBIT before exceptional items	
	2006	2005	**2006**	2005
GROUP (R millions)	**11 920**	10 272	**800**	544
CONSTRUCTION ECONOMY	**10 952**	9 402	**861**	565
Construction & engineering	**6 966**	6 230	**324**	239
Construction	**3 674**	3 121	**112**	83
Engineering	**611**	603	**48**	26
Mining	**2 681**	2 506	**164**	130
Construction materials & services	**3 986**	3 172	**537**	345
Steel	**2 447**	2 085	**185**	147
Infrastructure	**980**	743	**218**	130
Building	**324**	174	**63**	11
Services	**235**	170	**71**	38
FABRICATION & MANUFACTURE	**968**	869	**86**	101
Automotive	**822**	660	**82**	70
Transport	**146**	209	**4**	31
Corporate	**–**	1	**(147)**	(122)

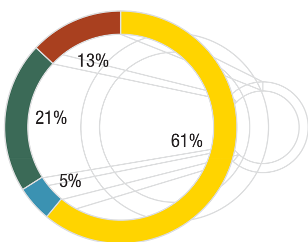
Revenue



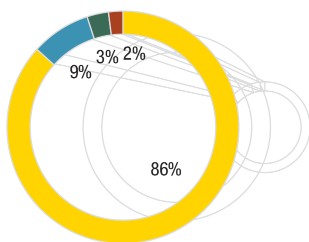
EBIT excluding corporate costs



Assets



Number of employees



Geographic South Africa Africa – other Rest of world Middle East

Segmental analysis

All monetary amounts are expressed in millions of Rand	Discontinued operations* 2006	Discontinued operations* 2005	Corporate 2006	Corporate 2005
SUMMARISED INCOME STATEMENTS				
Revenue	**(46)**	(402)	**–**	1
Earnings before exceptional items and interest	**(1)**	(12)	**(147)**	(122)
Exceptional items	**–**	–	**1**	223
Earnings before interest and taxation	**(1)**	(12)	**(146)**	101
Net interest income/(expense)	**1**	2	**33**	37
Earnings before taxation	**–**	(10)	**(113)**	138
Taxation	**5**	3	**50**	79
Earnings after taxation	**5**	(8)	**(63)**	217
Income from associates	**–**	–	**(1)**	61
Profit/(loss) from discontinued operations	**–**	–	**–**	–
Minority shareholders' interest	**–**	–	**–**	–
Earnings attributable to ordinary shareholders	**5**	(8)	**(64)**	278
SUMMARISED BALANCE SHEETS				
Non-current assets	**41**	103	**688**	959
Current assets	**87**	125	**2 093**	2 282
Goodwill	**–**	–	**–**	–
Deferred taxation asset	**–**	–	**1**	–
Total assets	**127**	227	**2 782**	3 241
Equity	**49**	80	**143**	1 301
Minority interest	**–**	–	**43**	39
Permanent capital	**49**	80	**186**	1 340
Non-current liabilities	**41**	58	**490**	494
Current liabilities	**37**	90	**2 106**	1 407
Total equity and liabilities	**127**	227	**2 782**	3 241
SUMMARISED CASH FLOW STATEMENTS				
Cash generated by operations before working capital changes	**5**	(8)	**(216)**	(82)
Change in working capital	**(6)**	(5)	**50**	(92)
Cash generated by operations	**(1)**	(13)	**(166)**	(174)
Interest and taxation	**7**	5	**(10)**	10
Operating cash flow	**6**	(8)	**(176)**	(164)
FINANCIAL STATISTICS				
Operating margin (%)			**–**	–
Return on equity (%)			**–**	–

* 2005 includes Consani Engineering and Booker Tate; 2006 includes Criterion

	Construction & engineering		Construction materials & services		Fabrication & manufacture		Group	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	6 966	6 230	3 986	3 172	968	869	11 920	10 272
	324	239	537	345	86	101	800	544
	(60)	(3)	(15)	–	(11)	(146)	(85)	74
	264	236	522	345	75	(45)	715	618
	13	5	(11)	(23)	(13)	(23)	22	(2)
	277	241	511	322	62	(68)	737	616
	(78)	(104)	(141)	(133)	(19)	–	(188)	(155)
	199	137	370	189	43	(68)	549	461
	1	16	1	–	–	–	1	77
	–	–	–	–	12	(46)	12	(46)
	(10)	(5)	(39)	(19)	–	(6)	(49)	(30)
	190	148	332	170	55	(120)	512	463
	1 528	542	733	608	400	333	3 390	2 547
	2 914	1 843	1 496	1 152	208	74	6 797	5 475
	86	48	61	–	–	–	147	48
	23	2	2	3	25	30	51	34
	4 551	2 435	2 292	1 763	632	437	10 385	8 104
	1 701	716	842	689	351	282	3 086	3 067
	25	21	33	25	7	12	108	97
	1 726	737	875	714	358	294	3 194	3 164
	328	225	138	100	30	13	1 027	890
	2 497	1 473	1 279	949	245	130	6 164	4 050
	4 551	2 435	2 292	1 763	632	437	10 385	8 104
	368	283	636	392	115	132	908	717
	(168)	108	(175)	(19)	105	26	(194)	18
	200	391	461	373	220	158	714	735
	(66)	(8)	(43)	(14)	(6)	(3)	(118)	(10)
	134	383	418	359	214	155	596	725
	4,7	3,8	13,5	10,1	8,9	11,6	6,7	5,3
	15,7	20,7	43,4	24,7	17,3	(42,5)	16,7	16,0

Capabilities

CONSTRUCTION ECONOMY

Murray & Roberts directs its attention into the construction economies of South and Southern Africa, Middle East, Southeast Asia and Australasia.

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 the supply of 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 major 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 in Australia has extended this focus in the global marketplace. The acquisition of Concor in South Africa has enhanced the Group's domestic capability.

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

INDUSTRIAL MANUFACTURE

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. The recent acquisition of Oconbrick has extended the Group's capability into clay products.

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, a million tons of asphalt and a million tons of clay into construction products annually.

Toll road management in South Africa and lifting services in Middle East form the basis of a small sector of the Group's service offering.

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

Capabilities:

- Steel
- Infrastructure
- Services

Fabrication & manufacture

Industrial manufacturing has formed an important anchor for the Group into the South African economy, leveraging domestic competitiveness into selected global markets.

'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 operations in this sector of the business are important in the short term but not core to Globalising Murray & Roberts.

Capabilities:

- Fabrication
- Manufacture
- Services

Broad based black economic empowerment

Murray & Roberts has launched the first truly broad based black economic empowerment initiative in the construction industry with the transfer of 10% of its issued share capital to employees and community organisations.

Murray & Roberts has engaged a comprehensive broad based black economic empowerment (BBBEE) strategy which aims to achieve:

- appropriate broad based empowerment ownership at the level of Murray & Roberts operating subsidiaries through a three-tiered approach at Murray & Roberts Holdings Limited, Murray & Roberts Limited and the operating subsidiaries
- a meaningful number of black senior executives in the Group
- an employee complement that reflects the diversity of South Africa's demographic profile
- the development of a core complement of black professionals
- preferential procurement policies that recognise the broad based principles of black economic empowerment
- enterprise and social development programmes aimed at accelerating the development, empowerment and access to the economy of previously disadvantaged individuals

The Letsema BBBEE shareholding transaction in which Murray & Roberts purchased 10% of its issued share capital on 19 December 2005, offers previously disadvantaged employees, their families and the communities in which Murray & Roberts operates, a stake in the company and its future.

The shareholding initiative comprises four trusts:

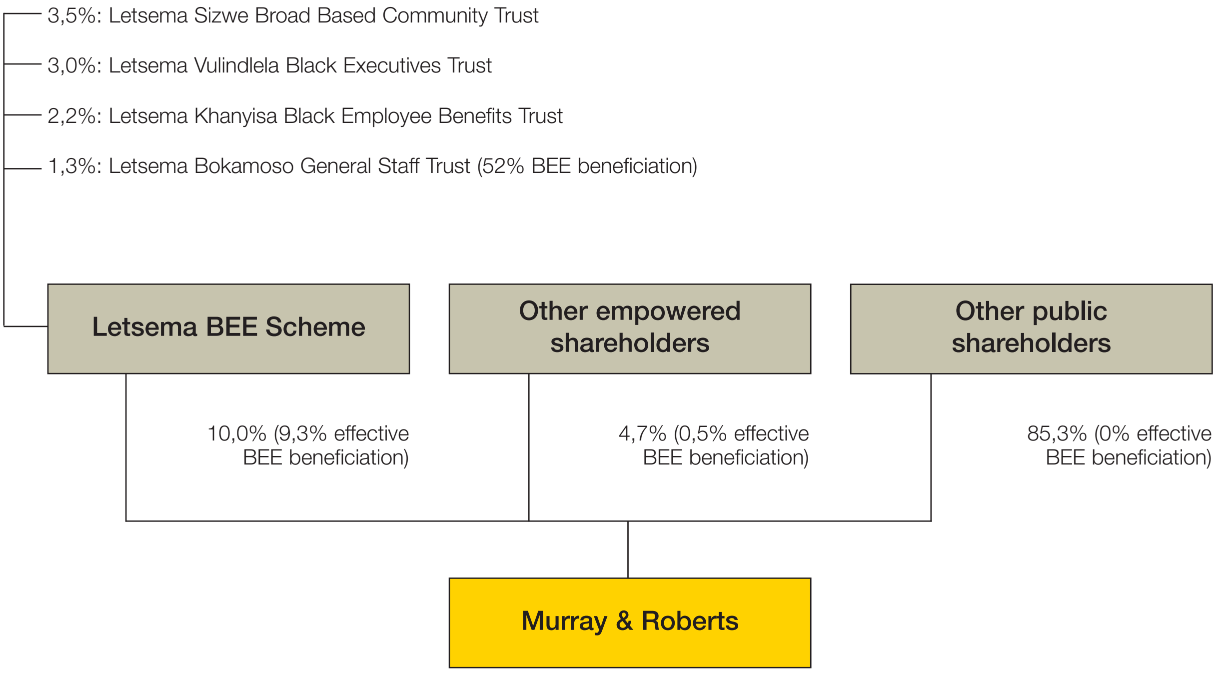
- Letsema Sizwe Broad Based Community Trust to benefit disadvantaged community groupings
- Letsema Khanyisa Black Employee Benefits Trust to benefit current and future qualifying black employees and their immediate families
- Letsema Vulindlela Black Executives Trust to benefit qualifying current and future black executives
- Letsema Bokamoso General Staff Trust to assist qualifying employees to acquire shares in Murray & Roberts

Since the initiative was launched, the Murray & Roberts share price has appreciated by more than 100%, creating wealth of R600 million for the participants, with more than R125 million attributable to the 14 000 participants in the General Staff Trust.

Letsema

Letsema is derived from the Sotho word which describes the concept of team work, where it is the tradition of communities to come together at the time of ploughing and harvesting to work on the communal fields together.

Murray & Roberts BBBEE shareholding



9,8% effective BEE beneficiation based on global operations
13,4% effective BEE beneficiation based on South African operations

Murray & Roberts has five black managing directors in its major operations in the SADC region (19 companies) and although there remains much to be done, we have an increasing number of black and women executives within our system. The Group has a comprehensive recruitment process in place that has focused on undergraduate and young qualified talent.

At operating level, the Group has engaged selected black economic empowerment partners who have taken up equity in the following businesses:

- AKA Capital has a 20% share in Murray & Roberts Cementation
- Jay & Jayendra Group has a 30% share in The UCW Partnership
- Lehumo Women's Investment Trust has a 26% share in the Group's KwaZulu Natal toll road operations business

In our construction businesses, joint venture or subcontracting arrangements are entered into with BEE partners to pursue and deliver projects.

Following the BBBEE transaction, Murray & Roberts conducted a comprehensive external review of its empowerment status relative to various industry charters, current legislation and proposed regulation.

The review has shown that the Group meets current empowerment criteria appropriate for procurement policy in South Africa and has identified key agenda items for further development of this status over the 10 year time frame as stipulated in the legislation, to meet future development criteria.

Human capital

As South Africa's leading engineering and construction group, Murray & Roberts is strengthening its human capacity to meet the challenges of 2010 and beyond.

For South Africa, the 2010 Soccer World Cup coincides with a global trend of increased investment in infrastructure – a trend that many analysts predict as being the most dramatic increase in construction activity in our country's history. Following more than two decades of decline, this will raise the profile of the engineering and construction industry and drive demand for human capital and leadership talent.

The greatest human capital challenge lies not so much in basic skills, as in strategic and professional leadership. This is a global challenge. The United Kingdom, preparing for the 2012 London Olympics, faces similar challenges of leadership and capacity.

Infrastructure development will be characterised by larger and more complex projects requiring more sophisticated leadership talent with the ability to manage an increasingly complex and dynamic environment.

It is not the first time the South African construction industry has had to undergo a rapid transformation to meet significant new expectations. A similar challenge loomed in the 1960s and 1970s when the country experienced the last cyclical construction upturn. A new generation of leaders seized the opportunity and met the challenges posed at that time.

Murray & Roberts views its leadership teams as a key source of competitive advantage and has implemented a strategy to uncover fresh solutions to prepare them for a period of sustainable growth.

Many of the challenges facing Murray & Roberts are industry-wide. This limits the scope for external recruitment within South Africa. Murray & Roberts has an active recruitment programme underway to attract expatriate South African construction executives from the international community and build

domestic implementation capacity. Employing expatriates themselves (as opposed to recovering South African expatriates) is a sensitive issue in a country beset with high unemployment, but the country has to recognise that throughout its history it has been unable to deliver challenges of high growth from internal resources alone.

In the longer term, sustainable growth depends on the organic development of leadership talent.

To this end Murray & Roberts is adopting a strategy to develop and retain its own leadership talent through a comprehensive leadership succession and development process, based on a common understanding of the roles of leadership at all levels of the organisation. This defines a long term succession planning process ensuring a full and flowing pipeline of leadership talent.

A key premise for Murray & Roberts leadership succession and development is performance delivery. Murray & Roberts can only achieve its objectives if its leadership teams perform fully, and structured leadership development is required in order to sustain organisational performance in the future.

Murray & Roberts has identified the industry leadership challenge early and is prepared for 2010 and beyond.

The Murray & Roberts recruitment centre is accessible at www.careers.murrob.com. The recruitment centre is used to communicate with potential candidates for advertised vacancies or allow them to submit unsolicited CV's.

Major project capability

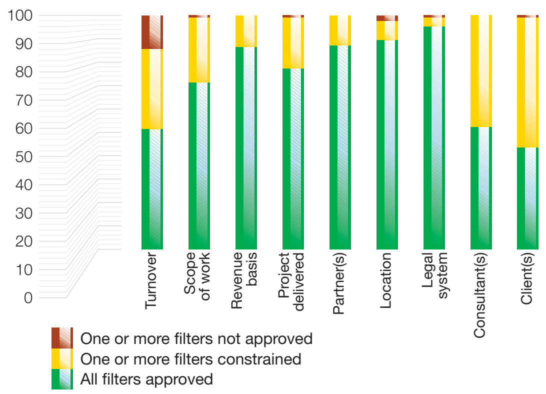
Gautrain, PBMR, VRESAP, the CoalLink locomotives and Eskom's expansion programme are major projects in which Murray & Roberts is contracted to play a key role. These projects alone represent R100 billion of gross fixed capital formation in the years ahead.

Murray & Roberts has a long and proud record of major project delivery. Our Group has been responsible for constructing much of the built environment in Southern Africa and we have been involved in some of the world's great engineering challenges.

Projects such as the Mozal aluminium smelter in Mozambique, where we have established a global benchmark for sophisticated industrial facilities, and the Burj al Arab in Dubai, bear testimony to our ability to deliver the most complex and unique of world class projects. We have learned from the historic challenges posed by projects such as the Carlton Hotel in the 1970s and DORTS in the 1990s that the opportunity of major projects can bring significant risk.

In recent years we have developed the capacity to better assess and manage a new era of major projects. Our bespoke opportunity management system controls the project approval process such that all opportunities entered into the tender process are evaluated against a selection of pre-determined criteria which flag them as red, green or amber. A scorecard approach allows management to determine the potential risk profile in a project, which projects can proceed normally, which must be declined and which can proceed only under more rigorous conditions. In this latter circumstance, a steering committee monitors each project through to final account.

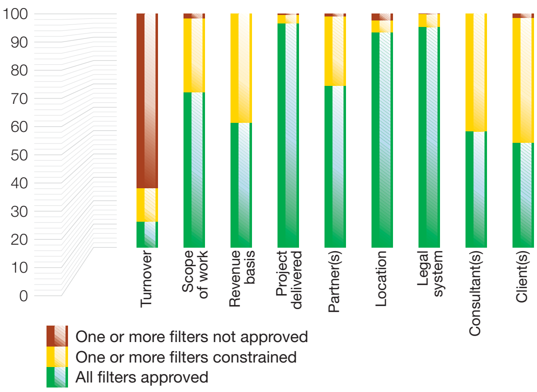
Project pipeline status by number of projects



In June last year, we appointed a group international projects director based in Dubai to bring world class experience to the risk management of major projects.

A fundamental principle of Rebuilding Murray & Roberts is the concept of a unitary organisation enabling us to exploit the

Project pipeline status by turnover



unique synergies in our various operations to engage major projects with the collective strength of our Group. This approach has leveraged our ability to compete for some of the world's most challenging mega projects.

Globalising Murray & Roberts benchmarks our leadership and systems capacity against the status of best-in-class from the global engineering and construction sector. We continue to transform our operations, positioning them to offer superior propositions to their markets. Our leadership capacity is being strengthened to capitalise on the robust construction economy we anticipate in the years ahead.

We are implementing an enterprise resource planning financial management and consolidation system across the Group's project cluster to leverage the synergies of Unitary Murray & Roberts and ensure consistent project delivery.

The accepted international definition of a major project is one which exceeds the inherent capacity of any organisation to manage it within its own resource and capacity. Partnership is a strategic imperative for our Group and we select our partners against characteristics such as knowledge of a market or technological expertise. The building and maintenance of strong relationships with major clients in key growth sectors is reflected in our order book, where much of the work secured is repeat business.

Additional information on major projects undertaken by Murray & Roberts is available on the project portfolio at www.murrob.com.

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 a 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 a 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 is a 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 seeks new opportunity and value from the platform created over the past six 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

A federal structure 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. Terry Rensen

Non-executive directors

Roy Cecil Andersen (58)
CA(SA) CPA (Texas), independent chairman
Appointed to the Board in 2003. Appointed chairman in 2004. Chairman of nomination committee. Member of remuneration & human resources committee. Trustee of the International Accounting Standards Committee Foundation and The Murray & Roberts Trust. Chairman of Sanlam Limited and Virgin Active (South Africa) (Pty) Limited. Member of the King Committee on Corporate Governance.

Sonwabo Eddie Funde (63)
MSc Eng (Elec), independent
Appointed to the Board in 2000. Member of nomination committee and 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 (49)
BA, independent
Appointed to the Board in 2001. Member of remuneration & human resources committee. Trustee of The Murray & Roberts Trust. Chairman of Stanlib Limited. CEO of New Africa Investments Limited. Co-Chairman of the Business Trust. Director of companies.

Namane Milcah Magau (54)
BA EdD (Harvard) MEd BEd, independent
Appointed to the Board in 2004. Member of remuneration & human resources committee and 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 (60)
PrEng BSc Eng (Glasgow), independent
Appointed to the Board in 2004. Chairman of health, safety & environment committee. Director of GoldFields Limited and Impala Platinum Holdings Limited.

Imogen Nonhlanhla Mkhize (43)
BSc Information Systems MBA (Harvard), independent
Appointed to the Board in 2005. Member of audit and risk committees. Former 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 (59)
BCom CA(SA), independent
Appointed to the Board in 1994. Member of audit committee and remuneration & human resources committee. Trustee of The Murray & Roberts Trust.

Martin John Shaw (67)
CA(SA), independent
Appointed to the Board in 2003. Chairman of audit committee and member of risk 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 (66)
PrEng BSc Eng (Mech), independent
Appointed to the Board in 1998. Chairman of remuneration & human resources committee. Member of nomination committee. Trustee of The Murray & Roberts Trust. Director of Naspers Limited, Sanlam Limited, Peace Parks Foundation and Atlas Properties Limited.

Royden Thomas Vice (59)
BCom CA(SA), independent
Appointed to the Board in 2005. Chairman of risk committee and member of remuneration & human resources committee. Chairman of Consol Limited. CEO of Waco International Limited. Chairman of Nelson Mandela Metropolitan University Development Trust. Governor of Rhodes University.

Executive directors

Brian Cameron Bruce (57)
PrEng BSc Eng (Civil) DEng (hc), group CE
Appointed to the Board and group CE in 2000. Director of Clough Limited. Member of Construction Industry Development Board and Council of the University of the Witwatersrand.

Sean Joseph Flanagan (47)
BSc (Building), group executive director
Joined the Group in 1991 and appointed to the Board in 2004. Responsible for domestic mining contracting and major projects for 2010 World Cup.

Norbert Jorek (41)
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 (53)
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 (56)
BCom, group executive director
Joined the Group in 1980 and appointed to the Board in 2001. Responsible for domestic and regional construction and materials & services.

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

Millard Walter Arnold (59)
BA (Political Science) Juris Doctorate, executive director – legal counsel
Appointed to the board in 2003.

Brian Cameron Bruce (57)
PrEng BSc Eng (Civil) DEng (hc), chairman and MD
Appointed to the board in 1998.

Malose Phillip Chaba (46)
PrEng BSc Eng (Elec) MSc, executive director – operations
Appointed to the board in 2004.

Sean Joseph Flanagan (47)
BSc (Building), group executive director
Appointed to the board in 2001.

Edwin Hewitt (40)
MDip Tech Eng (Metallurgical) MDP, executive director – operations
Appointed to the board in 2005.

Norbert Jorek (41)
Dipl – Kfm MBA, group executive director
Appointed to the board in 2004.

Craig Vaughn Lawrence (47)
BCom (Industrial Psychology), executive director – human capital
Appointed to the board in 2004.

Roger William Rees (53)
BSc (Econ) Hons FCA, group financial director
Appointed to the board in 2000.

Terence William Rensen (59)
FCA CA(SA) FCMA, executive director – corporate services
Appointed to the board in 2004.

Keith Edward Smith (56)
BCom, group executive director
Appointed to the board in 2000.

International

Peter Richard Adams (58)
FRICS, executive director
Murray & Roberts International Limited
Appointed in 2004.

John Cooper (56)
BSc (Building) (Hons) FIEAus FAIM FAICD, Deputy chairman, Clough Limited
Appointed in 2006.

Company secretary

Sandra Felicity Linford (45)
ACIBM MDP,
Appointed in 2004.

Additional information on the directors is available on pages 170 and 171 of this report.

Chairman statement

Roy Andersen, *chairman*

2006 has been a watershed year for Murray & Roberts, confirming with certainty that we have created a new performance platform for the company as we enter an era of growth up to and beyond 2010.

The financial results for the year to 30 June 2006 reflect increased activity in all of the markets we serve and offer an early indication of significant opportunities in the domestic market in the period leading up to the 2010 Soccer World Cup.

Operating profits, calculated in terms of International Financial Reporting Standards, grew by 47% to R800 million, in spite of difficulties in our domestic and regional construction business. A turnaround in the performance of our business in the Middle East and another strong performance by the construction materials & services businesses contributed significantly to the overall improvement in operating profits. Earnings from associates were adversely affected by the disposal of Unitrans in the previous year and losses from two projects undertaken by Clough in India. Diluted headline earnings per share, excluding the broad based black economic empowerment (BBBEE) transaction, grew by 26% to 184 cents per share.

These results exceeded our forecasts in the 2005 annual report and the 2006 interim report to shareholders and are consistent with the advice offered to the market prior to the release of the preliminary results. I am pleased to report that the Board has declared a dividend of 60 cents for the full year, an increase of 33% over the 2005 dividend.

On 30 March 2006, the Bahrain dhow tragedy claimed the lives of 58 people (10 from Murray & Roberts) associated with our joint venture City Gardens project. We express our condolences to the families and colleagues of the people lost in this most unfortunate incident.

Business environment

The global economy remained strong during the year, recording growth of 5%, and our mining and minerals markets in Canada and Australia benefited as unabated demand for natural resources exceeded installed delivery capacity. High oil prices continued to drive growth in the Middle East, as growing fiscal surpluses created increased capacity for government spending. Plans to limit the reliance on oil by diversifying economic activity in the region, contributed to growth in commercial and infrastructure projects.

The domestic economy remained robust, recording GDP growth of 4,3%. The construction and materials markets contributed significantly to this growth, while a moderate weakening of the SA Rand in the second half of the year prompted new investment in the mining and industrial markets.

Although many economists forecast a moderate downturn in the global and domestic economies during the year ahead, we anticipate further increases in investment in infrastructure projects as major capacity expansion programmes commence in the power, water and transportation sectors. In this regard, I am pleased to confirm that Murray & Roberts has secured a leading role in the implementation of major programmes such as Gautrain, Eskom's capacity expansion, the Pebble Bed Modular Reactor, the VRESAP emergency water transfer scheme and the CoalLink locomotives. These projects alone represent R100 billion of gross fixed capital formation over the years ahead and will contribute to the maintenance of a satisfactory order book.

Strategic positioning

The Group has achieved significant progress in the implementation of new strategies to focus on selected market segments and efficiently deploy capital and cash resources realised by the disposals of its interest in Unitrans in 2004 and other businesses.

We have identified our key future growth markets as the construction economies of Southern Africa, the Middle East and Southeast Asia and the specialist mining and energy natural resource markets of South Africa, Australia and Canada. While Globalising Murray & Roberts continues to benchmark our performance against best-in-class global engineering and construction companies, Murray & Roberts 2010 focuses on the delivery of sustainable value from increased opportunity in our targeted markets, and particularly in South Africa as our country prepares for the 2010 Soccer World Cup.

During the past two years, we have acquired significant capacity to position the Group for these opportunities. The acquisitions of Concor with effect from 14 June 2006 and 80% of Oconbrick with effect from 1 September 2005, have expanded our capacity in the domestic construction sector, while the earlier acquisition of Cementation and a strategic shareholding in Clough strengthened our position in the global mining and oil and gas markets. We increased our shareholding

Conditions in our key regional and sectoral markets in Southern Africa, Middle East, Canada and Australia show signs of ongoing growth, with significant increases in infrastructure investment in South Africa forecast for the period leading up to 2010.

in Clough during the year in order to reinforce our original investment and we will participate in a further recapitalisation of the company to bring our shareholding close to 50%. Management is focusing on assisting Clough with its challenge to return to appropriate levels of profitability.

We have strengthened our operational leadership capacity considerably during the year and implemented measures to ensure that our human capital, operating and risk management systems are benchmarked against global best practice and capable of achieving our strategic objectives.

Black economic empowerment

Broad based empowerment is essential for the long term economic and social stability of South Africa as well as for the development of the construction, mining and engineering sectors.

Murray & Roberts has made important progress in the implementation of a comprehensive strategy to address the full range of empowerment requirements across its diverse operations serving the domestic construction economy. We have contributed to the development of the Construction Charter, which has now been adopted by industry role players, and engaged in many initiatives to meet the requirements of the Mining Charter.

The Murray & Roberts Letsema BBBEE initiative represents one of the most important ownership changes in the history of our Group and contributes substantially to the strategic target of empowerment compliance over the years ahead.

An external review conducted during the year shows that Murray & Roberts meets current criteria for the procurement of goods and services in South Africa, and sets an agenda for BEE development in the future.

Sustainability

Murray & Roberts is committed to enhancing the growth of its business and adding value in a responsible and sustainable manner. We recognise that we have a duty to create value for our current stakeholders and future generations.

Murray & Roberts has adopted the Global Reporting Initiative (GRI) guidelines to measure and report performance against economic, environmental and social parameters.

The Board has noted with regret and concern the fatalities of 10 employees and subcontractors on Murray & Roberts work sites in South Africa during the year and we express our condolences to their families.

With the guidance of the health, safety & environment committee and management, the Board is committing additional resources to ensure that our operations are safe and, to the fullest extent possible, injury-free. A key initiative in this regard is the Stop.Think campaign which is being implemented in all South African operations to improve safety awareness and strive for zero harm.

The wellbeing of our employees 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 environmental (malaria) and occupational (respiratory) hazards to the lifestyle consequences of work related stress, as well as HIV infection.

More than 90% of our employees reside in the SADC region and are impacted in various ways by HIV/Aids. Our fixed location manufacturing operations have introduced a high level of awareness training and a variety of treatment programmes. We work with our clients on project operations 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 (King II). All policy documents and committee terms of reference have been reviewed and revised, where necessary, during the year.

An internal review of the effectiveness of the Board, the directors and the chairman was completed in November 2005. The review, which was benchmarked against the strategic requirements of our business, addressed issues raised in the independent review completed in 2004. The outcome of the internal review was favourable.

Risk management oversight has become an important priority for the Board. During the year, the Board oversight of audit and risk was separated and a risk committee was established in February 2006 to strengthen the focus on risk.

At the annual general meeting on 26 October 2005, shareholders approved amendments to the company's articles of association which were updated to take into account changes to the Companies Act, the JSE Listings Requirements and the requirements of King II, as well as the Electronic Communications Act.

Board of directors

Saki Macozoma has informed the Board that he will not be available for re-election at the annual general meeting on 25 October 2006. Saki was appointed to the Board in 2001 and has served as a member of the remuneration & human resources committee and a trustee of The Murray & Roberts Trust. I wish to thank Saki for the valuable experience and insight he has brought to the Board, particularly with regard to South Africa's social, economic and political development.

International advisory board

The international advisory board (IAB) was established in 2005 to advise the Board on its oversight responsibilities for the development of the Group's international activities. The IAB's mandate is to advise the Board on:

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

The IAB met twice during the year to comment on and contribute to the international strategies approved by the Board.

Appreciation

I wish to thank my colleagues on the Board for their dedication and support during a challenging year in which we formally convened five meetings. I would also like to thank the boards of the subsidiary and associate companies for their untiring efforts.

I record my appreciation for the performance achieved by Brian Bruce, his executives and staff. Their commitment to the ongoing development of our Group remains exemplary and I am confident that we have the strength and depth of leadership required for the significant opportunities that lie ahead.

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

Annual general meeting

Shareholders are reminded that the annual general meeting of the company will be held on 25 October 2006. The order of business is set out on pages 172 to 173 of this report.

Prospects

Conditions in our key regional and sectoral markets in Southern Africa, Middle East, Canada and Australia show signs of ongoing growth, with significant increases in infrastructure investment in South Africa forecast for the period leading up to 2010. Acceptable levels of performance from our SADC construction activities and Clough will contribute significantly to an improvement in financial results.

The directors remain of the view that the next few years will be positive for the Group and that including the consolidation of its acquisitions, revenues could be at substantially higher levels by 2010 at the target operating margin of between 5,0% and 7,5%.

The overall positive performance of Murray & Roberts is expected to continue in the year ahead.

Roy Andersen
Chairman

Strategy

The fundamentals of Rebuilding Murray & Roberts that have guided the development of the Group over the past six years were established by a board mandate to the new leadership team appointed in July 2000.

- Our commitment to sustainable earnings growth and value creation is not negotiable
- Our consolidated margin target is 5,0% to 7,5%
- Our target return on shareholder funds is 20%

***Engineering** is our expertise. We use our expertise to leverage technology. **Contracting** is our business. We contract to deliver major projects, engineered products and managed facilities. **Industrial Design** is our core competence. We use our competence to develop complete solutions for construction, production, management and services. **World Class Fulfilment** is our mission. We deliver capital projects and engineered products to customer requirements.*

Murray & Roberts has identified the fundamental characteristics that define best-in-class companies in the global engineering & construction sector. Appropriate resources have been allocated to ensure their introduction into the Group.

- Balance sheet consistency
- Order book procurement system
- Risk management framework
- Project management systems
- Financial consolidation systems
- Human capital management
- Health & safety focus
- Community involvement process

The discipline of performance delivery is enhanced throughout Murray & Roberts and Clough, as this forms a critical element underpinning investor and customer confidence in the Group and its value proposition.

Organisation

Murray & Roberts is considering a strategy to structure the business profile of the Group in two primary sectors:

- A regional business model characterised by a multiplicity of clients and competitors
- A global business model characterised by a concentration of clients and competitors

Understanding the nature and characteristic of customers or clients, and establishing the business systems necessary to deal with the consequence of their behaviour characteristics, forms the essence of risk management. The two models require fundamentally different business models which will be developed during the year ahead.

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. The office in Dubai engages the potential of Middle East and the south Asia region, with a new focus on the oil & gas market.

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.

Murray & Roberts has contracted internationally for more than four decades and currently records 29% of its revenues from international markets.

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

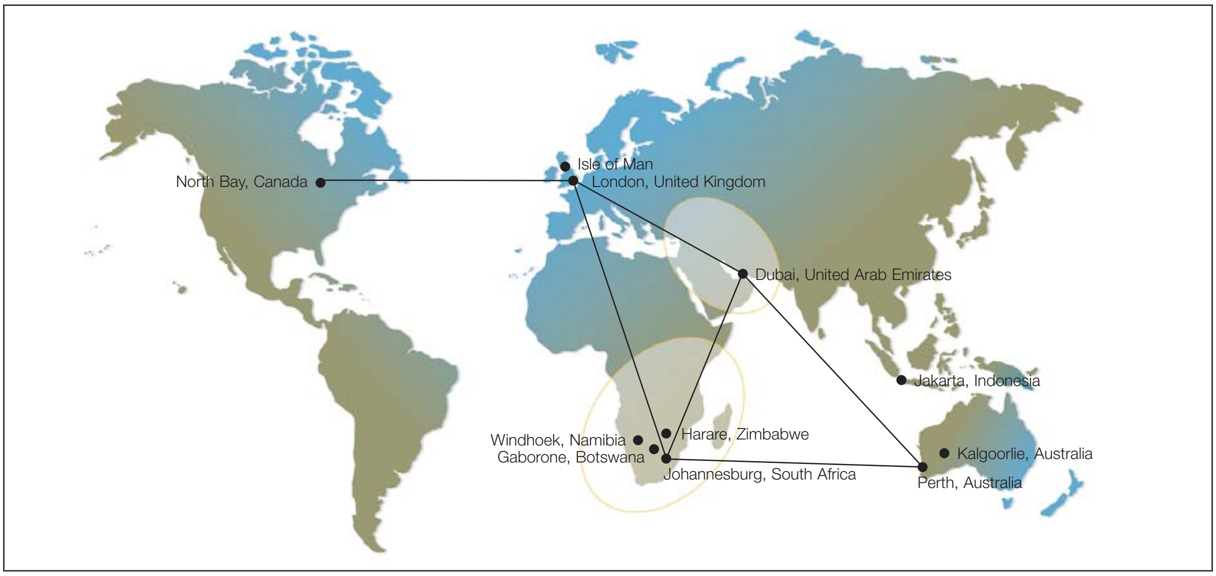
The relationship with Clough provides the Group with an operational presence in Southeast Asia and access to the engineering and contracting oil & gas sector.

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

The centre of activity for Murray & Roberts is South Africa within a framework that incorporates the markets of Australia and Middle East and coordination of North America through London.

Regional Construction Economy

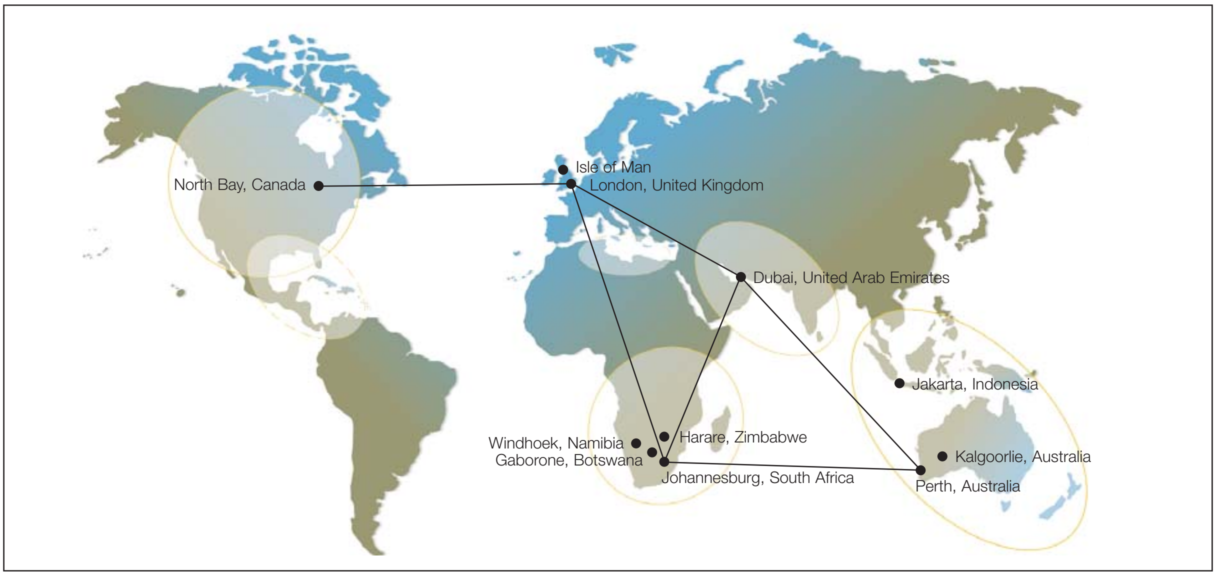
Operations include construction SADC and Middle East, engineering fabrication and construction materials & services.



The primary centre of activity is the South African construction economy from Johannesburg within a framework that incorporates the Middle East market from Dubai and international coordination through London.

Global Resources Economy

Operations include Murray & Roberts Cementation, Cementation Canada, RUC Australia, engineering contracting and Clough Limited.



Primary activities are directed at the underground mining markets of North America, Southern Africa and Southeast Asia/Australasia and the offshore oil & gas markets of Middle East and Southeast Asia /Australasia.

Group chief executive report to shareholders

Brian Bruce, *group chief executive*

Murray & Roberts and its associates employ more than 30 000 people directly and a further 20 000 employees of our many business partners work daily on more than 150 active worksites throughout Southern Africa, Middle East, Australasia, Southeast Asia and North America. This collective capacity is focused on selected markets in the global construction economy and has been assembled through Rebuilding Murray & Roberts over the six years since July 2000.

Murray & Roberts 2010 is our short term strategy focused on the delivery of sustainable value from increased market activity in all the Group's regional and sectoral markets, including the impact of increased domestic activity associated with the 2010 Soccer World Cup, and the integration of our new business acquisitions into the Group's strategic value proposition.

Globalising Murray & Roberts is an ongoing strategic initiative that benchmarks the future performance potential of the Group against best-in-class characteristics drawn from the global engineering & construction sector.

Our commitment to sustainable earnings growth and value creation is non-negotiable.

We are experiencing a period of global socio-economic development that is defined increasingly by the will of society rather than just by decision of leadership. Two thirds of the global population live in the eastern hemisphere and we sense this to be the driver of growth for infrastructure development and resource extraction over the years ahead.

We have introduced a number of strategic initiatives through the past year that have focused attention on building better relationships between Murray & Roberts and its people and supporting the role they will play in shaping our future potential. This has been embodied in the concept of Letsema, which is the brand name for our broad based black economic empowerment (BBBEE) initiative.

Health, safety and environmental (HSE) issues have demanded increased attention over recent years and in South Africa we are faced with special challenges in this respect. Our Board has committed to a target of zero harm consequence from our activities on our company and clients, all people and the environment. We have benchmarked fatalities and permanent disablement at zero and set our lost time injury frequency rate (LTIFR) target below a benchmark of 3,0 with a long term objective of 1,0. Our performance this year was a LTIFR of 4,6 but regrettably at a price of 10 fatalities.

Stop.Think is a corporate intervention designed to stimulate a sustainable culture change in the organisation such that responsibility for personal health & safety is primarily devolved to the individual at the workface. Accountability remains with management.

The Group has committed significant funding and resources to this important initiative.

We have established a number of communication forums in the Group that encourage interaction between the company and our stakeholders, including employees. The increasing success of these initiatives is testimony to the integrity of engagement. The Letsema BBBEE and Stop.Think initiatives are expected to increase the volume of internal interaction and engagement within the company.

We established ClientService initially as an interactive facility to improve the response quality of communication between Murray & Roberts and its external stakeholder community, who sought increased levels of information and management access. This facility is currently processing on average 2 000 calls a month and is now being extended to cater for an increase in activity expected from our internal communication initiatives.

Facilities such as Ask Brian on our internal website, CE discussion forum on the external website and Tip-Offs Anonymous through an independent service provider, offer additional and well utilised communication channels with our internal and external community.

Performance

I am pleased to report that our performance for the year to 30 June 2006 has exceeded expectations, as the markets we serve have started to deliver the increased opportunity predicted in previous years. I am also pleased with the performance platform serving these markets and established through Rebuilding Murray & Roberts over the past six years.

Operating profit increased 47% to R800 million off a 16% increase in revenue to R11,9 billion at a margin of 6,7%. This is the highest margin recorded by Murray & Roberts since its previous peak performance as an industrial holding group through the five years 1991 to 1995. Excluding an R87 million charge to the income statement relating to the granting of shares to almost 14 000 employees in terms of the Group's BBBEE transaction in the year, headline earnings increased 26% to 184 cents per share.

The prospects statement included in the 2005 annual report was written with some caution following the disposal of the Group's 44% interest in Unitrans in the previous year and the loss of its associate contribution to headline earnings. We were uncertain at that stage whether the Cementation businesses in South Africa and Canada and Clough in Australia would overcome this deficit, coupled with the turnaround risk in Construction Middle East.

At the half year we disclosed problems experienced on some projects in Construction SADC and an interim loss from associate Clough. We maintained our cautious outlook for the year although at that stage we were experiencing early signs of improved performance from our construction materials, industrial and remaining contracting operations.

While we are disappointed by the underperformance of Construction SADC and Clough in India, the remainder of the business has delivered ahead of expectation. We have taken decisive measures to resolve our problems, including the appointment of new leadership capacity that is geared for future performance.

We provide in some detail in the accompanying operational review, the performance characteristic of each business segment in Murray & Roberts.

Government investment into primary infrastructure is set to form the foundation for future growth, with power generation and transport logistics a primary focus, followed by water and sanitation.

Market

The year in review has been characterised by growing levels of activity in all the Group's regional and sectoral markets. Of particular note is that conditions in the South African construction market continued to improve through the second half year. This brought increased efficiency throughout the Group's operations resulting in improved utilisation of people and resources. Higher demand in the final quarter boosted all sectors of the Group's construction materials activities.

There is increasing evidence of shortages of capacity in some areas and in all sectors there is a reduction in the levels of price cutting that had become characteristic of the industry.

In South Africa, gross fixed capital formation (GFCF) has extended its growth trajectory, although increasing interest rates could dampen consumer related growth. Government investment into primary infrastructure is set to form the foundation for future growth, with power generation and transport logistics a primary focus, followed by water and sanitation.

Middle East countries forming the Gulf Cooperative Council (GCC) continue to benefit from strong oil revenues and have extended the diversification of their regional economy. The United Arab Emirates in particular offers ongoing business potential to the Group.

Global growth, particularly in and from the eastern hemisphere, continues to place heavy demand into the natural resources sector. Indications are that this will continue for at least the next five to seven years before reaching a new level of sustainable demand. This bodes well for further development of a global resources focus in the Group.

Our international markets have been positive overall, with improved performances coming from Cementation Canada and the turnaround of Construction Middle East. The construction market in the rest of Africa remains difficult and patchy, challenged by governance concerns, a generally hostile business and working environment and poor human resource skills. The oil & gas sector is buoyant, but associate Clough has yet to overcome performance problems.

Murray & Roberts Construction

The Group's South African regional construction activities have experienced a difficult year resulting in a significant reversal in profitability and a comprehensive change in leadership. A contracting loss was identified in four projects in Tanzania, Botswana and South Africa and notified to shareholders in the Group's interim report.

These problem contracts have been addressed through the second half year and where contract terms have permitted, recovery has been pursued. In addition, claims have been lodged in terms of the Group's liability insurance policies where possible. Reporting of these contracts has been conservative as only committed recoveries are included in the results for the year under review, with further recoveries expected in the year ahead.

Over the past six to eight years, construction leadership in South Africa has become more building oriented as civil and industrial engineering opportunities waned in the market. At the same time, risk in the construction industry increased significantly for a variety of reasons, not least of which has been a reduced level of capacity and experience in client organisations and the built environment professional consultants on which they depend.

There has been an extended process in finalising award of the Gautrain Rapid Rail Link project to the Bombela Consortium, of which Murray & Roberts is a major participant. Bombela was selected preferred bidder on 2 July 2005 with an expectation that financial close and project award would occur in January 2006. The complexities involved in the process were clearly underestimated and an increasing number of key construction resources were allocated to the negotiating and early preparation process. These resources have delivered no financial performance value to the Group in the year and the delay in award has resulted in additional operating cost plus a noticeable under-recovery of overhead.

There is a commitment by all the parties to commission the section between Johannesburg International Airport and Sandton Station in time for the 2010 World Cup. This is a project modification that has required extensive negotiation and is still subject to various regulatory clearances. We are confident that the conditions precedent for this phased approach will be cleared in time for a challenging but possible programme.

In recognition of this challenge and others that will arise from the infrastructure requirements for South Africa to effectively host the 2010 Soccer World Cup, we have created a more focused leadership structure over our SADC construction operations. Executive director Sean Flanagan has been appointed to lead the Group's implementation involvement in the above project, as well as other critical and time constrained projects associated with the 2010 Soccer World Cup.

Executive director Keith Smith will oversee the SADC construction businesses, with a new executive team in our South African construction operations comprising Gordon Taylor (managing director) and Charles Henwood (financial director) with operations directors Dave Monro (Civils), Dave Ashkar (Building North) and Andrew Fanton (Western Cape).

Keith also chairs new acquisition Concor Limited, led by managing director Cobus Bester, and our Botswana, Namibia and Zimbabwe construction operations, led by Piet Martins.

We are confident that Keith and Sean bring the highest level of experience and leadership to this important aspect of the Group's business platform.

Clough Limited

Murray & Roberts has recorded a break-even result from its 46,1% investment in Australian associate Clough Limited. This arises as a result of pre-acquisition accounting of a portion of the losses incurred and provisions raised on two EPC projects in India.

Clough recorded a loss of A$15,1 million (2005: A$57,6 million loss) in the year, enhanced by profitable performances from activities servicing the oil & gas sector, its Indonesian subsidiary and the property division. We are confident that the embedded value of the business remains intact and have agreed a number of strategic initiatives with the board of Clough that we believe are necessary to ensure its future value proposition.

Murray & Roberts will underwrite a further recapitalisation of Clough through a convertible note priced at the net asset value (NAV) of the balance sheet at 30 June 2006. This issue will be available for subscription by minority shareholders. As a result, the Group's investment in Clough will increase to approximately R1,0 billion, representing an effective shareholding just below 50% at a premium of 50% to NAV. This remains within the pre-acquisition mandate of management.

The shareholder agreement between Murray & Roberts and McRae Investments (representing the Clough family) will be terminated by agreement between the parties.

Murray & Roberts has appointed experienced Australian construction and engineering executive John Cooper as chief executive of its Australian activities and as a nominee to the board of Clough. He has been appointed by the directors of Clough as deputy chairman and will work closely with Clough management over the year ahead to review the company's strategy and ensure its return to sustainable profitability in the oil & gas market.

To accommodate the nomination of John Cooper to the board of Clough, Roger Rees resigned as a director with effect from 23 August 2006. Michael Harding, an experienced Australian oil & gas executive, joined the Clough board recently and will assume the role of independent chairman at the annual general meeting in November 2006.

Order book

During the year Murray & Roberts secured a leading partnership position in a number of major public sector programmes.

- VRESAP Pipeline for TCTA
- Pebble Bed Modular Reactor Demonstration Plant for PBMR
- CoalLink Locomotive Program for Spoornet
- Gautrain Rapid Rail Link for Gauteng Province
- Generation Expansion Engineering Services for ESKOM

This positions the Group at the forefront of the domestic engineering & construction market and complements its major project involvement in the Middle East. Whereas some of these projects have exposed the difficult processes involved between project approval and implementation, they clearly underpin a commitment to invest in primary infrastructure.

The Group's project order book stood at R10,0 billion at 30 June 2006, an 18% increase on the previous year. This amount includes R1,5 billion acquired through Concor Limited. The Group's involvement in the Gautrain project of approximately

R4,5 billion is not yet included. The order book indicates a significant swing towards the domestic economy, which will be enhanced by the inclusion of Gautrain.

Overall, the level of work on hand available to Murray & Roberts amounts to approximately R20 billion for execution primarily within the next three years. In this respect, Clough ended the year with an order book of A$809 million (R4,0 billion) followed by a further A$150 million (R800 million) secured since year end.

Committed long term orders in the Group's industrial fabrication & manufacturing businesses stand at an estimated R12 billion. This is a significant proportion of the workload requirement for these operations extending more than five years ahead, and includes both foundry engine programmes and the Spoornet locomotive recapitalisation programme.

Acquisition and disposal

The Group acquired 80% of Oconbrick Manufacturing effective 1 September 2005 for a consideration of R96 million. The company has quickly integrated into the Group and has delivered its expected performance for the year. We have approved an expansion to its production capability that will see its output increase by 30%.

In November 2005, the Group increased its shareholding in Clough Limited to 46,1% through a combination of new share issue and purchase from the Clough family. The cost of approximately R300 million included a convertible loan facility of A$15 million which will result in a further 3,0% of the shares accruing to Murray & Roberts later in 2007.

The Group has indicated it will raise its shareholding above 50% once Clough is delivering acceptable financial performance, which is now expected by mid-2007.

Criterion Equipment was sold effective 1 October 2005 to Jay & Jayendra Group (J&J) in an empowerment transaction valued at R92,7 million, of which R45 million was supported through a vendor financing structure.

The Competition Tribunal approved the acquisition of 100% of Concor on 14 June 2006 and its delisting from the JSE Limited was effected on 3 July 2006. The cost of the transaction is R340 million including accrued interest to shareholders. This represents a premium of 13% on the NAV of the business which includes R220 million cash in hand.

Concor Limited

The acquisition of 100% of Concor Limited marks another important milestone in the creation of a new performance platform for the Group. Highly regarded in the domestic construction market for its ability to take on complex engineering projects, Concor has been through some difficult times at the tail-end of a long period of decline in the industry.

Concor closed the year with revenues of R1,8 billion (2005: R1,6 billion), delivering a net profit before tax of R46 million (2005: R43 million) at a margin of 2,6% (2005: 2,6%). We are confident that within Murray & Roberts and under the leadership of managing director Cobus Bester, the company will grow from strength to strength in its market.

Concor has negotiated the R150 million contract to refurbish our Murray & Roberts corporate office in Bedfordview, including the construction of a new multi-story car park. It has also secured preferred bidder status for the Department of Foreign Affairs precinct as a public private partnership.

Health safety & environment

A total of 10 people (2005: 12 people) were fatally injured on Murray & Roberts worksites in a year where 116 million hours were recorded as worked; 50% of the fatalities were employees of business partners. The declared objective of the directors is to achieve zero fatalities and disabling injuries in the work sites and facilities under control of the Group.

The Group is confident that the Stop.Think campaign initiated during the year will create the impetus needed to breach the inertia of health & safety consciousness. Many group operations already operate within the performance targets and significant management attention is being applied to the cultural challenges that influence the change in attitude needed for sustainable HSE success.

Prospects

A key focus in the year ahead will be to support the executive leadership teams appointed to deliver acceptable levels of performance in SADC Construction and Clough. We expect that our actions will lead to a significant financial turnaround in the fortunes of these businesses.

We expect that the Gautrain project should commence construction in September 2006 with a clear objective to commission the link between Johannesburg International Airport and Sandton Station in time for the 2010 Soccer World Cup. The many other major projects required for this global event must also commence construction during the year ahead, and there will be little if no room for time extension. The minimum time required to build a specification stadium without a roof is 36 months.

New opportunities in Middle East have demanded increased resource allocations and new executive appointments in the region. We are well advanced towards finalising an agreement with a major regional client to manage a special purpose construction business established to implement its own property investment programme. This will be managed alongside our existing business in Middle East.

The Group's global mining contracting operations face increased opportunity and a higher level of international leadership coordination is being planned, linking these operations with the Group's increasing global oil & gas capability. Capital expenditure by mining houses in our largest market South Africa has firmed appreciably, but still without the expected growth.

Appreciation

Murray & Roberts is a complex group of companies bound by a common purpose serving the construction economies in selected regional and sectoral markets. Our federal structure offers high levels of responsibility and accountability to operations leadership, but within a performance framework and value system established by group leadership.

I wish to extend my appreciation firstly to all the people of Murray & Roberts who through the year have worked diligently to advance their personal and our group objectives. I am encouraged by the increased levels of interest and interaction within the Group and I sincerely believe that initiatives such as Letsema and Stop.Think will lead to a substantial improvement in our environment.

Murray & Roberts secures the majority of its revenues through our contracting activities across many project sites. We have launched a project web page that increases our disclosure in this respect and I extend my appreciation to our project managers, site agents and their teams who work so hard under often difficult and challenging circumstances to deliver value to our clients and shareholders. I spent almost twenty years of my early career in this environment.

The managing directors of our more than twenty operating companies and their executive teams in South Africa and around the world have worked diligently through the year to bring their operations to new levels of performance. We have entered a period of relentless pressure for sustainable growth and performance and I extend my appreciation to these important executive teams for what has been done this year and their preparation for the years ahead.

My corporate colleagues and fellow directors under the board leadership of our chairman Roy Andersen engaged many strategic and challenging issues through the year and I thank them for their ongoing support and commitment to the strategic purpose of Murray & Roberts.

Finally, I would like to acknowledge the work of some of our younger executives who have taken significant responsibility through this year to drive important transformation initiatives throughout the Group. Carien Botha (enterprise resource planning), Andrew Skudder (Letsema), Tyron Botha (Stop.Think) and Greg Ker-Fox (opportunity management system) in particular have brought new dimensions of leadership into our group.

Brian Bruce
Group chief executive

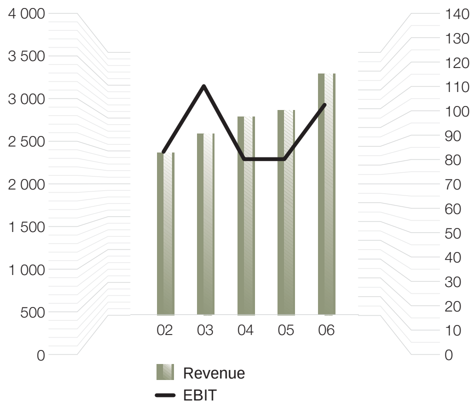
Operational review
Construction & engineering

Sean Flanagan, Peter Adams, Keith Smith, Edwin Hewitt, Malose Chaba

The anticipated upswing in infrastructure investment gained momentum during the year and Murray & Roberts has secured a leading implementation role in a number of major projects.

	Revenue		EBIT before exceptional items	
(R millions)	**2006**	2005	**2006**	2005
CONSTRUCTION & ENGINEERING	**6 966**	6 230	**324**	239
Construction	**3 674**	3 121	**112**	83
Mining	**2 681**	2 506	**164**	130
Engineering	**611**	603	**48**	26

Cobus Bester, Gordon Taylor, Jerome Govender



Target margin: 5,0%

Building & construction

In a year in which the Group has performed ahead of expectation, the SADC construction business has been a disappointment. This is the result of a combination of factors. There has been a delay in the market for major industrial projects; we have continued our involvement in low value residential building; there has been a delay in the implementation of Gautrain for which we allocated substantial resources during the year; and there are the problems encountered on some projects in the region.

These latter issues have been addressed during the second half year and where possible, recoveries have occurred. Further recoveries will be secured in the year ahead.

We have introduced a number of critical measures to ensure the capacity to deliver major new projects awarded in recent months and to develop the business into a sustainable leader in the engineering and construction sector.

Our construction activities in the Middle East achieved a substantial turnaround as a strengthened management team delivered a solid performance in a complex major projects environment.

We acquired Concor with effect from 14 June 2006 and have embarked on a strategy to position the business as a major player in the South African infrastructure sector. Concor will be managed as an independent business and will retain its own identity as the market segment it serves is different from that of Murray & Roberts Construction. A number of specific plans have already been implemented. These include:

- relocation of the roads and earthworks business from Murray & Roberts Construction to Concor which has a reputable roads management team
- closure of Concor's marginal underground mining business and the relocation of its resource base to Murray & Roberts Cementation
- relocation of Toll Road Concessionaires (Tolcon) to Concor
- relocation of concession investments held by Concor to the Murray & Roberts concession investment portfolio

With its primary focus on public sector infrastructure, Concor complements the existing business of Murray & Roberts and offers considerable new capacity at a time of significant growth potential in infrastructure investment.

Performance

Construction and related operations in South Africa and SADC reported a decline in revenue to R2,1 billion (2005: R2,2 billion) and in operating profit to R35 million (2005: R124 million). This result includes a positive R68 million contribution arising from a fair value adjustment on concession investments (2005: R46 million) and a loss of approximately R100 million from problems experienced on the Sasakwa game lodge project in Tanzania, the Serowe hospital in Botswana, the Isibonelo bunker for Anglo Coal in Mpumalanga and the Soho-on-Strand inner city development project in Cape Town. The primary causes of these problems are poor contracting

Nigel Harvey, Piet Martins

terms; inadequate management attention; inadequate and changing construction details, quantities and variations; an inability to manage the complexity of changes; and client intransigence. We have mobilised a team to resolve these problems and we believe that much of the loss incurred is recoverable by our contractual arrangements and liability insurance.

Construction activities in the Middle East delivered a turnaround from an operating loss of R39 million in 2005 to an operating profit of R87 million on revenues of R1,6 billion (2005: R852 million), reflecting budgeted performances on projects and an improved final account on the Khalifa Stadium, which was settled during the year. The San Stefano project in Egypt is approaching completion, although we expect some challenge in reaching agreement on our final account.

Market

The anticipated upswing in infrastructure investment gained momentum during the year and Murray & Roberts has secured a leading implementation role in a number of major infrastructure projects. In partnership with Bouygues and SPG (representing a consortium of black empowerment enterprises), Murray & Roberts will design and build project infrastructure for the Gautrain Rapid Rail Link. We expect to achieve financial close this year and in the meantime have commenced implementation of various enabling works contracts.

A consortium with Murray & Roberts as lead partner, was awarded the R1,5 billion Vaal River Eastern Sub System Augmentation Project (VRESAP), an emergency water transfer scheme from the Vaal Dam to Eskom and Sasol operations near Secunda.

The commercial and retail building market has been buoyant during the year and this trend is expected to continue into the new financial year. Our buildings operation based in Gauteng completed the R220 million Vaal Mall shopping centre and construction is underway on the R700 million Bedford Square project in Bedfordview, the R350 million Loch Logan resort in Bloemfontein and the R150 million Hillcrest shopping centre.

A new management team in the Western Cape stabilised our operations there, but the hangover of historic residential projects continued to limit our performance. During the year, we completed the R175 million Mountain Mill shopping centre and the R94 million ACSA multi-storey Parkade at Cape Town International Airport. Construction is underway on the R175 million Mandela Rhodes Place inner city residential, retail and commercial development, a R110 million parkade at the V&A Waterfront and three projects valued at R200 million for the Oasis residential and healthcare development.

Civil engineering operations suffered reversals at the Isibonelo contract and the Bospoort Water Treatment plant. Work on the Kumba Resources R3,6 billion expansion project is progressing and a letter of intent has been received from Assmang for work valued at R300 million.

Murray & Roberts Namibia produced a solid performance during the year and all indications are that this trend will continue. For Murray & Roberts Botswana, problems encountered on the Serowe Hospital project were a setback but we expect a positive outcome on this project.

We are well positioned in a buoyant Middle East construction market where major clients are struggling to secure adequate project delivery capacity. This trend is facilitating a negotiated partnership with our clients, enabling us to become involved earlier in the project planning stage. The Dubai International Airport Concourse 3, Terminal 2 and Car Park project is progressing to plan and an extension to the contract has been secured. Murray & Roberts is project leader with a 40% share in a joint venture with local partner Habtoor Engineering and Takenaka of Japan. During the year, we completed the R1,4 billion Bur Jurman mixed use complex in Dubai and the R800 million Abu Dhabi National Oil Company Head Office, while construction is underway on the R500 million Goldcrest Views apartment block in Dubai. In Bahrain, we are involved in the construction of the R1,0 billion Bahrain World Trade Centre and the R500 million Durrat al Bahrain bridges, both in partnership with local partner Nass.

Our concession investments performed well in the year. These include N3 Toll Road Concessionaires, owner and operator of the N3 between Heidelburg and Cedara, and Bakwena Platinum Concession Company, operator of the N4 Platinum highway. Traffic flows on the new N4 stabilised during the year. We also hold an investment in a maintenance contract for the Northern Toll Road Joint Venture. Murray & Roberts and Concor were separately shortlisted for the multi-purpose head office complex for the Department of Foreign Affairs which will be let under a PPP concession contract. Concor has subsequently been appointed preferred bidder.

Leadership

We strengthened our contracting leadership capacity considerably during the year. Keith Smith was appointed executive chairman of both Murray & Roberts Construction and Concor with effect from 1 July 2006 to ensure future value in this sector and that each business remains focused on its target markets with an integration of resources where necessary. Keith also has executive responsibility for our Namibia and Botswana businesses and is a director of Murray & Roberts Zimbabwe.

We have placed a special focus on the major projects associated with the 2010 Soccer World Cup with Sean Flanagan allocated executive responsibility for their implementation. This includes the Gautrain Rapid Rail Link project.

We appointed a new management team to lead Murray & Roberts Construction with effect from 1 April 2006. Gordon Taylor is managing director supported by Charles Henwood (financial director), David Monro (operations director, Civils), Dave Ashkar (operations director, Building North) and Andrew Fanton (operations director, Western Cape).

During the year, Piet Martins was appointed to lead our SADC operations. Cobus Bester entered the Group as managing director of Concor.

These changes have been informed to a large extent by the success of our arrangement in the Middle East and Canada, where Peter Adams, managing director of Murray & Roberts United Kingdom based at our international coordinating office in London, partners with Nigel Harvey in Dubai and Roy Slack in Canada, sharing responsibility for operational performance. During the year, we strengthened our financial, commercial and major project capacity in the Middle East.

Murray & Roberts Construction achieved a 31% improvement in its rolling 12 month lost time injury frequency rate (LTIFR) from 5,75 in 2005 to 3,94. The Stop.Think campaign to improve safety awareness and our striving for zero harm in the work place was launched in all South African operations. The business conducted two external certification audits and retained its ISO9001/14001 and OHSAS18001 certification.

In Middle East, the Bahrain ferry tragedy in March claimed the lives of ten members of our joint venture City Gardens project management team. We experienced no fatalities on site in the region and the LTIFR was reduced from 1,8 early in 2005 to 0,74 in June 2006. By year end, the Dubai International Airport project had achieved 12 million man-hours without a lost time injury (15 million through to September) – a record for contractors working on the airport expansion project.

Prospects

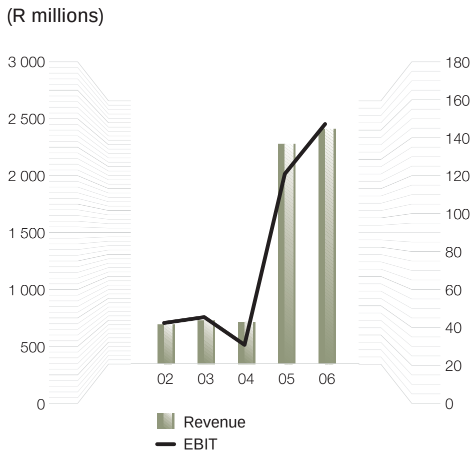
Murray & Roberts Construction started the new financial year with an order book of R1,6 billion (2005: R1,15 billion), from which 84% of the new year's planned revenue is secured. The improved size and quality of the order book reflects the growth trend in the domestic building and civil markets. Our new management team has implemented a strategy to ensure the delivery of tendered margins throughout the year.

Concor started the new financial year with an order book of R1,5 billion (2005: R1,04 billion), from which 85% of the new year's planned revenue is secured. The business offers good prospects in its building, civil engineering, opencast mining and roads markets with high quality margin contracts.

The National Treasury's Private Public Partnership (PPP) unit has approximately 17 construction related projects in the feasibility stage of its procurement cycle. This, together with the anticipated growth in infrastructure spending, will create significant future opportunities.

The Middle East started the new financial year with an order book of R2,3 billion, from which 80% of the new year's planned revenue is secured. The new environment of negotiated partnership with major clients bodes well for the future and negotiations and tenders are currently underway for a number of major opportunities, including two projects in Bahrain and Canal Point, a mixed use development in Dubai. A new partnership to create a joint construction company with a major local developer is well advanced. This will considerably increase our market share in the region.

Roy Slack, Barry Upton, Henry Laas



Target margin: 7,5%

Mining construction

Integration of the South African and Canadian activities of Cementation into our operations portfolio was finalised during the year and our mine construction and development operations in SADC, Canada and Australia are well positioned to benefit from growth opportunities in domestic and global mining markets. The demand for metals and minerals continued to exceed installed delivery capacity and resource prices have risen to record highs.

Performance

Reporting for its first full year as a single entity, South African based Murray & Roberts Cementation reported revenues of R1,88 billion (2005: R1,84 billion) and an operating profit of R100,3 million (2005: R92,6 million), at a margin of 5,3% (2005: 5,0%). These results reflect the efforts of an integrated management team to generate more value from projects and a reduction in the number of marginal projects, compared with the previous year. Problems encountered on the Lonmin Roland and Karee 3 decline projects will be settled by end September and end October respectively, and are fully provided.

Cementation Canada exceeded key financial targets in an active market, delivering revenues of R657,3 million (2005: R547,1 million) and an operating profit of R43,9 million (2005: R24,7 million), at an operating profit margin of 6,7%.

RUC Mining Contractors in Australia reaped the benefits of ongoing buoyancy in the highly mechanised Australian underground mining market, reporting revenues of R146,5 million (2005: R115,2 million) and operating profits of R20,1 million (2005: R11,7 million).

Market

South Africa remains our primary mining contracting market. We experienced increased activity in the base metals, precious metals and minerals markets. Platinum continued to offer most opportunity during the year as the world's two largest South African-based producers invested in expansion and replacement projects to meet global demand. Gold mining opportunities also started to come on stream, largely as a result of the stronger gold price and an element of acclimatisation to a stronger SA Rand environment. In Africa, Murray & Roberts Cementation targets established mining markets with multiple project opportunities, including Ghana, Tanzania, Zambia and Botswana, where demand for diamonds is generating renewed activity.

Mine development, which contributes 45% of revenues in South Africa, continued on the Impala Platinum No 20 shaft, Lonmin's Karee 4 twin shafts and the Anglo Platinum Turffontein decline shaft project in the Rustenburg area. A new R600 million contract was secured on the Paardekraal double shaft project for Anglo Platinum and a development contract was secured for the Barplats platinum mine near Brits.

The Kroondal platinum mine continues to be the mainstay of activity in contract mining, accounting for almost 40% of South African revenues. The development of a fourth shaft at Kroondal is currently under adjudication. Murray & Roberts Cementation is the preferred contractor to build and contract for the new Blueridge platinum mine near Groblersdal.

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

The North American market was active with a steady flow of work from existing clients and projects. Cementation Canada maintained its position as the leading shaft sinking contractor and established itself as the market leader in large diameter raise boring during the year. The company operated the two largest raise bore machines in Canada and was responsible for the largest diameter raise borehole ever excavated in hard rock, at the Red Lake Mine. In a significant development, INCO selected Cementation as contractor of choice for its Sudbury based shaft sinking which could involve five major shaft sinking projects over the next five years. Cementation also established its position in the USA market with the award of the substantial Resolution shaft sinking project in Arizona.

Good safety records and high levels of productivity were maintained on the Nickel Rim South project, the Red Lake shaft and the Diavik diamond mine in the Arctic, while the Kidd project completed the No 4 shaft to a final depth of 3 013 metres below surface, making it the deepest underground excavation outside South Africa. Raise boring operations initiated during the year included joint venture work at the Ekati diamond mine.

Cementation Canada continues to build a strong engineering design group which provides services from feasibility stage through to detailed design and construction on major projects.

The Australian underground market benefited from strong global demand for metals and minerals during the year. RUC Mining Contractors is the premier raise drilling company in Western Australia, accounting for approximately 35% of the current niche A$100 million market. The operation currently has 10 raise boring rigs operating in Australia and is involved in major deep hole, large diameter raise boring projects on the Telfer mine in Western Australia and Eloise mine in Queensland. A project for Ridgeway mine in New South Wales, the deepest large diameter raise bored shaft in the country, was completed during the year.

Leadership

On 1 August 2006, Barry Upton was appointed managing director of RUC Mining Contractors. An Australian with a strong track record in underground mining, Barry will lead plans to expand our underground mining operations in Australia and Southeast Asia. John Cooper, newly appointed Murray & Roberts CE in Australia will soon become involved in the business.

Sean Flanagan holds group responsibility for domestic and regional mining with Henry Laas as managing director of Murray & Roberts Cementation. This company strengthened its leadership capacity in business and human capital development and became the first mining contractor to conclude an industry recognition agreement during the year.

Murray & Roberts Cementation reported a LTIFR of 7,52 compared to 5,16 in 2005. Unfortunately, the business suffered three fatalities during the year but recorded a significant decline in the total number of accidents during the second half of the year. On 12 August 2006, the company achieved two million fatality-free shifts – a record in South African mining contracting. The business is targeting a LTIFR of 2,5 this year and is developing a safety culture based on policies, procedures, training and a behaviour change programme which dovetails with the Stop.Think campaign.

Cementation Canada, led by Roy Slack, implemented a number of safety initiatives during the year, including a comprehensive review of safety systems which resulted in a renewed focus on positive recognition and incident reporting and review.

RUC Mining Contractors in Australia holds the proud record of not having experienced a lost time injury since January 2004.

Prospects

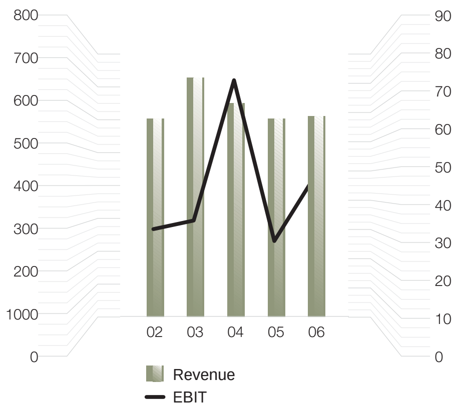
Murray & Roberts Cementation started the new financial year with an order book of R2,6 billion (2005: R2,6 billion), from which 70% of the new year's planned revenue is secured.

There are significant opportunities in our targeted markets in the SADC region. Major projects which we have tendered but not yet secured include the Styldrift shaft complex for Anglo Platinum, the Kloof and Driefontein expansion projects for Goldfields and the Dukwe copper mine in Botswana.

Cementation Canada has secured an ongoing flow of repeat work, in line with its strategy to develop long term relationships with key clients. The business plans to expand its activities in the USA from the base it has established there and will continue to explore opportunities in Mexico and Central America.

In Australia, we entered the new financial year with an order book of R148 million, 70% of which is for implementation in the current financial year. With the underground market forecast to grow by 10% this year, we plan to strengthen our underground mining capacity in the region, using our raise drilling operation as a base to expand into decline shaft sinking and mine development.

Simon Mordecai-Jones, Ian Dryden



Target margin: 10,0%

Engineering contracting & services

New market opportunities driven by increased global demand for natural resources, industrial products and energy contributed to an improvement in the performance of our engineering contracting & services operations during the year.

The mechanical electrical and instrumentation (MEI) and marine engineering & construction activities were established as independent business units under new executive management.

Performance

Buoyed by the long-awaited upturn in its targeted power and mineral markets, Murray & Roberts Engineering Solutions delivered a turnaround from an operating loss of R3,5 million in 2005 to an operating profit of R23,6 million, on revenues of R279,5 million (2005: R179,9 million).

Murray & Roberts MEI achieved an operating profit of R36,5 million (2005: R15 million) and revenues of R316,8 million as the business strengthened the quality of its order book. In contrast, Murray & Roberts Marine reported an operating loss of R12,3 million (2005: R14,4 million profit) on significantly lower revenues of R14,3 million (2005: R90,8 million), reflecting the difficulty faced securing work in a highly specialised and fragmented global market.

Market

An increase in investment in the domestic power sector generated some capacity expansion opportunity during the year. Murray & Roberts Engineering Solutions, with its partner ESBi of Ireland, is one of three companies appointed to partner Eskom in the roll-out of the national power supplier's R93 billion five-year build programme. Two small projects were completed for Eskom during the year, a contract to provide project control services to the Komati Return-to-Service project is under negotiation, and we are pursuing construction, supply, fabrication and other opportunities.

Murray & Roberts is also positioning itself to participate in Independent Power Producer (IPP) opportunities in South Africa and design-build power projects in Botswana, Namibia and Mozambique.

In partnership with SNC Lavalin of Canada, Murray & Roberts was appointed EPCM contractor for the Pebble Bed Modular Reactor Demonstration Power Plant in 2005. The scoping phase will be completed in October 2006 and construction is scheduled to commence later in 2007.

Murray & Roberts has a major involvement in Kumba Resources' R3,6 billion Sishen Expansion Project which is designed to increase Sishen Iron Ore's current production by 36% to 38 million tons per annum. We are the EPCM contractor, in joint venture with Bateman, Concor is the earthworks contractor and Murray & Roberts Construction is undertaking two major civil packages in joint venture.

Murray & Roberts MEI (Zambia) is working on the expansion of the Mufulira plant for Mopani Copper, and together with Murray & Roberts Engineering Solutions and Murray & Roberts Construction, has been appointed alliance partner to De Beers for the proposed Voorspoed mine, which was recently awarded a mining licence.

Murray & Roberts Engineering Solutions is involved in two major greenfield coal projects: CVRD Moatize mine in Mozambique and Xstrata Coal South Africa's Goedgevonden project located near Witbank. The company recently completed the Goedgevonden Colliery feasibility study and is currently providing engineering, procurement and implementation readiness services in anticipation of project approval in the second half of 2006. In addition, the company is providing Xstrata with similar services on two additional coal projects in the Witbank area: the Southstock 5-Seam project (construction phase) and the Tweefontein Central Plant project (pre-feasibility study phase).

Cement producers are investing in major capacity expansion programmes to meet growing demand (forecast at 16 million tonnes per annum by 2010), creating new opportunities for Murray & Roberts to leverage its unique capabilities in the industry. We were awarded a contract to design and build a 1 500 tonnes per day new clinker plant for Natal Portland Cement, using FLSmidth technology. The plant is designed to accommodate capacity expansion to 3 000 tonnes per day.

Murray & Roberts Engineering Solutions and Murray & Roberts MEI are preferred suppliers to South Africa's premier paper & pulp companies. We have undertaken extensive work for Mondi in Richards Bay and Durban and have been awarded an EPCM contract for the R3,4 billion expansion of Sappi Saiccor, the world's largest chemical cellulose plant.

Murray & Roberts Marine (Malaysia) completed the Tanjung Bin power project in Malaysia early in the year and has formed new partnerships with John Holland of Australia (construction management) and Dredging International of Belgium (dredging). The company is pursuing opportunities with other Murray & Roberts companies on projects in selected regional and international markets.

Leadership

On 1 July 2005, Edwin Hewitt assumed executive responsibility for renewal of our engineering contracting capability. He has supported Murray & Roberts MEI managing director Simon Mordecai-Jones through the rebuilding of the business and its leadership team. Ian Dryden was appointed managing director of Murray & Roberts Marine during the year.

Murray & Roberts Engineering Solutions made a number of important appointments to its leadership team during the year, strengthening its engineering, commercial, business development and human resource capacity. The business has achieved significant efficiency improvements by streamlining functions in its corporate office and redeploying human resources to more productive roles. Performance and systems continue to be benchmarked against global best practice to ensure that the business remains competitive. Murray & Roberts Engineering Solutions and Murray & Roberts Marine are our first companies to implement the group enterprise resource planning system from July 2006. As we gear up for a period of unprecedented growth in our target markets, we are focusing strongly on our human capital, risk management and health, safety and environment requirements. Murray & Roberts Engineering Solutions achieved a LTIFR of 0,6 during the year, while Murray & Roberts Marine achieved a LTIFR of zero. Murray & Roberts MEI reported a LTIFR of 1,24.

Prospects

Murray & Roberts Engineering Solutions and Murray & Roberts MEI started the financial year with order books of R462 million and R202 million respectively. Plans are advanced to strengthen our capacity in these sectors through possible acquisition.

The sustainability of future prospects is significantly enhanced by the strategy of partnering clients in long term expansion programmes and engaging major projects on a unitary basis where the Group's collective strength is leveraged.

Operational review
Construction materials & services

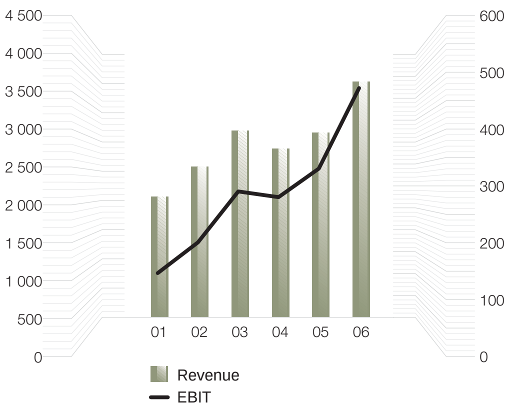
Keith Smith

The construction materials & services business will continue to benefit from general growth in infrastructure investment in the period leading up to 2010, particularly in the transport infrastructure, road refurbishment and power sectors.

	Revenue		EBIT before exceptional items	
(R millions)	2006	2005	2006	2005
CONSTRUCTION MATERIALS & SERVICES	**3 986**	3 172	**537**	345
Steel	**2 447**	2 085	**185**	147
Infrastructure	**980**	743	**218**	130
Building	**324**	174	**63**	11
Services	**235**	170	**71**	38

Jerome Arendse, Lee Cochrane, Schalk Burger, Phillip Hechter, Rob Noonan

(R millions)



Target margin: 15,0%

A comprehensive restructuring has positioned our business operations in the construction materials & services sector to benefit strongly from the rise in infrastructure investment in South Africa. This cluster represents a globally benchmarked and market leading group of business enterprises focused on four primary materials – concrete, steel, asphalt and clay.

We acquired an initial 80% shareholding in leading brickmaker, Oconbrick Manufacturing, for a consideration of R96 million with effect from 1 September 2005. Oconbrick is the third largest supplier in its market and, together with Harvey Roofing, forms the core of our strategy to serve the strong building materials market in South Africa.

During the year, executive responsibility for our steel fabrication and manufacturing operations comprising Hall Longmore, Genrec Engineering and Union Carriage & Wagon (UCW) was consolidated under the leadership of Edwin Hewitt.

We sold equipment company Criterion to Jay & Jayendra Group in an empowerment transaction with effect from 1 October 2005.

Performance

Our steel products & trading operations increased revenues to R1,67 billion (2005: R1,65 billion) at an operating profit of R127 million, up from R86 million in the previous year.

Steel fabrication and manufacturing achieved an increase in revenues to R785 million (2005: R629 million) and a marginal decline in operating profits to R58 million (2005: R60 million).

The infrastructure materials businesses continued to underpin the profitability of this cluster, with operating profits of R217 million (2005: R130 million) and revenues of R979 million (2005: R743 million).

Our building materials businesses delivered revenues of R325 million and operating profits of R63 million.

The services businesses, which comprise Johnson Arabia in the UAE and Tolcon, delivered operating profits of R71 million (2005: R39 million) on lower revenues of R281 million, reflecting the sale of Criterion.

Willem Pienaar, Jim Wood, Jaco van den Berg

Market

Steel products

Murray & Roberts Steel exceeded performance expectations during the year, largely as a result of a market surge in the final quarter.

The supply of steel from the Cisco mill was impacted by power outages in the Western Cape. The situation was resolved during the year and the business has returned to full production. The new ladle furnace installed at Cisco in the previous year is achieving performance targets aligned with best practice benchmarks.

Buoyancy in the domestic market for steel reinforcing kept our yards operating at near capacity and we exceeded our margin expectations. This historically finite market grew by up to 25% in the second half of the year and we expect to see ongoing growth in demand for rebar.

We imported 35 000 tons of rebar for delivery to our mill in the new financial year to alleviate shortages experienced in the local market. While we do not expect this trend to continue, we will import more steel from quality mills in Brazil and China if there is value in the supply chain.

On the international front, we expect to conclude a partnership in Mauritius during the first half of the new financial year to gain access to production capacity on the island and entrench our position in the Indian Ocean Islands where we have traded for the past 15 years.

Plans are well advanced for a substantial increase in capacity in the United Arab Emirates, particularly Dubai, where we will invest in new property and equipment with a local partner. This will triple the volume of rebar and mesh we supply to the market to between 230 000 and 270 000 tons per annum, positioning our business as one of the larger suppliers to the Middle East.

In anticipation of the growth in infrastructure investment, we have modernised our yards and placed orders for state-of-the-art equipment. New equipment will also be installed in the yards of our associates and franchisees over the next five years to increase the automation and precision of our business.

Steel fabrication & manufacturing

Genrec completed the Sasol Polypropylene project during the year and experienced difficulty securing additional work in various industrial projects in an over-traded domestic structural steel market. A margin and cost-drive focus was reflected in a marginal increase in Genrec's operating profit.

Jaco van den Berg was appointed general manager on 1 May 2006 and is building the operational, technical and project capacity of the business.

Hall Longmore maintained its leading position in a buoyant domestic steel pipe market and was awarded major contracts to supply steel piping for the Temane gas pipeline extension and the Vaal River Eastern Sub System project (VRESAP), the latter as part of the Vulindlela joint venture.

Hall Longmore strengthened its operational and business development capacity during the year and efforts are underway to unlock significant additional value from improved operational efficiency and unitary steel procurement arrangements with other group companies.

Infrastructure materials & services

Rocla maintained its trend of solid earnings growth in a mature concrete piping and culvert market for the fifth consecutive year, largely as a result of ongoing operational improvements. While domestic and cross border operations in Botswana and Namibia performed to expectation, the Mozambique operation experienced difficult trading conditions throughout the financial year.

The Mwanza road contract in Tanzania was completed during the year and work on major sewer projects in the Western Cape continued. Future prospects are substantially improved by Gautrain which presents opportunities for the business to broaden its product base in the Gauteng region.

The increase in infrastructure spending on roads and rehabilitation contributed to another good performance by Much Asphalt. Much also reaped the benefits of globally benchmarked technology improvements in its plants as clients demonstrated increased confidence in the capacity of the business to deliver sustainable quality to major projects.

Much maintained its strong position in a mature road construction and maintenance market, completing rehabilitation work on the EB Cloete highway in Durban and progressing with work on the N1 in Cape Town and the N3 at Marianhill in KwaZulu Natal. Upgrade and expansion work at Johannesburg International Airport increased substantially during the year.

The company will continue to benefit from increased investment in road and infrastructure projects and will maintain its strong focus on world class performance in an active domestic market that is experiencing the entry of smaller competitors.

Building materials

In spite of inclement weather conditions early in 2006 which impacted the curing of bricks and mining of clay, Oconbrick delivered good results during the year.

A new production line is being installed at Oconbrick's plant in Gauteng to expand capacity to 400 million bricks per annum. The business entered the new financial year with a sound order book.

Harvey Roofing achieved a significant improvement in operating profits after repositioning its business during the year. Productivity improvements and a lowering of the cost base strengthened its focus on profitability. Harvey Roofing has limited the number of its export markets and is concentrating on niche markets that deliver value.

In anticipation of future growth in the affordable housing market, Harvey Roofing expects production in its South African factory to grow to full capacity within 18 months. Plans are underway to establish a plant in Botswana capable of producing up to two million units per annum for the SADC region.

Services

Johnson Arabia continues to provide the UAE market with unequalled service delivery and the expansion of its fleet into the access platform market has enhanced its growth profile in line with development in the region.

Toll Road Concessionaires (Tolcon) delivered another solid performance in its toll road operations in an environment of strong economic growth. Tolcon currently operates the entire N3 route, the N2 North Coast toll road, the N2 South Coast toll road and has a 33% shareholding in Pt Operational Services which operates the N1/N4 Bakwena Platinum highway. During the year, traffic volumes exceeded forecasts.

With effect from 1 July 2006, Tolcon was relocated to Concor, where Tolcon MD Jerome Arendse and his team are involved in the management of Concor's facilities.

The anticipated N1/N2 Winelands toll road, for which Concor is a scheme developer, and the R300 Penway toll roads in the Western Cape continue to be delayed.

Tolcon is a fixed income business and its profitability is determined largely by operational efficiency. During the year, Tolcon maintained its global best practice benchmark and focused on the improvement of customer services.

Tolcon has registered a new company, Tolrail, which will be involved in the operations and maintenance of Gautrain, generating significant future growth.

Prospects

The construction materials & services business will continue to benefit from general growth in infrastructure investment in the period leading up to 2010, particularly in the transport infrastructure, road refurbishment and power sectors. Gautrain will have a significant impact on the future prospects of Murray & Roberts Steel, Rocla and Tolrail.

A number of our businesses plan to implement capacity expansion programmes to accommodate new growth prospects. Our steel business is expected to generate significant additional growth from its expansion plans in the Middle East and Indian Ocean Islands. Harvey Roofing anticipates future growth in the SADC region and both Harvey Roofing and Oconbrick are responding to growing opportunities in the domestic housing sector.

Genrec offers significant upside potential as growth prospects in its targeted mining and power markets improve. The business accounted for 3% of the domestic structural steel market during the year but has the capacity to supply 7,5% of the market. Hall Longmore has a strong order book focused on major projects, domestic market demand and exports. Future prospects include major domestic pipeline projects and export opportunities as new capacity is sought with reputable international mills fully booked for 2006.

Operational review
Industrial manufacturing

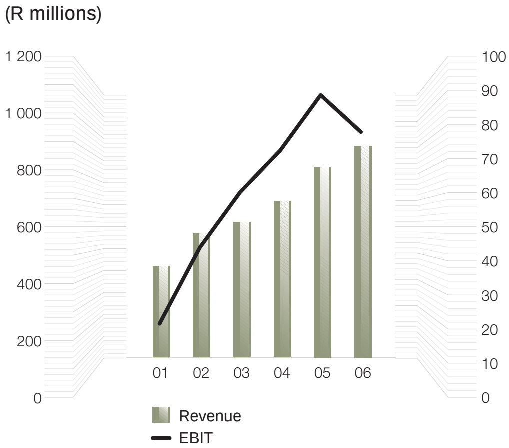
Edwin Hewitt

Foundries has a stable long term order book and UCW is well positioned to benefit significantly from Gautrain and government's locomotive and rolling stock refurbishment programme.

	Revenue		EBIT before exceptional items	
(R millions)	2006	2005	2006	2005
INDUSTRIAL MANUFACTURING	**968**	869	**86**	101
Automotive	**822**	660	**82**	70
Transport	**146**	209	**4**	31

Industrial manufacturing

Palello Lebaka



Target margin: 12,5%

In line with our strategy to dispose of non-core businesses, we sold equipment company Criterion to Jay & Jayendra Group in an empowerment transaction with effect from 1 October 2005.

We have employed the services of an investment bank to advise us on the disposal of Murray & Roberts Foundries.

Performance

Foundries reported growth in revenues to R822 million (2005: R660 million) and operating profits to R81,8 million (2005: R69,4 million), reflecting a strong order book and ongoing efficiency improvements.

Union Carriage & Wagon (UCW) reported a substantial decline in revenues to R146 million (2005: R209 million) resulting in a reduced operating profit of R4,2 million (2005: R31,1 million), due to ongoing delays in the award of new capital expenditure projects in the Government's locomotive and rolling stock refurbishment programme.

Market

In spite of a softening in production volumes consistent with the trend in European vehicle sales, Foundries performed well during the year. The business maintained its position as a leading supplier of sophisticated engine systems to the South African automotive market and plays a key role in two of the largest engine export programmes from South Africa.

Foundries conducts all tooling and manufacturing development for Ford's 1,6 litre RoCam cylinder head and commenced production of RoCam engines for export to South America during the year. The business also commenced production for the Volkswagen LT3 project comprising engine blocks, cylinder heads and intake manifolds.

Foundries achieved development supplier status with Audi as a result of its strong engineering capability and secured an order to export 200 000 Audi engine blocks to Europe.

Foundries also achieved Q1 status, the elite quality, cost and delivery ranking that Ford applies to its international suppliers, and is rated VDA6A by Volkswagen's globally recognised quality system.

The UCW Partnership (UCWP) was awarded the five year CoalLink locomotive project in partnership with Mitsui as the main contractor and Toshiba as systems supplier. The project, which is part of the Spoornet Main Line Locomotive Investment Programme, had progressed to concept review stage at year end. UCWP is also well positioned for the Ore Line locomotive project which was under negotiation at year end. The business strengthened its major project management capacity during the year.

Delays in the South African Rail Commuter Corporation's (SARCC) coach refurbishment project were exacerbated during the year by the integration of SARCC and Metrorail. This was only partially offset by other orders for locomotive upgrades and refurbishment work from clients in Namibia and Mozambique.

Prospects

Foundries has a stable long term order book, the bulk of which is repeat business with existing clients. Having secured CoalLink, UCWP is also preferred bidder for Ore Line and is well positioned to benefit significantly from Gautrain and government's long overdue locomotive and rolling stock refurbishment programme.

Operational review
Corporate

Millard Arnold, Norbert Jorek, Cheryl van Bosch, Craig Lawrence, Ian Appleton, Sandi Linford, Terry Rensen, Roger Mower*
*International

Corporate intervention has played a major role in the transformation of Murray & Roberts. Our corporate office provides leadership, strategic direction, support and performance targeting to group companies in terms of our philosophy of a Unitary Murray & Roberts.

	Revenue		EBIT before exceptional items	
(R millions)	**2006**	2005	**2006**	2005
CORPORATE	**–**	1	**(147)**	(122)

Peter Young, Tyron Botha, Greg Ker-Fox, Frank Kruger, Bal Panicker*, Richard Pope*, Andrew Skudder

*International

Corporate overheads for the year increased 20% to R147 million, and include new costs associated with share based expenses required under IFRS, the Stop.Think initiative, the Letsema BBBEE transaction, the international advisory board and further development of the risk management opportunity management system.

Leadership

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

We have strengthened our corporate leadership capacity at a time of immense opportunity. Group executive director Sean Flanagan has assumed corporate responsibility for the delivery of designated major construction projects, particularly those associated with the 2010 Soccer World Cup. This includes the infrastructure delivery and systems integration of the Gautrain project. Sean maintains his responsibility for corporate oversight of regional mining contracting. Group executive director Keith Smith has been appointed chairman of all SADC building and construction companies. He will relinquish his current responsibility for construction materials during the new financial year. Edwin Hewitt, a director of Murray & Roberts Limited, assumes full executive responsibility for engineering companies, Murray & Roberts MEI, Murray & Roberts Marine, Hall Longmore, Genrec and The UCW Partnership. Edwin remains MD of Foundries Group pending its disposal.

Our international corporate capability was enhanced in the new financial year with the appointment of John Cooper to lead our growing involvement in Australia. John was appointed a director and deputy chairman of Clough with effect from 24 August 2006 and will work with the Clough board and management to ensure a return to performance in the year.

Risk management

Terry Rensen is corporate services executive responsible for all aspects of risk management and mitigation in the Group. He is supported by Greg Ker-Fox who is responsible for implementation and management of the group risk framework. The framework is designed to manage rather than eliminate the risk inherent in our business activities.

An operational risk management 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.

Details of our risk framework and policies are published in the sustainability report on page 57.

Governance

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

A full corporate governance report is published in the sustainability report on pages 53 to 55.

Finance

We have a strong corporate finance team which ensures reporting compliance and delivers taxation, treasury, reporting and technical accounting leadership to the Group.

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.

Commercial

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

Communication

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

This annual report is an important reporting medium that satisfies the Listings Requirements of the JSE and reports our progress in complying with the recommendations of King II.

We offer a range of other communication platforms, including:

- the Murray & Roberts website www.murrob.com
- an interactive CE forum on the web site
- financial results presentations and trading updates
- a quarterly house journal Robust
- the Murray & Roberts interchange
- various interventions for employees

Corporate Social Involvement

The Murray & Roberts corporate social involvement (CSI) programme demonstrates our 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.

Our key focus areas and investments are outlined in the sustainability report on page 51.

Health, safety & the environment

Integrated within the risk management framework, 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 HSE management in all aspects of its business activities.

This is the responsibility of Tyron Botha as champion of our risk-based approach to HSE. Tyron is also responsible for driving and co-ordinating the implementation of the Stop.Think campaign.

Details of our HSE framework and policies are published in the sustainability report on pages 61 to 63.

Human capital development

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

Group human capital executive Craig Lawrence manages the human capital strategic framework that defines global best practice and focuses on issues that have the greatest impact on our ability to achieve our strategic objectives. A human capital forum meets regularly to provide HR executives from across the Group with an opportunity to share information, develop as professionals and discuss HR issues.

Andrew Skudder was appointed as a dedicated resource in the office of the group chief executive to focus on empowerment and leadership development.

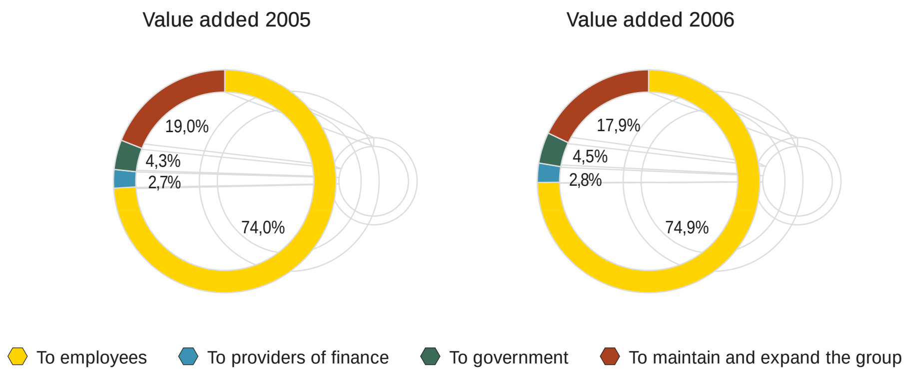
Details of our HR framework and practices are outlined in the sustainability report on page 60.

Sustainability report

The Stop.Think campaign has been implemented in all South African operations to improve safety awareness and strive for zero harm.

Contents

Murray & Roberts has made a non-negotiable commitment to sustainable earnings growth and value creation.



This commitment drives strategy and decision making in the Group, recognising its responsibility to current stakeholders and future generations.

Murray & Roberts has adopted the Global Reporting Initiative (GRI) reporting guidelines to measure performance against economic, environmental and social parameters.

Statement of value created

Value added is the measure of wealth the Group creates through its operations by adding value to the cost of raw materials, products and services purchased. The diagram above summarises the total wealth created and how it was shared by our stakeholders who contributed to its creation. Also shown is the amount retained and reinvested in the Group for the replacement of assets and further development of operations. The detailed statement of value created is published on page 80 of the financial statements.

Shareholders

Shareholders benefited from a share price appreciation of 81,4% over the year to 30 June 2006 and a 33% increase in dividend. This contributed to a market capitalisation increase of almost 900% over the past six years Rebuilding Murray & Roberts.

General communication with shareholders is facilitated through:

- the Group's annual and interim reports
- Murray & Roberts website (www.murrob.com)
- the annual general meeting
- media releases
- the JSE news service (SENS)
- operational news

Financial results presentations are held in March and September. Additional information is provided to the investment community through:

- one-on-one meetings with the group chief executive and group financial director
- roadshow and investor conferences
- subject-specific presentations

Feedback from the market is obtained through:

- broker reports
- one-on-one contact
- the CE forum on the public website

Customers

The Group's customer base ranges from corporate institutions, governments, parastatals, mining houses and large business, to other contractors and private individuals. Our stated objective is to gain preferred status by delivering world class projects, products and services that meet customer requirements. Specific initiatives to enhance our customer/client relationships include:

- identification of customer/client needs
- staff training programmes
- strategic alliances
- market engagement
- innovation and education
- focus on measurables – quality, cost and delivery

Mechanisms are in place to monitor customer/client satisfaction. These include questionnaires and bi-annual customer surveys, with key account and project managers maintaining regular contact with customers/clients. Certain operations have call centres which field enquiries and undertake to resolve complaints within a certain period of time. A group ClientService centre assists in bridging the knowledge gap between the Group and its people, potential clients, existing clients and the general public.

Contract terms and conditions typically provide the mechanism for managing contractual disputes. These may be adjudication by a third party, arbitration or litigation. Disputes are managed at the appropriate level under the guidance of responsible executives and where necessary, are escalated to director level.

Suppliers

There are policies and procedures in our operations for the selection of suppliers. The following performance deliverables are important:

- pricing
- quality
- reliability

The creditworthiness, safety and environmental records of joint venture partners and subcontractors are considered.

The performance of our suppliers is monitored on a regular basis and supplier audits are conducted from time to time.

In the past 18 months, a number of our group operations have implemented affirmative procurement policies to support black empowered enterprises in South Africa.

Human capital

Human capital development is a cornerstone of Murray & Roberts sustainability. Our world class delivery of projects, products and services is a reflection of the capability of our diverse but experienced and competent work force.

We have a human capital strategic framework that benchmarks the global practices of high performing employers of choice. The strategic framework focuses on issues that enable our human capital to achieve the strategic objectives of our Group. Due to the diverse nature of Murray & Roberts, individual business entities are encouraged to tailor their human resource plans to their specific needs, but they are required to align their plans within the strategic framework.

We endorse employee rights as contained within the South African Constitution, including the right to freedom of association. Our policies and procedures are aligned with the Constitution and the laws of South Africa and other countries in which we operate.

Human resource policies and procedures, including procedures for the management of grievances, disputes and disciplinary measures, are in place in all group operations.

Diversity and employment equity

Murray & Roberts embraces diversity and is committed to transformation. Our employment equity approach provides for equal opportunity and fair treatment in employment. While the strategic framework enables compliance with South African employment equity legislation, we emphasise diversity to maximise our talent pool, strengthen the Group's capacity and increase innovation by introducing different ways of thinking.

Murray & Roberts has in recent years attracted a number of historically disadvantaged executives who see in the company a long term career rather than a short term opportunity, but the skills shortage has created challenges in the identification, attraction and retention of experienced black executives, engineers and other built environment professionals. Our main Board composition reflects the transformation of South African society. Four of our directors are from historically disadvantaged backgrounds, two of whom are women. Nine percent of our

Consolidated summary of the Murray & Roberts employment equity profile

Occupational levels	Male				Female				Total*
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	4	2	4	53	0	0	0	3	66
Senior management	7	5	9	147	3	1	1	13	186
Middle management	44	33	28	443	14	2	6	38	608
Junior management	628	167	75	1 325	47	19	14	133	2 408
Semi-skilled	10 072	131	69	365	453	43	53	194	11 380
Unskilled	1493	11	2	9	405	5	0	0	1 925
Total permanent	12 248	349	187	2 342	922	70	74	381	16 573

* Includes only permanent contracted employees

South African based employees are female and 84% are black. Approximately 34% of all levels designated as management in the domestic market are black and 9% female.

Each of our South African business operations is required to compile employment equity plans and reports for the Department of Labour. Employment equity forums, representing employees, contribute to the pursuit of employment equity targets and objectives.

An analysis of the employment equity profile indicates that more work is required if we are to make appropriate progress towards our group targets. The Black Executives Share Trust should assist with the attraction and retention of black executives and managers, although it is understood that effective attraction and retention requires an holistic approach.

Capacity development

A global benchmark study conducted by the Group in 2002 revealed that human capital is an important characteristic of best-in-class engineering and construction companies. Building world class leadership, as well as individual and organisational capacity, is crucial to Globalising Murray & Roberts. We comply with prevailing skills development legislation and provide a range of training, learning and career development opportunities for our people. In 2006, we increased our spending on formal employee training and development to approximately R27 million.

Murray & Roberts actively attracts and develops young talent to fulfil its human capital and transformation needs. The Group has established an integrated "graduate pipeline" to supplement the learnerships and traineeships offered by its operations. This pipeline is made up of a tertiary education bursary scheme, a graduate development programme and a campus engagement initiative. A graduate development steering committee has been convened to oversee the graduate pipeline.

Our bursary scheme provides financial assistance to full-time students, enabling them to qualify for a degree or national diploma at a recognised South African University or University of Technology, and to contribute to the Group's medium and long term needs for qualified staff. The scheme is aimed primarily at engineering and built environment fields of study. The number of bursaries awarded annually depends on the Group's needs. A special top up of 65 bursaries has recently been offered by our South African operations to meet growing demand for capacity development. Murray & Roberts currently has a total of 113 bursars, 67% of whom are black students and 26% female.

The graduate development programme (GDP) is part of the strategic framework to address human capacity and transformation issues and aims to provide a steady pipeline of future leaders. A pilot GDP was launched in 2005 with an intake of 12 graduates. The 2006 intake increased to 38 and this number is expected to at least double in 2007. Currently, 76% of the graduates are black and 16% female.

The Group and its operations offer skills development programmes from adult basic education, to learnerships and leadership programmes. The Group had 140 (2005:103) people undertaking learnerships at 30 June 2006, 86% of whom are black.

To build world class capacity, we extend our recruitment to international markets, using appropriate processes and partners to achieve our objectives.

Remuneration philosophy

The Group's remuneration philosophy 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. In a competitive and dynamic business environment, we believe that recognition and reward are crucial to motivating and retaining existing talent and gaining preferred employer status.

Aligning pay and business strategy is a framework that sets the parameters for executive and general staff remuneration relative to financial statement performance, using benchmarks such as total payroll as a percentage of revenue, total fixed costs of employment (TFCE) and total incentive remuneration relative to EBIT. Our framework also outlines the relationship between fixed and incentive remuneration based on market standards and Unitary Murray & Roberts principles.

The approach to TFCE differs in each country of operation because of differing regional practices, but this concept forms the basic foundation of our staff remuneration structure. TFCE is based on total guaranteed remuneration including a cash portion, car benefit if appropriate and company contributions to retirement and risk benefits. Market survey data and relative performance are used in determining levels of guaranteed remuneration. Guaranteed packages are reviewed annually.

The Group's incentive or additional remuneration principle is that leadership executives and general staff are rewarded relative to their contribution to the strategic and operational performance of the Group. Incentive remuneration payments are determined annually. Incentive remuneration for group executive leadership is also referenced to attributable earnings and influenced by key performance areas (KPAs) which provide a mechanism for adjustment relative to an executive's alignment with the strategic objectives of the company and contribution to energising business performance.

Senior and specialist executives are considered for participation in the group share incentive scheme. This scheme is intended to promote an alignment of interests with those of shareholders and provide a longer term capital incentive as part of the remuneration structure.

Occupational health

All South African operations comply with the requirements of the Occupational Health & Safety Act and, where necessary, the Mines Health & Safety Act.

Several manufacturing and project sites have onsite clinics where full time nursing is deployed. Other operations offer staff access to nursing or medical assitance on a part time basis. A number of operations conduct pre-employment and exit medicals and, in some instances, baseline medicals are conducted annually.

While the top five health risks in our diverse operations vary, noise and dust are considered high occupational risk for the majority of our employees.

Health and safety audits are conducted regularly with a number of operations accredited with OSHAS18000.

HIV/Aids

Policies are in place in our operations to instil an environment of non-discrimination, empathy and awareness. Voluntary testing is conducted at certain operations. The families of employees in many operations participate in awareness programmes which include industrial theatre performances organised in co-operation with the local Department of Health.

Corporate social involvement (CSI)

Our business activities have an impact on the communities in which we operate and we are committed to managing this impact responsibly. We focus our CSI programme on development projects aligned with our business strategy, supporting mathematics, science and technology education, numerical education in early childhood development and environmental education.

The Group spent R10 million (2005: R10 million) on CSI projects, including funding for the Maths, Science and Technology in

Engineering project developed by the Maths Centre for Primary School Teachers; the National Business Initiative's Education Quality Improvement Partnership schools programme; and the Endangered Wildlife Trust's Biodiversity Environmental Education Project. We continue to support the Murray & Roberts Chair of Environmental Education at Rhodes University and the Chair of Applied Mechanics 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.

Black economic empowerment

Murray & Roberts, as a corporate citizen and leader in the construction economy, is committed to contributing to a sustainable future for South Africa and endorses the Broad Based Black Economic Empowerment Act and the principles embodied in the draft of Good Practice Codes.

Additional information on our black economic empowerment strategy and practices is available on pages 8 and 9 of the annual report.

Environment

Environmental policies and guidelines are in place at each operation and a number of the operations have ISO14001 accreditation. Where ISO14001 accreditation has not yet been obtained, work is in progress to achieve this. Certain of our manufacturing plants monitor emissions in line with legislative requirements and R25 million has been spent over the past three years on dust filtration, emission control and upgrading of processes.

In our projects and contracting businesses, environmental impact assessments ("EIAs") are the responsibility of the client but, in many instances, we assist the client with this process as well as making use of the client's EIAs to develop our environmental management plan for the project concerned.

Oconbrick Manufacturing, the Group's brick manufacturer, conducts opencast mining operations to source its primary raw material. This business works closely with the Department of Mineral & Energy Affairs to ensure that mining operations are in line with legislative compliance and biodiversity issues are properly managed. For instance, at Oconbrick's mining facility in Meyerton, archaeological artefacts and other important historical finds have been discovered. These have been appropriately cordoned off and the regulatory authorities informed. Oconbrick has an obligation to return its mining site back to its original state once mining operations are completed at the end of the mine's life.

Water and energy is monitored on a quarterly basis and capital expenditure has taken place to reduce energy usage.

At operations where hazardous materials are used, appropriate policies and procedures are in place and we work with local municipalities and appoint outside third parties to ensure safe disposal.

Our Group occupies an estimated 532 hectares of land, the greater portion of which is used for industrial purposes (manufacturing operations), and the balance for office buildings.

Corporate governance
Statement of compliance

The Board of Murray & Roberts (Board) is committed to the principles of the Code of Corporate Practices and Conduct (Code) as set out in the King Report on Corporate Governance for South Africa 2002 (King II). 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 15 directors, 10 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 company 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 Code.

During the past year, the non-executive directors were paid an annual retainer of R30 000 plus an attendance fee of R10 000 per meeting. Five meetings were held during the year which equated to a total annual fee of R80 000. At the annual general meeting convened for Wednesday 25 October 2006 it has been proposed that shareholders approve a revised remuneration structure where non-executive directors are paid a fixed annual fee of R100 000. They will be penalised to the extent of R10 000 per meeting for non-attendance.

It is also proposed that an *ad hoc* fee of R20 000 per meeting be paid for any special board meetings convened.

The revised payment basis is proposed in view of additional workload, increasing responsibility of directors and the increased complexity of the Group in the business environment within which it operates.

The proposal is based on a minimum of five meetings a year and takes into account additional committee workload.

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 held during the year under review is reflected in the tables on page 58 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 the responsibility of 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 committees are:

- executive
- audit
- risk
- remuneration & human resources
- nomination
- health, safety and 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 chairman of each committee is included in this report.

Each committee operates according to terms of reference approved by the Board and reviewed annually. With the exception of the executive committee, all other committees are chaired by independent non-executive directors of the Board.

The independent and 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 59 of this report.

International advisory board

In line with its strategy Globalising Murray & Roberts and given the complexity of the Group's international activities, the Board established an international advisory board (IAB) in 2005 to assist with its oversight responsibilities in respect of the development of the international business of the Group.

The IAB has no statutory or delegated powers to bind the company. It serves as a forum for executive and certain 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 IAB are reviewed annually within a broad mandate to advise the Board on 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

External members of the IAB are Sir Alan Cockshaw, retired executive chairman of AMEC with extensive experience in the engineering and contracting industries, Dr Reuel Khoza, chairman of South Africa's NEPAD business group, former chairman of Eskom and chairman of Nedcor and Mr Campbell Anderson, independent director of Clough.

The IAB met twice during the period under review in Johannesburg and Dubai.

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 in November 2005.

Orientation programme

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 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 ensuring 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 promote the effective efficiency 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 page 57 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 its 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 Services (SENS). All approved dealings are reported in arrears to the regular meetings of the Board.

Audit committee

Martin Shaw, *chairman*

The audit committee assists the Board to fulfil its corporate governance supervision responsibilities relating to accurate financial reporting and adequate financial systems and controls. It does so by evaluating the findings of external audits, the actions taken and the appropriateness and adequacy of the systems of internal financial and operational control.

The committee reviews accounting policies and financial information issued to stakeholders and recommends the appointment of external auditors and their remuneration.

The Board is provided with regular reports on the committee's 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 upon in terms of an agreed policy.

Membership

MJ Shaw served as chairman of the committee and IN Mkhize and AA Routledge as members during the year under review.

All of the committee members are independent non-executive directors and are financially literate. The chairman, group chief executive, group financial director, group corporate services executive and the external auditors, attend meetings by invitation.

The committee met twice during the year under review.

Terms of reference

The committee's activities include:

- monitoring the Group's accounting policies and making recommendations to the Board to ensure compliance with International Financial Reporting Standards
- discussing and agreeing on the scope, nature and priority of the audit
- reviewing the external auditors' reports for the interim review and full year audit
- reviewing the Group's annual financial statements and the Group's results and making recommendations to the Board for publication in the interim and preliminary report and the annual report

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

Audit and administration

Financial management within Murray & Roberts continues to be strengthened with the appointment of a number of senior financial executives.

During the year the Group decided to establish a separate risk committee. A separate report on the risk committee is published on page 57 of the annual report.

The audit firm responsible for the audit of the Group's main Middle East business was changed during the year to Deloitte & Touche. On the 80% acquisition of the Group's clay brick manufacturing business the auditor was also changed to Deloitte & Touche.

International Financial Reporting Standards (IFRS)

The Group has adopted IFRS for the first time for the year ended 30 June 2006, with a date of transition of 1 July 2004. Previously the consolidated results were prepared in accordance with South African Generally Accepted Accounting Practice.

Martin Shaw
Chairman

Risk committee

Royden Vice, *chairman*

During the year under review, the function of audit and risk were separated and a risk committee was established in February 2006. The first meeting was held in May.

The risk committee assists the Board with oversight of the development and implementation of the group risk framework.

Membership

Membership of the committee comprises three independent non-executive directors, IN Mkhize, MJ Shaw and RT Vice, the chairman. The group chief executive, group financial director and group corporate services executive attend meetings by invitation.

Group risk framework

The group risk framework was approved by the Board on 28 February 2005 and deals with:

- decision making in the context of new business development and work procurement opportunities
- management of risk at group, operational and project levels
- the group risk appetite
- the review of group level risk exposure, including performance bonding and disputes and litigation
- corporate and operational risk management capacity, including the Murray & Roberts risk committee, group risk, operational risk co-ordinators and dedicated risk managers
- risk financing, which includes the group insurance programme and alternative risk transfer
- risk based auditing
- forensic investigation

The group risk framework seeks to control the entry of risk into Murray & Roberts and systematically manage threats, while exploiting opportunities to contribute towards performance. The executive committee is responsible for implementing the group risk framework, supported by designated operational staff.

The risk management committee, a committee of the Murray & Roberts Limited Board, was formed during the year to act as custodian of the group risk appetite, review group level risk and interrogate key decisions prior to Murray & Roberts Limited board and Murray & Roberts Holdings Limited approval. The committee met six times during the year under review.

Group insurance

Murray & Roberts has a group insurance programme covering RSA-based asset and liability risks. For risks outside South Africa there is a difference in cover provision within the programme, which is dependent on legislative requirements and availability of cover in the particular territory.

Group risk appetite and opportunity management

Procurement of work is the primary medium through which risk enters the Group. The group risk appetite sets the operational environment for risk. Prospects are filtered against criteria such as value, country, legal system and scope, reflecting their status as green, amber or red and indicating the level of authorisation required.

The opportunity management system, based on the group risk appetite, has been developed in-house to support the evaluation and approval of project opportunities, introducing a process of discipline ahead of the issue of performance bonds and guarantees.

Risk management

Risk assessments are conducted as part of business planning and bid preparation. Risk management entails assigning ownership, developing mitigation plans, resource allocation, implementation, periodic review and formal communication. The software application, KnowRisk, is being implemented to support the risk management process and the management of operational, project and HSE risk knowledge bases.

Engineering & Construction Risk Institute

Murray & Roberts is a founding member of the Engineering & Construction Risk Institute, an association of global engineering and construction companies, formed by the World Economic Forum, which aims to institutionalise sound risk management practice in the Industry.

Royden Vice
Chairman

Nomination committee

Roy Andersen, *chairman*

The nomination committee ensures 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 complexity and 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 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 once during the period under review.

A review of the effectiveness of the Board, the directors and the chairman was completed in November 2005. The outcome of the review was positive.

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 to establish a separate risk committee instead of combining this important function together with the responsibilities of the audit committee.

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 director's meetings for the 2006 financial year

Name of director	Category of director	31 August 2005	28 November 2005	2 March 2006	19 April 2006	28 June 2006
RC Andersen	Independent chairman	✔	✔	✔	✔	✔
BC Bruce	Chief executive	✔	✔	✔	✔	✔
SJ Flanagan	Executive	✔	✔	✔	✔	✔
SE Funde	Independent	✖	✖	✔	✔	✔
N Jorek	Executive	✔	✔	✔	✔	✔
SJ Macozoma	Independent	✔	✔	✔	✔	✔
NM Magau	Independent	✔	✔	✔	✔	✔
JM McMahon	Independent	✔	✔	✔	✔	✔
IN Mkhize	Independent	✖	✔	✔	✔	✔
RW Rees	Executive	✔	✔	✔	✔	✔
AA Routledge	Independent	✔	✔	✔	✔	✖
MJ Shaw	Independent	✔	✔	✔	✔	✔
KE Smith	Executive	✔	✔	✔	✔	✔
JJM van Zyl	Independent	✔	✔	✔	✔	✔
RT Vice	Independent	✔	✔	✔	✔	✔

Record of attendance

Record of attendance at board committee meetings for the 2006 financial year

Audit committee

Name of member	30 August 2005	27 February 2006
MJ Shaw (Chairman)	✔	✔
IN Mkhize	✔	✔
AA Routledge	✔	✔

Risk committee

Name of member	2 May 2006
RT Vice (Chairman)	✔
IN Mkhize	✔
MJ Shaw	✔

Remuneration & human resources committee

Name of member	30 August 2005	28 February 2006	18 April 2006	26 June 2006
JJM van Zyl (Chairman)	✔	✔	✔	✔
NM Magau	✔	✔	✔	✔
SJ Macozoma	✔	✖	✔	✔
AA Routledge	✔	✔	✔	✖

Nomination committee

Name of member	28 February 2006
RC Andersen (Chairman)	✔
SE Funde	✔
JJM van Zyl	✔

Health, safety & environment committee

Name of member	29 August 2005	24 November 2005	27 February 2006	27 June 2006
JM McMahon (Chairman)	✔	✔	✔	✔
BC Bruce	✔	✔	✔	✔
SE Funde	✔	✔	✔	✔
NM Magau	✔	✖	✔	✔

Note: Various executive directors and corporate executives attend committee meetings by invitation.

Remuneration & human resources committee

Boetie van Zyl, *chairman*

The Group's remuneration philosophy 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. The remuneration & human resources committee met four times during the year to monitor the achievement of these objectives.

Membership

The committee comprises the chairman and five other independent non-executive directors. The group chief executive, group financial director and group human capital executive attend meetings in an *ex officio* capacity. JJM van Zyl served as chairman of the committee during the year, RT Vice was appointed a member on 16 November 2005 and RC Andersen, SJ Macozoma, NM Magau and AA Routledge served as members.

Terms of reference

The terms of reference of the committee were reviewed and approved by the Board on 19 April 2006.

The committee assists the Board by regularly submitting reports and recommendations regarding the Murray & Roberts remuneration framework and policies. The committee is responsible for considering and approving proposals regarding the remuneration, benefits, share options and related matters of executive directors of the Group, including the group chief executive, all managing directors of the Group's operating entities and senior corporate executives. The functions, role and mandate of the group chief executive are considered by the committee and his performance is assessed. Succession planning is also considered.

An independent advisor has been appointed to review the Group's remuneration policies and practices.

Director and executive 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 and reviews the Group's remuneration policies and practices.

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 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 2006 is set out in note 46 to the consolidated financial statements.

Directors do not have fixed-term contracts, but 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.

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

Remuneration details of non-executive directors for the year ended 30 June 2006 are set out in note 46 to the consolidated statements and the background to a proposed fee increase is included on pages 53 and 54.

Retirement and other benefit plans

A number of defined contribution retirement funds operate within the Group in South Africa. These are registered as pension or provident funds and are accordingly governed by the Pension Funds Act. Although these funds are privately administered, the majority of funds are incorporated in outsourced umbrella schemes.

The assets of the funds are independently controlled by boards of trustees which include representatives elected by the members. Further details on retirement and other benefit plans are provided in note 45 to the consolidated financial statements.

In terms of the Pension Fund Surplus Appointment regulations, the Registrar of Pension Funds has formally recorded a nil surplus scheme submission for both the Murray & Roberts Retirement Fund and Murray & Roberts Provident Fund.

Boetie van Zyl
Chairman

Health, safety & environment committee

The health, safety & environment (HSE) committee assists the Board to fulfil its corporate governance and supervision responsibilities relating to the integration of sound HSE management in all aspects of our business activity.

Michael McMahon, *chairman*

The committee evaluates global best practice in HSE management, the actions taken and the appropriateness and adequacy of policies and procedures. It reviews statistical information issued to stakeholders and guides the Board relating to HSE policy, strategy, leadership and the management of HSE risks.

The committee consists of three non-executive directors and the group chief executive and is chaired by JM McMahon, an independent director. Other independent members of the committee are SE Funde and NM Magau. The group operations directors and the executives responsible for corporate services, human capital and HSE management, attend meetings by invitation. The committee met formally four times during the year.

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.

Safety

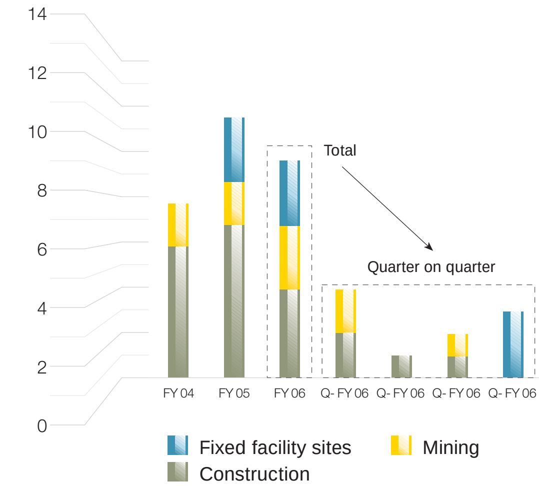
Fatal accidents

The committee regrets to advise that 10 fatal accidents were recorded across the Group during the year ending 30 June 2006, and extends its sympathies to the bereaved. While the total was lower than the twelve deaths in the previous year the overall picture is still cause for concern.

The chart below indicates the fatalities that have occured in the last three years, and while there was an improvement this year, it is clear that much remains to be done to get, in the first instance, to international benchmarks and in the second instance to our declared target of zero fatalities.

The 10 fatalities all occurred on South African sites, five of them Murray & Roberts employees and five subcontractors, labour brokers or suppliers.

Murray & Roberts group historical fatalities
(number of fatalities)



The above consolidated figures include all fatal accidents at Murray & Roberts worksites involving employees, subcontractors, labour broker employees or suppliers

Group reporting of HSE performance has been divided into sectors of the business which are seen as comparable in nature and risk, being:

- Construction (above ground)
- Mining (below ground)
- Fixed facility sites

Performance and trends in both fatal and other accidents by the labour intensive mining operations with their inherently high risk environment are encouraging, while those of our fixed facility sites are more worrisome and are receiving attention.

In addition to the 'at work' fatalities, 58 people lost their lives in the Bahrain dhow tragedy, which is covered in more detail within the chairman and the chief executive reports.

The broader safety picture

During this financial year, the Murray & Roberts consolidated lost time injury frequency rate (LTIFR) was 4,6. This is unchanged from the previous year, but there was an overall improvement in the last two quarters, with a downward trend towards the short term target of 3,0. Only the construction operating environment bettered the short term target for all quarters in the financial year. This environment is nearing the long term objective of 1,0. Additional work is necessary in the mining and fixed facility sites environments to meet target commitments.

The table below illustrates the consolidated LTIFR performance of the Group for this financial year compared with the previous year, as well as the quarterly contributions in respect of the identified operating environments.

Developments

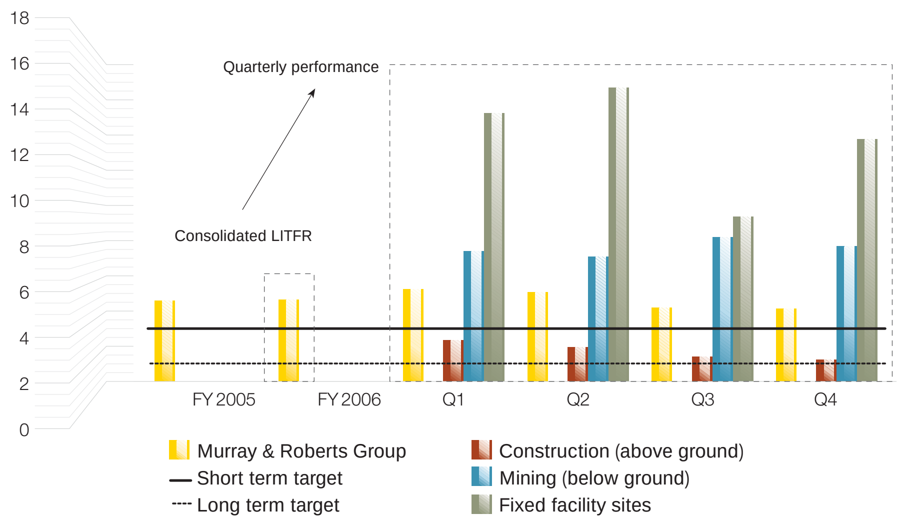
To provide greater assurance regarding HSE issues facing the Group, a fundamental review of current processes has been undertaken. It was recognised that it takes more than a reactionary approach and a concentration on 'lag indicators' to drive performance improvements. While an integrated approach following OHSAS18001 is in development, a group-wide awareness campaign under the banner Stop.Think has been implemented. This intervention promotes achievement of the following HSE targets, set at the beginning of this financial year:

- aspire to zero harm consequences from our activities, on our company, our clients, our people and the environment
- benchmark fatalities and permanent disablement at zero
- target LTIFR below a benchmark of 3,0 with a long term objective of 1,0
- prepare for comprehensive incident reporting

The Stop.Think initiative is in the process of engaging all employees by means of industrial theatre and communication based on a sporting theme, with "players" in the field aligned to the common goal of "collectively striving for zero harm".

The concept and themes of Stop.Think have been developed in parallel to existing systems, but seek to address the behaviour and culture of the Group towards health and safety. To date, over 7 500 South African employees have been exposed to the industrial theatre. The campaign will run over three years, with follow up campaigns in 2007 and 2008.

Murray & Roberts Group LTIFR 2006 financial year



The above consolidated LTIFR includes all incidents at Murray & Roberts worksites involving employees, subcontractors, labour broker employees and suppliers

A group wide safety policy, supported by a statement of standards was developed during the year and is in the process of being rolled out across the Group.

An important outcome of these initiatives has been the development of an employees' Bill of Rights in terms of safety at work.

Achievements

Despite the disappointments, there have been some significant safety achievements this year (based on major efforts at operational level), including:

- Murray & Roberts Middle East achieved 12 million lost time injury free man hours on the Dubai airport contract
- Murray & Roberts MEI achieved three million lost time injury free man hours across all contracts
- Murray & Roberts Cementation recorded two million fatal free shifts
- RUC Mining Australia maintained its exemplary safety record with another lost time injury free year
- the Group implemented the Stop.Think campaign

Health

Occupational health

Policies and supporting standards were developed during the year and are in the process of being put in place. These are reflected in risk based models, in accordance with the group risk framework, and are based on international standards (Occupation Health and Safety Assessment Series - OHSAS 18001). The models promote the proactive management of health and safety risks in numerous key performance areas. Currently 25% of the operations have attained accreditation, or are in the process of gaining accreditation.

This process is producing greater focus on occupational health issues and the risk models now require each business unit to improve its reporting discipline. This process is in its early stages.

Occupational health risks include airborne pollution, sanitation issues and noise induced hearing loss. The latter is the identified key occupational health risk for all operating environments (construction, mining, and fixed facility sites) and there were 277 cases reported during the year.

Societal health

Societal health issues are prevalent within our operating companies, with over 400 reported incidents (HIV/Aids, TB, alcohol abuse) reported for the fixed facility environment alone. The contraction of malaria remains a significant threat for a number of companies operating beyond the South African border (Zambia, Mozambique, etc).

Since our employees in Southern Africa are scattered across 120 sites and locations it is reasonable to assume that our exposure to HIV/Aids approximates national norms. It is obvious that, although HIV/Aids is not strictly an occupational health issue, it can and does impact work performance and safety and it should be actively addressed. In the new reporting year the Group will formulate its own HIV/Aids policy which will be implemented by individual operations.

Environment

Murray & Roberts has extended the principle of zero harm to all aspects of its business, including the natural environment in which we work. A risk based approach has been adopted, guided by international standards (ISO14001 Environmental Management System), whereby the management of environmental issues is governed by a philosophy of continual improvement, and by ensuring there is no conflict with the recognised standard. Currently, 21% of the operating entities have certification, or are in the process of attaining certification to this standard. The ambition is to roll this process out across the whole Group.

Key performance areas and indicators are being instituted against which environmental issues can be measured and managed down to acceptable levels. These risk tolerance levels adopt a best available practice environmental management plan approach.

The environmental performance of the Group was satisfactory during the year, with very few incidents reported, and a small number that required remediation. Better reporting in terms of the new key performance measures is necessary to give a complete picture and to achieve committed targets. The three operating environments have uniquely different environmental aspects and impacts. This diversity is mirrored in a newly generated set of environmental policies and standards.

Air and effluent emissions remain the greatest risk to fixed facility sites, whilst dust and environmental noise pollution pose significant exposure for the construction environment. Mining operations face environmental risk for soil and groundwater contamination. Other than at its fixed industrial sites, group environmental practice and performance is commonly integrated into our client's own environmental management objectives.

The Group's environmental aspiration is to exceed all minimum requirements and to institute environmental initiatives in accordance with group policy and established best practice.

Michael McMahon
Chairman

Financial director report

Roger Rees, *group financial director*

The share price has more than doubled since 1 July 2005, reflecting the market's positive recognition of the Group's performance and its future prospects.

International Financial Reporting Standards

The Group prepared its annual financial statements in accordance with IFRS which differs in some areas from SAGAAP. Comparative financial statements have been restated appropriately. Adjustments on transition to IFRS have been made retrospectively to 1 July 2004.

The impact of the transition to IFRS has been a R100 million increase in shareholders' funds attributable to holding company equity holders on 30 June 2005 (1 July 2004: R124 million). For the year ended 30 June 2005, attributable earnings increased by R14 million to R463 million and diluted headline earnings were six cents per share higher at 146 cents per share.

Income statement

Operating profit increased by 47% to R800 million for the year to 30 June 2006, at an operating margin of 6,7%, compared with 5,2% in the prior year.

Revenue increased by 16% to R12 billion. Construction & engineering revenue increased by 12% with most of the growth coming from the Middle East. Construction materials & services increased by 18% with strong performances from steel and infrastructure, while the acquisition of Oconbrick mitigated the revenue loss from the disposal of Criterion in October 2005. Fabrication & manufacture revenue declined as strong growth in Foundries was negated by a decrease in the results of The UCW Partnership and the loss of Consani which was liquidated in the previous year.

The Group's effective tax rate of 25,5% was a slight improvement on the prior year, reflecting utilisation of tax losses and nil tax rated income earned offshore.

Exceptional items of R85 million include an R87 million expense relating to the Group's broad based black economic empowerment (BBBEE) transaction, R3,9 million net profit from headleases and other property activities and a R1,6 million impairment on the remaining Consani assets.

A loss of A$15 million was reported by the Group's 46% held associate company Clough Limited, which showed a slight improvement from the half year. A break-even position has been reported in the Group's results which recognises an adjustment for pre-acquisition project losses in Clough.

Balance sheet

During the year the Group engaged a strategy to convert surplus cash into operating assets and facilitate the BBBEE initiative.

The Group paid R96 million for the acquisition of Oconbrick, R304 million for additional shares and loans in Clough Limited and R495 million for a share buy-back to facilitate a 10% BBBEE shareholding.

In addition, some R338 million was spent on capital expenditure. This outflow of approximately R1,2 billion was funded primarily out of internal cash resources supplemented by a R228 million increase in borrowings, net proceeds on disposal of Criterion Equipment (R48 million), the disposal of plant & equipment (R29 million) and investments (R96 million).

Cash generated by operations increased to R716 million (2005: R673 million). Operating cash flow of R598 million (2005: R663 million) was impacted by an increase in taxation paid of R142 million. Working capital showed an increase of R195 million during the year, reflecting the impact of increased raw materials stocks and slower payments in Construction Middle East.

Cash on hand at 30 June 2006 was R1,8 billion after the significant outflow activity noted above. The year end cash balance included R333 million for the acquisition of Concor Limited which was paid out on 3 July 2006.

Subsequent to year end, the Group made a commitment to support a A$40 million convertible loan note issue in Clough Limited. This loan carries interest at 10% per annum and converts into equity within three years on a net asset valuation basis of Clough Limited at 30 June 2006. It is estimated that A$18,5 million (R98 million) will be paid out within the next three months to support the structure.

Goodwill of R38 million has arisen on the acquisition of Concor Limited on which R303 million net assets were acquired. In addition R61 million goodwill arose on the acquisition of Oconbrick. Total goodwill at 30 June 2006 was R147 million (2005: R48 million) and has not been impaired.

Concor was acquired on 14 June 2006 and consolidated in the Group's balance sheet at 30 June 2006, which distorts balance sheet comparison against the prior year. The notes to the financial statements provide detailed explanation. Consequently, there is no impact on the income statement in the current year.

The Group's investment in associate companies at 30 June 2006 was R877 million, an increase of R372 million over the prior year. This increase was primarily due to additional loans and equity acquisition of 16% in Clough Limited. For more details refer to Note 5 of the financial statements on pages 99 and 100.

Capital expenditure during the year was R369 million including R162 million in mining for specific projects. Depreciation for the year was R230 million, in line with replacement capital expenditure.

Interest bearing long term liabilities increased to R517 million (2005: R339 million), due primarily to working capital loans into Clough Limited and Cementation Canada and installment sales agreements in Concor.

Other investments of R435 million (2005: R357 million) related mainly to the Group's investments in toll road service concessions and loans granted. An amount of R68 million (2005: R46 million), arising from a fair value adjustment on concessions investment, was recognised in the income statement during the current year. Further details are set out in Note 6 to the financial statements.

Headleases and other property actitvities

International Financial Reporting Standards (IFRS) dictate that the Group's property division previously disclosed under exceptional items as "headleases and other discontinued property operations" now be reported as continuing business. IFRS only allows those operations to be disclosed as discontinued where they cease to exist within the year following the reporting date. These activities are still disclosed in the income statement under exceptional items as a continuing business and the net profit/loss reported in headline earnings.

The property headlease portfolio was stable during the year with no underlying commercial deterioration. The majority of these headleases are accounted for as financial lease liabilities with an obligation of R277 million (2005: R353 million) under finance leases at 30 June 2006. Related investment property at year end was stated at R259 million (2005: R250 million).

The Group had some sixty headleases in the property division as at 30 June 2006. The majority of headleases end in 2008 and 2009, when a number of bare dominiums become owned. The bare dominium asset is reported as investment properties on a depreciated cost basis.

Full details of the Group's property activities are disclosed in Notes 1, 2, 18, 19 & 26 of the annual report.

Earnings and dividends

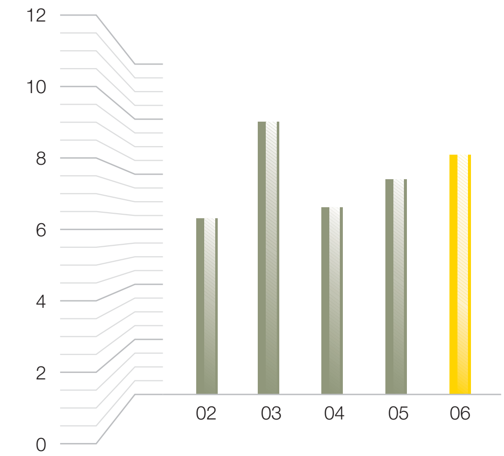
The Group reported diluted headline earnings per share of 162 cents compared to 146 cents in the prior year. Diluted headline earnings per share adjusted for the exclusion of the once-off expense relating to the BBBEE shareholding was 184 cents.

The total dividend for the year has been declared at 60 cents per share with a final dividend of 40 cents per share.

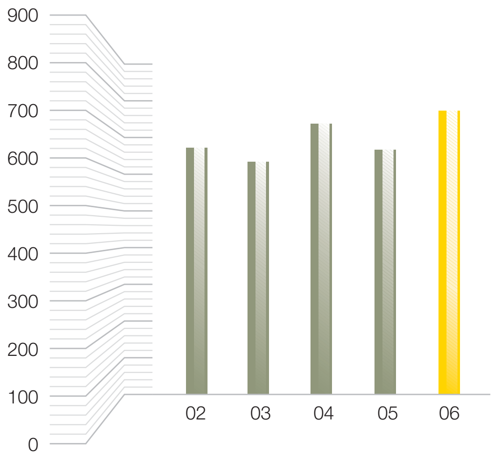
Roger Rees
Group financial director

Financial performance

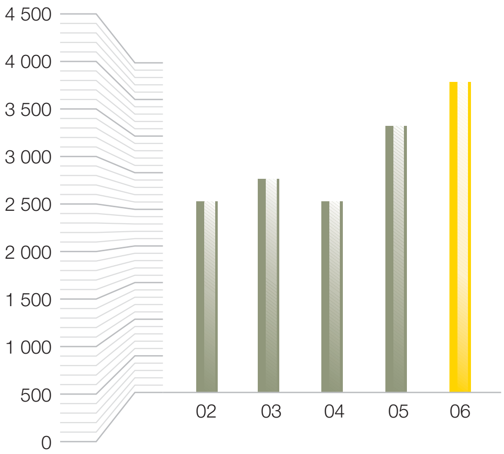
Return on average total assets
(%)



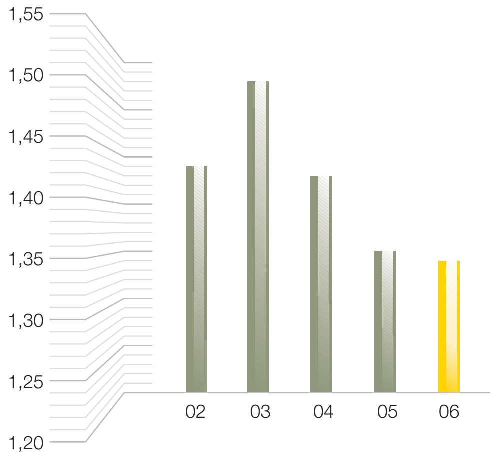
Productivity of assets
(assets per R1 000 turnover)



Creation of value
(R million)

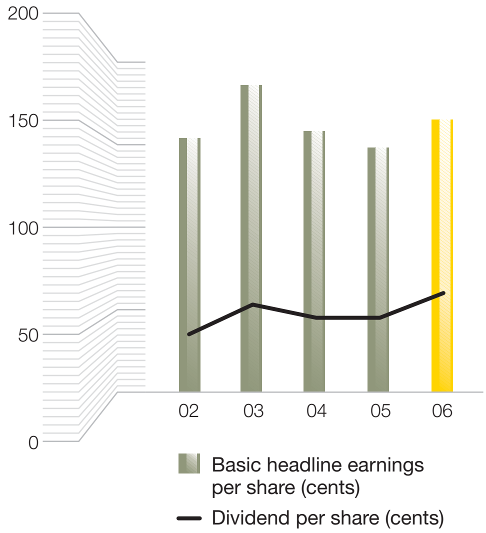


People productivity
(value ratio)

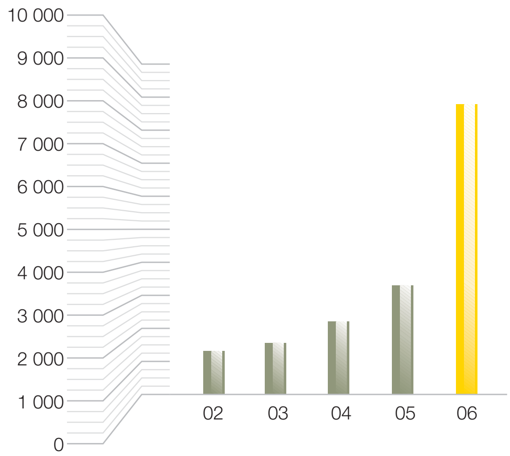


Share performance

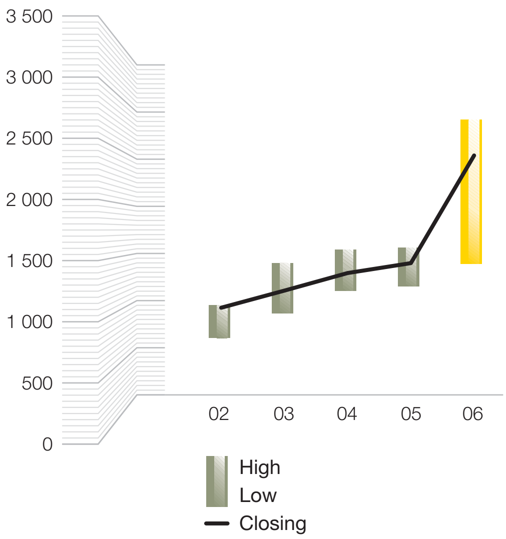
Headline earnings and dividends per share
(cents)



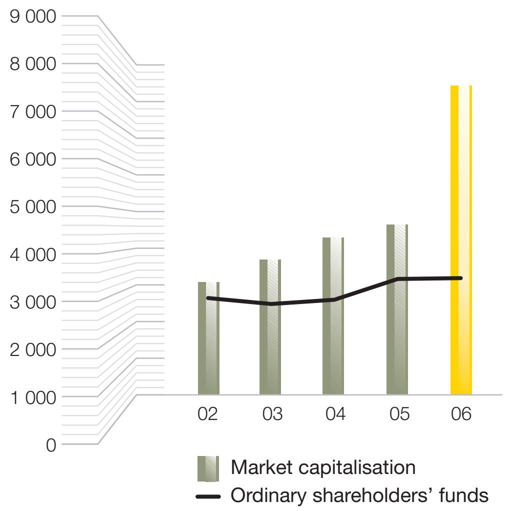
Value of shares traded
(R million)



Share price movement
(cents)



Market capitalisation
(R million)



Analysis of shareholders

as at 30 June 2006

	Number of shareholders	% of shareholders	Number of shares	%
SIZE OF HOLDING				
1 – 1 000 shares	2 328	45,50	1 115 657	0,34
1 001 – 10 000 shares	2 072	40,52	7 172 191	2,16
0 001 – 100 000 shares	528	10,32	16 607 003	5,00
100 001 – 1 000 000 shares	148	2,90	45 766 521	13,79
1 000 001 shares and over	40	0,78	261 231 247	78,71
Total	5 116	100,00	331 892 619	100,00
CATEGORY				
Banks	109	2,13	124 242 575	37,43
Close corporations	31	0,61	405 797	0,12
Endowment funds	46	0,89	2 000 500	0,60
Individuals	3 520	68,8	13 966 728	4,21
Insurance companies	86	1,68	27 004 490	8,14
Investment companies	51	0,99	30 234 325	9,11
Medical aid schemes	5	0,10	287 000	0,09
Mutual funds	147	2,87	28 560 700	8,61
Nominees and trusts	559	10,93	3 080 500	0,93
Other corporations	37	0,72	261 000	0,08
Pension funds	308	6,02	73 124 522	22,03
Private companies	201	3,93	2 860 900	0,86
Public companies	10	0,20	601 776	0,18
Share Trust	6	0,13	25 261 806	7,61
Total	5 116	100,00	331 892 619	100,00

MAJOR SHAREHOLDERS HOLDING 5% OR MORE OF THE COMPANY'S ORDINARY SHARES

	Number of shares	% of shares
Public Investment Corporation	37 646 205	11,34
New World Fund Inc	21 235 000	6,40
FUND MANAGERS HOLDING 5% OR MORE OF THE COMPANY'S ORDINARY SHARES		
Capital Research & Management (US)	36 039 000	10,86
Stanlib Asset Management	32 576 203	9,82
Sanlam Investment Management	18 021 666	5,43
Capital International Inc (US)	17 048 815	5,14
Bernstein Investment Research Management (US)	16 976 360	5,12

SHAREHOLDER SPREAD

	Number of shareholders	% of shareholders	Number of shares	% of shares
Non-public*	9	0,18	25 740 570	7,76
Public	5 107	99,82	306 152 049	92,24
			331 892 619	100,00
Domestic			174 133 677	52,47
International			157 758 942	47,53
			331 892 619	100,00

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

Financial statements

for the year ended 30 June 2006

Contents

Financial review

for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	IFRS restated 2006	2005	2004	2003	2002	SAGAAP 2001	2000	1999	1998	1997
SUMMARISED INCOME STATEMENTS*										
Revenue	**11 966**	10 674	8 424	10 111	9 027	8 535	13 318	12 972	12 586	12 082
Earnings before exceptional items and interest	**801**	556	421	633	386	218	294	203	545	227
Exceptional items	**(69)**	21	(16)	(5)	(2)	(3)	(697)	(76)	348	(118)
Earnings (loss) before interest and taxation**	**732**	577	405	628	384	215	(403)	127	893	109
Net interest income/(expense)***	**21**	(4)	10	(66)	71	(6)	(64)	(109)	(262)	(308)
Earnings/(loss) before taxation	**753**	573	415	562	455	209	(467)	18	631	(199)
Taxation	**(193)**	(158)	(27)	(76)	(36)	(27)	(39)	(32)	(65)	(42)
Earnings/(loss) after taxation	**560**	415	388	486	419	182	(506)	(14)	566	(241)
Income from associates	**1**	78	114	97	90	71	–	–	–	–
Minority shareholders' interest	**(49)**	(30)	(25)	(9)	(4)	(1)	(65)	(52)	(48)	(31)
Earnings/(loss) attributable to ordinary shareholders	**512**	463	477	574	505	252	(571)	(66)	518	(272)
SUMMARISED BALANCE SHEETS										
Non-current assets	**3 389**	2 547	2 422	2 082	2 007	1 761	1 861	2 155	2 334	2 870
Current assets	**6 797**	5 475	3 671	4 211	4 504	3 819	3 796	4 631	5 758	4 135
Goodwill	**147**	48	5	10	15	16	–	151	269	502
Deferred taxation assets	**52**	34	33	–	–	–	–	–	–	–
Total assets	**10 385**	8 104	6 131	6 303	6 526	5 596	5 657	6 937	8 361	7 507
Ordinary shareholders' equity	**3 086**	3 067	2 603	2 485	2 648	1 982	1 717	2 410	3 003	2 693
Minority interest	**108**	97	54	13	9	8	8	329	362	215
Total equity	**3 194**	3 164	2 657	2 498	2 657	1 990	1 725	2 739	3 365	2 908
Non-current liabilities	**1 028**	890	734	713	733	700	819	896	1 146	1 359
Current liabilities	**6 163**	4 050	2 740	3 092	3 136	2 906	3 113	3 302	3 850	3 240
Total equity and liabilities	**10 385**	8 104	6 131	6 303	6 526	5 596	5 657	6 937	8 361	7 507

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 both discontinued and continuing operations on a line-by-line-basis

** Includes an interest expense on the headlease and other property activities of R49,4 million (2005: R57,1 million)

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

Ratios and statistics

for the year ended 30 June 2006

	IFRS restated					SAGAAP				
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
EARNINGS										
Earnings/(loss) per share (cents)										
– Basic	**168**	145	150	181	152	74	(165)	(19)	150	(79)
– Diluted	**165**	143	147	176	152	74	(165)	(19)	150	(79)
Headline earnings/(loss) per share (cents)										
– Basic	**165**	148	158	186	154	76	36	3	49	(44)
– Diluted	**162**	146	155	181	154	76	36	3	49	(44)
Dividends per share (cents)	**60,0**	45,0	45,0	52,5	35,0	–	–	50,0	48,5	48,5
Dividend cover	**2,8**	3,2	3,3	3,3	4,3	–	–	–	3,1	–
Interest cover	**10,4**	9,6	8,2	7,0	37,1	10,3	4,6	1,9	2,1	0,7
PROFITABILITY										
EBIT on revenue (%)	**6,7**	5,2	5,0	6,3	4,3	2,6	2,2	1,6	4,3	1,9
EBIT on average total assets (%)	**8,7**	7,8	6,8	9,9	6,4	3,9	4,7	3,0	8,2	3,1
Attributable earnings on average ordinary shareholders' funds (%)	**16,7**	16,0	19,0	22,4	21,8	13,6	(27,7)	(2,4)	18,2	(9,0)
PRODUCTIVITY										
Per R1 000 of revenue:										
Payroll cost (rand)	**265**	252	216	188	201	189	177	188	196	223
Total average assets (rand)	**773**	667	738	634	671	659	473	530	529	601
Value created (Rm)	**4 202**	3 582	2 606	2 913	2 609	2 174	2 156	2 807	3 737	3 030
Value ratio	**1,34**	1,35	1,43	1,53	1,44	1,34	0,91	1,15	1,52	1,12
FINANCE										
As a percentage of permanent capital:										
Interest bearing debt	**40**	32	30	38	25	28	33	27	(23)	38
Total liabilities	**225**	156	133	153	146	181	228	153	85	143
Current assets to current liabilities	**1,10**	1,35	1,34	1,36	1,44	1,31	1,22	1,40	1,50	1,28
Operating cash flow (Rm)	**598**	663	289	356	712	558	370	493	1 275	(99)
Operating cash flow per share (cents)	**180**	200	87	107	214	164	107	142	369	(29)
OTHER										
Weighted average ordinary shares in issue (millions)	**331,9**	331,9	331,9	331,9	331,9	340,1	346,0	346,0	346,0	346,0
Weighted average number of treasury shares (millions)	**27,1**	13,7	13,8	14,1	–	–	–	–	–	–
Number of employees – 30 June*	**23 867**	23 904	13 149	15 827	15 379	16 337	26 098	32 361	43 268	48 464

* Varies dependent on project profile

DEFINITIONS

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

Note: IFRS restated numbers are only for continuing operations, whereas SAGAAP numbers are for both continuing and discontinued operations

Responsibilities of directors for annual financial statements **for the year ended 30 June 2006**

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 International Financial Reporting Standards 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 International Financial Reporting Standards and are based on 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 73.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the company and the Group for the year ended 30 June 2006, set out on pages 74 to 169 were approved by the board of directors at its meeting held on 30 August 2006 and are signed on its behalf by:

RC Andersen
Chairman

BC Bruce
Group chief executive

RW Rees
Group financial director

Certification 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, true, correct and up to date.

SF Linford
Company secretary

Report of the independent auditors

We have audited the annual financial statements and group annual financial statements of Murray & Roberts Holdings Limited for the year ended 30 June 2006 set out on pages 74 to 169. 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.

We conducted our audit in accordance with International Standards on Auditing. 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; and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 2006 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.

Deloitte & Touche

AF Mackie
Partner

Sandton
30 August 2006

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

Report of the directors

This report represented by the directors is a constituent document of the group financial statements at 30 June 2006. Except where otherwise stated, all amounts set out in tabular form are expressed in millions of Rand.

NATURE OF BUSINESS

Murray & Roberts Holdings Limited is an investment holdings company with interests in the construction & engineering, construction services & materials and fabrication & manufacture sectors. The company does not trade and all of its activities are undertaken through a number of subsidiaries, joint ventures and associates. Details of the major operating subsidiaries and associate companies are disclosed in Annexure 1 to the annual financial statements.

GROUP FINANCIAL RESULTS

Group earnings for the year ended 30 June 2006 were R561,3 million (2005: R492,6 million), representing diluted earnings per share of 165 cents (2005: 143 cents). Diluted headline earnings per share were 162 cents (2005: 146 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 2006 are contained in note 11 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 11 of the financial statements. During the year, the Trust granted an aggregate total of 2 135 000 ordinary shares (2005: 2 480 000 ordinary shares) to senior executives, including executive directors.

At June 2006, the Trust held 9 965 386 ordinary shares (2005: 13 924 893 ordinary shares) against the commitment of 11 074 000 ordinary shares (2005: 12 222 315 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 (2005: 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 25 October 2006. 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 to a maximum of 20% of the issued ordinary shares. 675 644 ordinary shares were repurchased during the year in terms of this general authority. Approval will be sought at the forthcoming annual general meeting on 25 October 2006 to renew this general authority.

A further 33 189 403 ordinary shares were repurchased during the year pursuant to the Group's broad based black economic empowerment transaction which was effected by way of a scheme of arrangement which is more fully reported below.

DIVIDEND

The following dividends were declared in respect of the year ended 30 June 2006:

Interim dividend number 108 of 20 cents per ordinary share (2005: 15 cents)

Final dividend number 109 of 40 cents per ordinary shares (2005: 30 cents)

SUBSIDIARIES

Acquisition of a further interest in Clough Limited (Clough)

The Group increased its shareholding in Clough from 30,3% to 46,1% in November 2005. This represented 90 million Clough shares at a cost of A$45 million. The Group has secured the rights to a further 30 million Clough shares to be issued by Clough within two years in return for a convertible loan credit facility of A$15 million which was also granted in November 2005.

Acquisition of 100% of Concor Limited

Shareholders are referred to the announcement published on 26 April 2005 where the Group announced its firm intention to make an offer for the entire issued share capital in Concor Limited, excluding those shares already held by Mexican Wave Investments (Pty) Limited (Mexican Wave), a subsidiary of Murray & Roberts. The Group's firm intention to make an offer was subject to a due diligence investigation and approval by the regulatory authorities including the Competition authorities.

On 14 October 2005 Murray & Roberts Limited proposed a scheme of arrangement in terms of Section 311 of the Companies Act, 1973, as amended, between Concor and its shareholders other than Mexican Wave in terms of which Murray & Roberts would acquire all the issued share capital of Concor other than those shares held by Mexican Wave. In terms of the scheme, Hochtief Aktiengesellshaft (Hochtief) would receive a consideration of 1 977 cents per Concor share plus interest at prime on 5 November 2005 while all other shareholders would receive a consideration of 2 230 cents per Concor share. The offer to all other shareholders was revised to 2 800 cents per Concor share on 30 November 2005. The scheme was conditionally sanctioned by the High Court on 24 January 2006. The only outstanding condition precedent was Competition Tribunal approval which was obtained on 14 June 2006. Payment of the scheme consideration of R333 million was made on 3 July 2006.

Acquisition of Oconbrick Manufacturing (Proprietary) Limited

The Group acquired 80% of the issued share capital of the Oconbrick Manufacturing (Proprietary) Limited group on 1 September 2005 for R98,4 million.

Broad based black economic empowerment (BBBEE) transaction

Shareholders are referred to the circular dated 21 October 2005 which outlined details of the Group's BBBEE transaction. This was pursuant to a scheme of arrangement in terms of Section 311 of the Companies Act, 1973, as amended, and involved the repurchase of 33 189 403 (10%) of the company's shares for a consideration of R14,87 per share. The total scheme consideration to be paid was R493,5 million. The scheme was approved by shareholders in general meeting on 21 November 2005 and sanctioned by the High Court on 29 November 2005. The shares so repurchased were then allocated as follows on 19 December 2005, the operative date, of the scheme:

	Number of shares	% of shares
Murray & Roberts Letsema Sizwe (Proprietary) Limited	11 616 331	3,5
Letsema Vulindlela Black Executives Trust	9 956 779	3,0
Murray & Roberts Letsema Khanyisa (Proprietary) Limited	6 637 904	2,0
Letsema Bokamoso General Staff Trust	4 978 389	1,5

SPECIAL RESOLUTIONS

Only special resolutions relating to name changes and conversions of public companies into private companies were passed by subsidiary companies during the year under review.

CAPITAL COMMITMENTS

Details of capital commitments are set out in note 42 to the annual financial statements.

POST BALANCE SHEET EVENTS

The Group has fully underwritten a capital raising convertible note of A$40 million by Clough Limited. The offer will be open to all shareholders of Clough Limited. The terms of the convertible note are presently being finalised by Clough Limited. This will end the shareholders' agreement between the Group and McRae Investments Proprietary Limited. Key aspects of the note issue are disclosed in note 48 to the annual financial statements.

DIRECTORATE AND SECRETARY

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

Independent non-executive

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

Executive

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

The secretary's business and postal addresses are

Douglas Roberts Centre	PO Box 1000
22 Skeen Boulevard	Bedforview
Bedfordview	2008
2007	

Interests of directors:

At 30 June 2006, the present directors of the company held direct and indirect beneficial and non-beneficial interest in 1 159 909 of the company's issued ordinary shares (2005: 1 235 787 ordinary shares). Details of ordinary shares held per individual director are listed below. A total of 6 108 750 share options are allocated to directors in terms of the company's share scheme, further details are set out in note 46.4 on page 141.

	Beneficial	
	Direct	Indirect
BC Bruce	298 471	
JJM van Zyl		687 535
	Non-beneficial	
	Direct	**Indirect**
RW Rees		173 903

At date of this report, these interests remained unchanged

AUDITORS

Deloitte & Touche will continue in office in accordance with section 270 (2) of the Companies Act.

Consolidated balance sheet

at 30 June 2006

All monetary amounts are expressed in millions of Rand	Notes	2006	Restated 2005
ASSETS			
Non-current assets			
Property, plant and equipment	1	**1 714,4**	1 375,6
Investment property	2	**276,9**	259,3
Goodwill	3	**146,6**	47,8
Other intangible assets	4	**68,3**	18,9
Investment in associate companies	5	**877,3**	505,4
Other investments	6	**435,1**	356,7
Deferred taxation assets	20.1	**51,5**	34,1
Operating lease receivables		**18,2**	31,2
Total non-current assets		**3 588,3**	2 629,0
Current assets			
Inventories	7	**636,2**	551,2
Net amounts due from contract customers	8	**2 878,2**	1 915,1
Trade and other receivables	9	**1 454,4**	1 043,5
Derivative financial instruments	10.1	**8,5**	33,8
Bank balances and cash	38	**1 808,3**	1 930,9
Assets classified as held-for-sale	30.2	**11,2**	–
Total current assets		**6 796,8**	5 474,5
TOTAL ASSETS		**10 385,1**	8 103,5
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	11	**1 014,3**	1 425,2
Other capital reserves	12	**57,3**	33,4
Revaluation and fair value reserve	13	**–**	–
Hedging and translation reserves	14	**99,3**	17,3
Retained earnings		**1 914,9**	1 591,1
Equity attributable to equity holders of the holding company		**3 085,8**	3 067,0
Minority interest	15	**108,6**	96,9
Total equity		**3 194,4**	3 163,9
Non-current liabilities			
Long term loans	16 & 17	**517,0**	339,3
Obligations under finance headleases	18	**155,1**	274,2
Long term provisions	19	**22,4**	4,5
Deferred taxation liabilities	20.2	**297,3**	251,5
Derivative financial instruments	10.2	**30,5**	–
Operating lease payables		**5,6**	20,5
Total non-current liabilities		**1 027,9**	890,0
Current liabilities			
Amounts due to contract customers	8	**961,3**	797,9
Trade and other payables	21	**3 391,3**	2 088,4
Derivative financial instruments	10.3	**9,4**	7,6
Subcontractor liabilities	22	**803,5**	572,2
Provisions for obligations	23	**190,9**	87,1
Current taxation liabilities		**151,6**	93,6
Bank overdrafts and short term loans	24	**654,8**	402,8
Total current liabilities		**6 162,8**	4 049,6
TOTAL EQUITY AND LIABILITIES		**10 385,1**	8 103,5

Consolidated income statement

for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	Notes	2006	Restated 2005
Continuing operations			
Revenue	25	**11 919,5**	10 272,1
Earnings before interest, exceptional items and depreciation		**1 044,5**	768,8
Amortisation of intangible assets	4	**(15,7)**	(1,9)
Depreciation		**(228,5)**	(222,7)
Earnings before exceptional items and interest		**800,3**	544,2
Exceptional items		**(85,0)**	**73,9**
Headlease and other property activities*	26	**3,9**	10,0
Broad based black economic empowerment (BBBEE) expense	26	**(87,3)**	–
Other	26	**(1,6)**	63,9
Earnings before interest and taxation* **	27	**715,3**	618,1
Interest expense	28.1	**(77,1)**	(56,6)
Interest income	28.2	**98,2**	54,1
Earnings before taxation		**736,4**	615,6
Income taxation expense	29	**(188,1)**	(154,9)
Earnings after taxation		**548,3**	460,7
Share of profit of associates		**1,2**	77,5
Earnings for the year from continuing operations		**549,5**	538,2
Discontinued operations			
Profit/(loss) for the year from discontinued operations	30.1	**11,8**	(45,6)
Earnings for the year		**561,3**	492,6
Attributable as follows:			
Equity holders of the holding company		**512,7**	462,4
Minority shareholders		**48,6**	30,2
		561,3	492,6
Weighted average ordinary shares (000)		**309 918**	322 840
Weighted average ordinary shares in issue		**331 893**	331 893
Weighted average ordinary shares owned by The Murray & Roberts Trust		**(12 139)**	(13 664)
Weighted average ordinary shares owned by the Letsema BBBEE trusts		**(14 917)**	–
Dilutive adjustment for share options		**5 081**	4 611
Earnings per share from continuing and discontinued operations (cents)			
– Diluted	31.1	**165**	143
– Basic	31.1	**168**	145
Earnings per share from continuing operations (cents)			
– Diluted	31.2	**162**	157
– Basic	31.2	**164**	160
Total dividend per ordinary share (cents)**	32	**60**	45,0
* The headlease and other property activities include the following:			
Rental income		**143,7**	161,1
Interest expense		**(49,4)**	(58,4)

** Based on the years to which the dividend relates

*** Includes interest expense of R49 million (2005: R58 million) in respect of headlease and other property activities

Consolidated cash flow statement

for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	Notes	2006	Restated 2005
Cash flows from operating activities		**415,0**	500,2
Cash generated by operations	33	**716,2**	672,7
Interest received		**87,4**	50,4
Interest paid		**(63,6)**	(45,3)
Taxation paid	34	**(142,0)**	(14,4)
Operating cash flow		**598,0**	663,4
Dividends paid to shareholders of the holding company		**(154,1)**	(143,2)
Dividends paid to minority shareholders		**(28,9)**	(20,0)
Cash flows from investing activities		**(356,5)**	159,4
Associate company – additional acquisition		**(224,1)**	(394,2)
Associate company – loan provided		**(79,4)**	–
Acquisition of businesses	35	**144,6**	(180,4)
Acquisition of minorities		**(14,2)**	–
Dividends received		**4,2**	0,7
Dividends received from associate company		**–**	34,2
Increase in other investments		**(23,6)**	(54,0)
Net cash inflow/(outflow) on disposal/closure of businesses	36	**47,7**	(8,7)
Purchase of intangible assets other than goodwill		**(43,8)**	(15,0)
Purchase of property, plant and equipment		**(293,7)**	(236,1)
Replacement		**(126,8)**	(119,1)
Additions		**(166,9)**	(117,0)
Proceeds on disposal of associate company		**–**	900,6
Proceeds on reduction in investments		**96,3**	29,2
Proceeds on disposal of property, plant and equipment		**29,5**	83,1
Net cash generated		**58,5**	659,6
Cash flows from financing activities		**(183,2)**	50,6
Net movement in borrowings	37	**227,7**	66,9
Net acquisition of treasury shares		**(410,9)**	(16,3)
Net (decrease)/increase in net cash and cash equivalents		**(124,7)**	710,2
Net cash and cash equivalents at beginning of year		**1 733,4**	984,9
Effect of foreign exchange rates		**33,3**	38,3
Net cash and cash equivalents at end of year	38	**1 642,0**	1 733,4

Group statement of changes in equity

for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	Share capital	Share premium	Other capital reserves	Revaluation and fair value reserves	Hedging and translation reserve	Retained earnings	**Attributable to equity holders of the company**	Minority interest	**Total equity**
Balance at 1 July 2004	31,8	1 413,3	2,2	5,3	(281,2)	1 431,7	**2 603,1**	54,0	**2 657,1**
Restatement (note 51.2)	–		24,4	(21,6)	278,2	(156,9)	**124,1**	1,1	**125,2**
As restated	31,8	1 413,3	26,6	(16,3)	(3,0)	1 274,8	**2 727,2**	55,1	**2 782,3**
Exchange differences	–	–	–	–	17,3	–	**17,3**	2,2	**19,5**
Cash flow hedges – reclassified and added to property, plant and equipment	–	–	–	–	3,0	–	**3,0**	–	**3,0**
Net income and expense recognised directly in equity	–	–	–	–	20,3	–	**20,3**	2,2	**22,5**
Attributable profit for the year	–	–	–	–	–	462,4	**462,4**	30,2	**492,6**
Total recognised income and expense	–	–	–	–	20,3	462,4	**482,7**	32,4	**515,1**
Treasury shares acquired	–	(19,9)	–		–	–	**(19,9)**	–	**(19,9)**
Transfer for the year	–	–	2,9	–	–	(2,9)	**–**	–	**–**
Net movement in equity loans	–	–	–		–	–	**–**	8,2	**8,2**
Acquisition of businesses	–	–	–		–	–	**–**	21,2	**21,2**
Disposal of businesses	–	–	–	16,3	–	–	**16,3**	–	**16,3**
Recognition of share-based payments	–	–	3,9	–	–	–	**3,9**	–	**3,9**
Dividends declared and paid	–	–	–		–	(143,2)	**(143,2)**	(20,0)	**(163,2)**
Balance at 30 June 2005	31,8	1 393,4	33,4	–	17,3	1 591,1	**3 067,0**	96,9	**3 163,9**
Exchange differences	–	–	–	–	82,0	–	**82,0**	1,8	**83,8**
Recognition of financial instruments arising on acquisition of businesses	–	–	–	–	–	(28,6)	**(28,6)**	–	**(28,6)**
Deferred taxation charged to equity	–	–	–	–	–	(0,7)	**(0,7)**	–	**(0,7)**
Net income and expense recognised directly in equity	–	–	–	–	82,0	(29,3)	**52,7**	1,8	**54,5**
Attributable profit for the year	–	–	–	–	–	512,7	**512,7**	48,6	**561,3**
Total recognised income and expense	–	–	–	–	82,0	483,4	**565,4**	50,4	**615,8**
Treasury shares acquired	(2,6)	(408,3)	–		–		**(410,9)**	–	**(410,9)**
Transfer for the year	–		(0,2)	–	–	0,2	**–**	–	**–**
Acquisition of businesses	–		–		–		**–**	11,5	**11,5**
Net movement in equity loans	–		–		–		**–**	(7,6)	**(7,6)**
Purchase of minorities	–		–		–	(5,7)	**(5,7)**	(14,2)	**(19,9)**
Recognition of share-based payments	–		24,1	–		–	**24,1**	0,5	**24,6**
Dividends declared and paid	–		–		–	(154,1)	**(154,1)**	(28,9)	**(183,0)**
Balance at 30 June 2006	**29,2**	**985,1**	**57,3**	**–**	**99,3**	**1 914,9**	**3 085,8**	**108,6**	**3 194,4**

Statement of value created

for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	2006	%	2005	%
Revenue	**11 919,5**		10 272,1	
Less: Cost of materials, services and subcontractors	**(7 632,7)**		(6 764,1)	
	4 286,8		3 508,0	
Exceptional items	**(85,0)**		73,9	
Value created	**4 201,8**		3 581,9	
Distributed as follows:				
To employees				
Payroll cost	**3 162,3**	**75,3**	2 671,4	74,6
To providers of finance				
Lease costs and net interest on loans	**94,5**	**2,2**	68,6	1,9
To government				
Company taxation	**188,1**	**4,5**	154,9	4,3
To maintain and expand the Group				
Reserves retained	**512,7**		462,4	
Depreciation	**228,5**		222,7	
Amortisation	**15,7**		1,9	
	756,9	**18,0**	687,0	19,2
	4 201,8	**100,0**	3 581,9	100,0
Number of employees*	**23 867**		23 904	

*Varies dependent on project status

	2006	2005
State and local taxes charged to the Group or collected on behalf of governments by the Group		
Company taxation	**188,1**	154,9
Indirect taxation	**348,0**	194,0
Employees' tax	**312,0**	279,7
RSC levies	**14,9**	13,5
Rates and taxes	**11,5**	12,7
Customs and excise duty	**2,2**	8,2
Government grants and subsidies	**–**	(3,1)
	876,7	659,9

Accounting policies

for the year ended 30 June 2006

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below and have been applied consistently to all periods presented as well as in preparing the opening International Financial Reporting Standards (IFRS) balance sheet at 1 July 2004.

BASIS OF PREPARATION

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

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

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

Judgements made by management in the application of IFRS that have a significant effect on the financial statements, and significant estimates made in the preparation of these consolidated financial statements are discussed in note 49.

Standards, interpretations and amendments to published standards that are not yet effective as well as those early adopted by the Group are discussed in note 50.

STATEMENT OF COMPLIANCE

These consolidated financial statements are prepared in accordance with IFRS and Interpretations adopted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. These are the Group's first IFRS consolidated financial statements and IFRS 1: *First-time Adoption of IFRS,* has been applied. Consolidated financial statements of the Group until 30 June 2005 had been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SAGAAP). SAGAAP differs in certain respects from IFRS.

BASIS OF TRANSITION TO IFRS AND CHANGES IN ACCOUNTING POLICIES

When preparing these consolidated financial statements, management has amended certain accounting, valuation and consolidation methods and policies applied in the SAGAAP financial statements to comply with IFRS. The comparative figures in respect of 2005 were restated to reflect these adjustments. Reconciliations and descriptions of the effect of the transition from SAGAAP to IFRS and the subsequent changes in accounting policies on the Group's equity and its net profit are given in note 51 to the consolidated financial statements.

BASIS OF CONSOLIDATION

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

Subsidiaries

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

Subsidiaries are never excluded from consolidation. If a subsidiary is acquired but control is expected to be temporary because the intention is that the subsidiary will be sold within 12 months from acquisition, the acquired subsidiary is still consolidated but is accounted for as a disposal group or a discontinued operation.

The results of subsidiaries are included for the period during which the Group exercises control over the subsidiary.

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

Minority interests in the net assets of consolidated subsidiary companies are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and

Accounting policies
for the year ended 30 June 2006

the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary company's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Joint ventures

Joint ventures are contractual agreements whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. These joint ventures may take the form of jointly controlled operations such as construction contracts, jointly controlled assets, jointly controlled 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 consolidated financial statements.

The results of joint ventures are included for the period during which the Group exercises joint control over the joint venture.

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

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

Associates

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 subsidiaries or joint ventures are regarded as associates.

The Group's share of the results of these companies is included in the consolidated financial statements using the equity method. Attributable earnings since acquisition, less dividends received, are added to the carrying value of the investments in these companies.

The group interest in associate companies is carried in the balance sheet at an amount that reflects its share of the net assets and the portion of goodwill on acquisition.

Where objective evidence of impairment exists, the carrying value of the investment in an associate (including any goodwill) is assessed against its recoverable amount, and written down to the expected recoverable amount, where applicable.

The results of associates are included for the period during which the Group exercises significant influence over the associate.

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

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

The Group considers the carrying value of its investment in the equity of the associate and its other long term interests in the associate, such as equity loans, when recognising its share of losses of the associate.

Adjustments are made to the carrying value of the investment for any changes in the equity of the associate that have not been recognised in its income statement. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The Group's share of those changes is recognised directly in equity.

Stand-alone company's financial statements

In the stand-alone accounts of the company, the investment in a subsidiary company is carried at cost less accumulated impairment losses, where applicable.

FOREIGN CURRENCIES

Functional and presentation 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 functional currency). For the purpose of the consolidated financial statements, the results and the financial position of each entity are expressed in Rand, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions.

Foreign currency monetary items

Monetary assets denominated in foreign currencies are retranslated into the functional currency at the bid rate of exchange ruling at the balance sheet date. Exchange differences arising on retranslation are credited to or charged against income.

Monetary liabilities denominated in foreign currencies are retranslated into the functional currency at the offer rate of exchange ruling at the balance sheet date. Exchange differences arising on retranslation are credited to or charged against income.

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

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

Foreign currency non-monetary items

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign entities

The results and financial position of foreign entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets 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 in equity as part of the foreign currency translation reserve. On disposal of a foreign entity, the cumulative translation differences relating to that entity 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 retranslated at the rates of exchange ruling at the balance sheet date.

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 expense in the same period in which the gain or loss on disposal is recognised.

FINANCIAL INSTRUMENTS

Financial assets and 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, being the date on which the Group commits to purchase or sell the instrument.

Loans and receivables

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

The provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loan or receivable.

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

Trade receivables

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

The provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the credit given and includes an assessment of recoverability based on historical trend analysis and events that exist at balance sheet date. The amount of the provision is the difference between the carrying value and the present value of

Accounting policies
for the year ended 30 June 2006

estimated future cash flows, discounted at the effective interest rate computed at initial recognition.

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

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

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

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

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

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

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

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

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

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

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

Financial assets designated as fair value through profit and loss
Financial assets designated as fair value through profit and loss are stated at fair value. Resulting gains or losses are recognised in the income statement.

Where management has identified an objective evidence of impairment, provision is raised against the investment if the carrying value exceeds the recoverable amount.

Non-trading financial asset investments
Non-trading financial asset investments are stated at fair value. Resulting gains or losses are recognised as a fair value reserve in the statement of changes in equity until the asset is disposed of or impaired, when the cumulative gain or loss is recognised in the income statement.

Where management has identified an objective evidence of impairment, provision is raised against the investment if the carrying value exceeds the recoverable amount.

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

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

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

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

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

Economic hedges where no hedge accounting is applied
When a derivative instrument is entered into as a hedge, all fair value gains or losses are recognised in the income statement.

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

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

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

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

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

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

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

CONTRACTS-IN-PROGRESS
Contracts-in-progress represent those costs recognised by the stage of completion of the contract activity at the balance sheet date.

Anticipated losses to completion are deducted.

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

BUSINESS COMBINATIONS AND GOODWILL ON ACQUISITIONS
The Group uses the acquisition method to account for the acquisition of businesses.

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

In respect of business acquisitions that have occurred since 1 July 2004, 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. In respect of acquisitions prior to this date, goodwill, where applicable, is included on the basis of its deemed cost, which represents the amount recorded under SAGAAP.

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

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

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

INTANGIBLE ASSETS OTHER THAN GOODWILL

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

Computer software

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

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

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

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

Research and development

Research expenditure is recognised as an expense as incurred.

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

Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not capitalised as an asset in a subsequent period.

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

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred and is not capitalised.

Subsequent expenditure

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

Amortisation

Amortisation is charged to the income statement on a systematic basis over the estimated useful lives from the date that they are available for use unless the useful lives are indefinite. Intangible assets with indefinite lives are tested annually for impairment.

The average amortisation periods are set out in note 4.

PROPERTY, PLANT AND EQUIPMENT

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

Measurement

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

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

Subsequent costs

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

Revaluations
Property, plant and equipment are not revalued.

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

Depreciation
Depreciation is calculated on the straight-line or units of production basis at rates considered appropriate to reduce the carrying value of each component of an asset to its estimated residual value over its estimated useful life. The average depreciation periods are set out in note 1.

Depreciation commences when the asset is ready for its intended use and ceases when the asset is derecognised or classified as held-for-sale.

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

Impairment
Where the carrying value of an asset is greater than its estimated recoverable amount, an impairment provision is raised immediately to bring the carrying value inline with the recoverable amount.

Dismantling and decommissioning costs
The cost of an item of property, plant and equipment includes the initial estimate, where relevant, of the costs of its dismantlement, removal, or restoration of the site on which it was located, the obligation which the Group incurs as a consequence of installing the item or having used the item during a particular period for purposes other than to produce inventories.

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

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

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

Initially, investment property is measured at cost including all transaction costs. Subsequent to initial recognition investment property is stated at cost less accumulated depreciation and accumulated impairment losses, where applicable.

Investment property is derecognised when it has either been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gain or loss on the derecognition of an investment property is recognised in the income statement in the year of derecognition.

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

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

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

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

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

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

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

INVENTORIES

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

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

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

- raw materials – first-in, first-out or weighted average cost basis
- finished goods and work-in-progress – cost of direct materials and labour including a proportion of factory overheads based on normal operating capacity

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

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

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

LEASES

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

Finance leases

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

Capitalised leased assets are accounted for as property, plant and equipment. They are depreciated using the straight-line or unit of production basis at rates considered appropriate to reduce the carrying values over the estimated useful lives to the estimated residual values. Where it is not certain that an asset will be taken over by the Group at the end of the lease, the asset is depreciated over the shorter of the lease period and the estimated useful life of the asset.

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

Operating leases

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

These benefits are recognised as a reduction of the rental expense over the lease term, on a straight-line basis.

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. All other headleases are classified as onerous operating leases.

Finance headleases

Headlease assets, where part of finance headleases, are capitalised as investment property at their fair values and a corresponding liability is raised.

Land is not depreciated. Buildings are depreciated using the straight-line basis at rates considered appropriate to reduce the carrying values over the estimated useful lives to the estimated residual values.

Operating headleases

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 lease payments are recognised in the income statement on a straight-line basis over the lease term.

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. If a present obligation does not exist, the provision is not raised but rather treated as a contingent liability.

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

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

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

CONTINGENT LIABILITIES

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

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

CONTINGENT ASSETS

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

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 only probable, the contingent asset is disclosed as a claim in favour of the Group but not recognised on the balance sheet.

SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

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No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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

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

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

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

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

EMPLOYEE BENEFITS

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

GOVERNMENT GRANTS

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

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

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

TAXATION

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

Current taxation

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

Deferred taxation

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

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiary and associate companies, and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

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

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

RELATED PARTIES

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

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

REVENUE

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

Sale of goods

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

Rendering of services

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

Interest and dividend income

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

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

Long term and construction contracts

Where the outcome of a long term and construction contract can be reliably measured, revenue and costs are recognised by reference to the stage of completion of the contract at the 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 collection is probable and the amounts can be reliably measured. Anticipated losses to completion are immediately recognised as an expense in contract costs.

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

EXCEPTIONAL ITEMS

Exceptional items are material items which derive from events or transactions that fall outside the ordinary trading activities of the

Accounting policies
for the year ended 30 June 2006

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
Borrowing costs are not capitalised but recognised in the income statement in the period incurred.

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

SEGMENTAL REPORTING
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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.

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

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

BLACK ECONOMIC EMPOWERMENT
IFRS 2: *Share Based Payments* requires share-based payments to be recognised as an expense in the income statement. This expense is measured at the fair value of the equity instruments issued at the date of grant.

Letsema Bokamoso General Staff Trust
The estimated once-off expense is R87,3 million (excluding UST). This is based on the closing share price of R19,00 per share on 29 November 2005, the date on which the High Court sanctioned the scheme. This expense is recognised as an exceptional item in the income statement.

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

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

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for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	Immovable property	Owner-occupied headlease property	Plant and machinery	Other equipment	Total
1. PROPERTY, PLANT AND EQUIPMENT					
Cost or deemed cost:					
As previously reported under SAGAAP	176,9	51,2	1 638,3	490,0	2 356,4
Restatement (note 51.2)	11,5	–	(277,5)	(394,1)	(660,1)
As reported under IFRS	188,4	51,2	1 360,8	95,9	1 696,3
Additions	28,8	–	196,9	73,2	298,9
Acquisition of businesses	11,0	–	397,4	32,0	440,4
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)
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	220,9	57,2	1 798,9	153,4	2 230,4
Additions	10,5	–	268,2	90,3	369,0
Acquisition of businesses	47,8	–	462,8	25,2	535,8
Disposals	(1,7)	–	(92,8)	(10,1)	(104,6)
Disposals of businesses	–	–	(51,5)	(2,6)	(54,1)
Reclassification	(9,0)	–	13,0	(21,9)	(17,9)
Reclassification to other intangible assets	–	–	–	(1,4)	(1,4)
Scrappings	–	–	(8,1)	(1,8)	(9,9)
Transfer to assets classified as held-for-sale	(3,2)	–	–	–	(3,2)
Transfer to investment property	–	(13,8)	–	–	(13,8)
Exchange rate adjustment	1,3	–	33,8	1,2	36,3
At 30 June 2006	266,6	43,4	2 424,3	232,3	2 966,6
Accumulated depreciation and impairment:					
As previously reported under SAGAAP	46,3	0,6	1 027,9	191,0	1 265,8
Restatement (note 51.2)	(40,1)	–	(658,2)	(118,1)	(816,4)
As reported under IFRS	6,2	0,6	369,7	72,9	449,4
Charge for the year	4,4	0,3	212,4	12,5	229,6
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)
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	13,1	1,3	774,8	65,6	854,8

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 2005	13,1	1,3	774,8	65,6	854,8
Charge for the year	4,7	0,5	204,2	20,4	229,8
Impairment loss	4,3	–	–	–	4,3
Reversal of impairment loss	–	–	(2,6)	–	(2,6)
Acquisition of businesses	8,9	–	246,1	19,0	274,0
Disposals	–	–	(74,2)	(8,1)	(82,3)
Disposals of businesses	–	–	(18,6)	(2,1)	(20,7)
Reclassification	(1,8)	–	(16,5)	0,4	(17,9)
Reclassification to other intangible assets	–	–	–	(1,2)	(1,2)
Scrappings	–	–	(6,2)	(1,6)	(7,8)
Transfer to assets classified as held-for-sale	(0,6)	–	–	–	(0,6)
Exchange rate adjustment	0,6	–	20,8	1,0	22,4
At 30 June 2006	29,2	1,8	1 127,8	93,4	1 252,2
Carrying amount:					
At 30 June 2006	**237,4**	**41,6**	**1 296,5**	**138,9**	**1 714,4**
At 30 June 2005	207,8	55,9	1 024,1	87,8	1 375,6
Net carrying amount of capitalised leased assets included in the above is:					
At 30 June 2006	**4,6**	**41,6**	**171,8**	**10,5**	**228,5**
At 30 June 2005	3,5	55,9	37,8	5,6	102,8

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

The Group has pledged certain plant and machinery as security for certain interest-bearing borrowings. (Refer note 16 Secured liabilities)

During the year, a subsidiary company discontinued the use of certain plant and equipment. This led to an impairment charge of R4,3 million that has been recognised in earnings before interest and taxation (note 27). In addition, an amount of R2,6 million raised as an impairment provision against plant and equipment in the prior year, was released.

During the prior year, a subsidiary company, Consani Engineering (Pty) Limited (Consani) was placed into liquidation. This led to a review of the recoverable amount of the Group's assets utilised by Consani, being their fair value less costs to sell, and to the resultant recognition of an impairment charge of R23,1 million that has been recognised in exceptional items (note 26). Fair value less costs to sell was based on the best estimate available from the liquidator. Certain group companies carried out a review of the recoverable amount of their plant and equipment. This led to an impairment charge of R4,3 million for 2005 that has been recognised in earnings before interest and taxation (note 27).

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

– immovable property	20 to 40 years	on a straight-line basis
– owner-occupied headlease property	30 to 40 years	on a straight-line basis
– plant and machinery	3 to 30 years	on a straight-line basis
– other	3 to 10 years	on a straight-line basis

All monetary amounts are expressed in millions of Rand	Headlease property	Other investment property	Total investment property
2. INVESTMENT PROPERTY			
Cost or deemed cost:			
At 1 July 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
Additions of businesses	–	17,6	17,6
Transfer to assets classified as held-for-sale	–	(8,6)	(8,6)
Transfer from owner-occupied	13,8	–	13,8
Disposals	–	(0,3)	(0,3)
At 30 June 2006	277,7	19,0	296,7
Accumulated depreciation:			
At 1 July 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
Charge for the year	4,8	0,2	5,0
Disposals	–	(0,1)	(0,1)
At 30 June 2006	19,1	0,7	19,8
Carrying amount:			
At 30 June 2006	**258,6**	**18,3**	**276,9**
At 30 June 2005	249,6	9,7	259,3
Fair value:			
At 30 June 2006	**428,5**	**18,3**	**446,8**
At 30 June 2005	264,3	15,0	279,3

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 2006 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 property activities and cannot be realised until the headleases are settled. (Refer note 18 Obligations under finance headleases).

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to R143,7 million (2005: R161,1 million). Direct operating expenses arising on the investment property in the period amounted to R93,0 million (2005: R113,7 million).

The following average depreciation period is used for the depreciation of investment property:

– investment property	40 years	on a straight-line basis

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All monetary amounts are expressed in millions of Rand	2006	Restated 2005
3. GOODWILL		
3.1 Cost		
As previously reported under SAGAAP		4,7
Restatement (note 51.2)		(4,7)
As reported under IFRS	**47,8**	–
Acquisition of businesses (note 35)	**98,7**	61,9
Disposal of equity interest	**–**	(14,2)
Exchange rate adjustment	**0,1**	0,1
	146,6	47,8
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 to the following business segments:		
Construction*	**38,2**	–
Mining	**47,9**	47,8
Construction materials & supplies*	**60,5**	–
	146,6	47,8

* The acquisition accounting for Concor Limited and Oconbrick Manufacturing (Pty) Limited is still on a provisional basis.

3.2 Impairment testing

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

Construction

Impairment testing was not performed for the goodwill as it arose on 30 June 2006 and there were no impairment indicators at that date.

Mining

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 14,3% is pre-tax and reflects the acquiree's weighted average cost of capital adjusted for relevant risk factors.

Construction materials & supplies

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 10,8% is pre-tax and reflects the acquiree's weighted average cost of capital adjusted for relevant risk factors.

All monetary amounts are expressed in millions of Rand	Computer software	Mineral rights	Other intangible assets	Total
4. OTHER INTANGIBLE ASSETS				
Cost:				
As previously reported under SAGAAP	–	–	–	–
Restatement (note 51.2)	6,7	–	2,9	9,6
As reported under IFRS	6,7	–	2,9	9,6
Additions	14,1	–	0,9	15,0
Exchange rate adjustment	–	–	0,1	0,1
At 30 June 2005	20,8	–	3,9	24,7
Additions	42,9	–	0,9	43,8
Acquisition of businesses	23,3	19,9	–	43,2
Reclassification from plant and equipment	1,4	–	–	1,4
Exchange rate adjustment	0,2	–	0,2	0,4
At 30 June 2006	88,6	19,9	5,0	113,5
Accumulated amortisation:				
As previously reported under SAGAAP	–	–	–	–
Restatement (note 51.2)	3,4	–	0,5	3,9
As reported under IFRS	3,4	–	0,5	3,9
Charge for the year	1,4	–	0,5	1,9
At 30 June 2005	4,8	–	1,0	5,8
Charge for the year	13,4	1,5	0,8	15,7
Acquisition of businesses	22,3	–	–	22,3
Reclassification from plant and equipment	1,2	–	–	1,2
Exchange rate adjustment	0,2	–	–	0,2
At 30 June 2006	41,9	1,5	1,8	45,2
Carrying amount:				
At 30 June 2006	**46,7**	**18,4**	**3,2**	**68,3**
At 30 June 2005	16,0	–	2,9	18,9

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

Other intangible assets include a technology agreement in Canada that has an indefinite useful life, and the N2 and N3 CTROM contracts.

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

– computer software	2 to 10 years	on a straight-line basis
– mineral rights	7 years	per usage of clay
– other intangible assets	3 to 5 years	on a straight-line basis
– other intangible assets	indefinite	

The largest component of the computer software relates to an ERP system that had an estimated remaining useful life of three years at 30 June 2006.

Notes to the consolidated financial statements

for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
5. INVESTMENT IN ASSOCIATE COMPANIES		
5.1 Investment in associate companies		
The Group's share of associate companies included in the consolidated balance sheet is as follows:		
Construction & engineering		
As previously reported under SAGAAP		–
Restatement (note 51.2)		0,5
As reported under IFRS	**505,4**	0,5
Reclassification from other investments (note 6)	**–**	56,6
Additions – Clough Limited	**224,1**	394,2
Share of post-acquisition earnings	**0,6**	16,3
Exchange rate adjustment	**36,1**	37,8
	766,2	505,4
The carrying value of the investment can be analysed as follows:		
Net tangible assets acquired	**328,7**	232,8
Impairment provision – Murray & Roberts (Zimbabwe) Limited	**(48,0)**	(58,2)
Fair value adjustments	**–**	(9,8)
Goodwill	**448,8**	286,5
Share of post-acquisition earnings	**0,6**	16,3
Exchange rate adjustments	**36,1**	37,8
	766,2	505,4
Loan to associate company, Clough Limited	**79,4**	–
The loan to the associate company is unsecured and bears interest at 10% per annum. The repayment date is the earlier of two years from the share placement referred to in note 41, or 61 days after announcement of the resolution of the BassGas dispute, but in any event no later than 10 November 2007.		
	845,6	505,4
The acquisition accounting for the additional 16% acquired in Clough Limited, is still 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 16 Secured liabilities)		
Other associates		
As at beginning of year	**–**	652,8
Acquisition of businesses	**19,3**	–
Disposals and partial disposals	**(2,4)**	(679,8)
Share of post-acquisition earnings	**0,6**	27,0
	17,5	–
The carrying value of the investment can be analysed as follows:		
Net tangible assets acquired	**16,9**	–
Share of post-acquisition earnings, net of dividends received	**0,6**	–
	17,5	–
Loans to other associate companies, net of impairment provisions		
The loans to the associate companies are unsecured, interest free and have no fixed repayment terms.	**14,2**	–
	31,7	–
Total investment in associate companies	**877,3**	505,4

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
5. INVESTMENT IN ASSOCIATE COMPANIES *(continued)*		
5.2 Valuation of shares		
Construction & engineering		
Market value of listed Clough Limited (2006: 235 351 010 shares) (2005: 144 983 161 shares)	**435,8**	349,6
Market value of listed Murray & Roberts (Zimbabwe) Limited (2006: 99 632 311 shares) (2005: 99 632 311 shares)	**84,2**	30,2
Other associates		
Directors valuation of unlisted associates	**17,5**	–
5.3 Summarised financial information in respect of the Group's associates is set out below:		
Construction & engineering		
Non-current assets	**1 040,9**	826,5
Current assets	**2 215,3**	1 546,5
Total assets	**3 256,3**	2 373,0
Non-current liabilities	**365,1**	128,7
Current liabilities	**1 799,4**	1 234,1
Total liabilities	**2 164,5**	1 362,8
Net assets	**1 091,7**	1 010,2
Group's share of associates' net assets	**505,9**	468,8
Revenue	**3 419,5**	2 573,5
Attributable loss for the year	**(94,0)**	(286,0)
Group's share of associates' profit for the year	**0,6**	16,3
The Group's share of the attributable loss of Clough Limited is a post-acquisition income from associate of R1,1 million (2005: 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 A$15,1 million (2005: A$57,6 million) for the year to 30 June 2006, the majority of which relates to pre-acquisition matters.		
Other associates		
Non-current assets	**182,4**	–
Current assets	**71,2**	–
Total assets	**253,6**	**–**
Non-current liabilities	**140,7**	–
Current liabilities	**93,1**	–
Total liabilities	**233,8**	**–**
Net assets	**19,8**	–
Group's share of associates' net assets	**8,4**	–
Revenue	**241,3**	–
Attributable profit for the year	**13,6**	–
Group's share of associates' profits for the period	**0,6**	–

Notes to the consolidated financial statements

for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand Name of significant associates	Place of incorporation	% of ownership and votes 2006	 2005	Main activity
5. INVESTMENT IN ASSOCIATE COMPANIES *(continued)*				
5.4 Details of associate companies				
Clough Limited	Australia	**46,1**	30,2	Engineering
Murray & Roberts (Zimbabwe) Limited[1]	Zimbabwe	**48,7**	48,7	Construction
Gryphon Logistics (Pty) Limited	South Africa	**30,0**	–	Transport

[1] Murray & Roberts (Zimbabwe) Limited operates in a hyperinflationary environment and is restricted from transferring funds out of Zimbabwe.

All monetary amounts are expressed in millions of Rand			2006	Restated 2005
6. OTHER INVESTMENTS				
6.1 Financial assets designated as fair value through profit and loss				
Investments in service concessions				
At beginning of year			**134,6**	108,2
Acquisition of businesses			**27,7**	–
Additional investments, disposals and repayments received			**(36,1)**	(19,7)
Fair value adjustment recognised in income statement			**67,6**	46,1
Fair value of unlisted designated fair value through profit and loss			**193,8**	134,6
(Directors' valuation R193,8 million, 2005: R134,6 million)				
The financial assets designated as fair value through profit and loss comprise of the Group's interest in the following toll road service concessions:				
	% Interest	Concession period		
N3 Toll Concessions (Pty) Limited	13,07	30 years	**102,2**	89,5
Bakwena Platinum Corridor Concessionaire (Pty) Limited*	10,68	30 years	**91,6**	45,1
			193,8	134,6

* Includes 3,56% acquired as part of the Concor Limited acquisition.

The fair value of the investments has been calculated 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.

	2006	Restated 2005
6.2 Non-trading financial assets		
Unlisted investments		
At beginning of year	**1,1**	1,9
Acquisition of businesses	**3,5**	–
Additions, disposals and other movements	**(0,8)**	(0,8)
Fair value of unlisted non-trading investments	**3,8**	1,1
(Directors' valuation R3,8 million, 2005: R1,1 million)		
Listed investments		
As previously reported under SAGAAP		60,0
Restatement (note 51.2)		(0,5)
As reported under IFRS	**–**	59,5
Reclassification to investment in associate companies (note 5)	**–**	(56,6)
Additions, disposals and other movements	**–**	(2,9)
Fair value of listed non-trading investments	**–**	–
(Market value RNil, 2005: RNil)		

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
6. OTHER INVESTMENTS *(continued)*		
6.3 Loans and receivables		
Unsecured loans and receivables		
As previously reported under SAGAAP		134,6
Restatement (note 51.2)		(2,4)
As reported under IFRS	**221,0**	132,2
Acquisition of businesses	**14,5**	–
Reclassifications	**–**	18,5
Additional investments made	**23,6**	54,4
Arising on disposal of businesses	**45,0**	25,1
Disposals and repayments	**(59,4)**	(12,8)
Other movements	**(7,2)**	3,6
Amortised cost of unsecured loans and receivables	**237,5**	221,0
Total other investments	**435,1**	356,7
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 46.		
7. INVENTORIES		
At cost, net of impairment provisions		
Raw materials	**288,4**	181,0
Work-in-progress	**68,3**	70,7
Finished goods and manufactured components	**170,4**	174,9
Consumable stores	**106,6**	111,7
Property	**2,5**	12,9
	636,2	551,2
Property inventories with a carrying value of R1,2 million (2005: R1,7 million) have been pledged as security over long term loans. (Refer note 16 Secured liabilities)		
8. CONTRACTS IN PROGRESS AND CONTRACT RECEIVABLES		
Costs incurred plus recognised profits, less recognised losses on contracts in progress at year end	**814,0**	449,1
Amounts receivable on contracts, net of impairment provisions	**1 260,3**	757,1
	2 074,3	1 206,2
Advances received in excess of work completed	**(454,5)**	(304,3)
Net amounts receivable from contracts	**1 619,8**	901,9
Retentions receivable, net of impairment provisions	**297,1**	215,3
	1 916,9	1 117,2
These balances represent:		
Gross amounts due from contract customers	**2 987,3**	2 005,0
Provision for doubtful debts	**(24,5)**	(15,3)
Provision for loss contracts	**(29,1)**	(12,9)
Other contract provisions	**(55,5)**	(61,7)
Net amounts due from contract customers	**2 878,2**	1 915,1
Amounts due to contract customers	**(961,3)**	(797,9)
	1 916,9	1 117,2

Amounts of R52,6 million (2005: R25,6 million) are due for settlement after more than 12 months from balance sheet date.

Notes to the consolidated financial statements

for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
9. TRADE AND OTHER RECEIVABLES		
Trade receivables	**1 189,0**	820,8
Provision for doubtful debts	**(59,9)**	(43,7)
Operating lease receivables recognised on a straight-line basis	**13,8**	8,1
Amount owing by joint venture partners	**56,8**	24,8
Prepayments	**76,9**	51,9
Other receivables	**177,8**	181,6
	1 454,4	1 043,5

Details in respect of the Group's credit risk management policies are set out in note 44. The directors consider that the carrying amount of the trade and other receivables approximate their fair value.

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
10. DERIVATIVE FINANCIAL INSTRUMENTS		
10.1 Current assets		
Forward foreign exchange contracts	**8,4**	33,6
Interest rate swap	**0,1**	0,2
	8,5	33,8
10.2 Non-current liabilities		
Put option pertaining to minority interest in subsidiary companies	**30,5**	–
	30,5	–
10.3 Current liabilities		
Forward foreign exchange contracts	**8,2**	4,0
Interest rate swap	**1,2**	3,6
	9,4	7,6

Details in respect of the derivative financial instruments and the Group's financial risk management policies are set out in note 44.

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
11. SHARE CAPITAL AND PREMIUM		
11.1 Share capital		
Authorised		
500 000 000 ordinary shares of 10 cents each		
(2005: 500 000 000 of 10 cents each)	**50,0**	50,0
Issued and fully paid		
331 892 619 ordinary shares of 10 cents each		
(2005: 331 892 619 of 10 cents each)	**33,2**	33,2
Less: Treasury shares held by The Murray & Roberts Trust at par value	**(1,0)**	(1,4)
Less: Treasury shares held by the Letsema BBBEE trusts and companies at par value	**(2,9)**	–
Less: Treasury shares held by Murray & Roberts Limited at par value	**(0,1)**	–
Net share capital	**29,2**	31,8
Unissued shares:	**Number of shares**	Number of shares
(i) Shares available for allotment by the directors in terms of the employee share purchase scheme	**–**	19 264,369
(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	**138 107 381**	118 843,012
	168 107 381	168 107,381
11.2 Share premium		
Share premium	**1 639,6**	1 639,6
Less: Treasury shares held by The Murray & Roberts Trust at net cost	**(209,4)**	(246,2)
Less: Treasury shares held by the Letsema BBBEE trusts and companies at net cost	**(429,4)**	–
Less: Treasury shares held by Murray & Roberts Limited at net cost	**(15,7)**	–
Net share premium	**985,1**	1 393,4
Total share capital and premium	**1 014,3**	1 425,2
11.3 Treasury shares		
Market value of treasury:		
The Murray & Roberts Trust	**253,1**	194,9
The Letsema BBBEE trusts and companies	**735,4**	–
Murray & Roberts Limited	**17,2**	–
Reconciliation of issued shares:	**Number of shares**	Number of shares
Issued and fully paid	**331 892 619**	331 892 619
Less: Treasury shares held by The Murray & Roberts Trust	**(9 965 386)**	(13 924 893)
Less: Treasury shares held by the Letsema BBBEE trusts and companies	**(28 952 803)**	–
Less: Treasury shares held by Murray & Roberts Limited	**(675 644)**	–
Net shares issued to public	**292 297 786**	317 967 726

11. SHARE CAPITAL AND PREMIUM *(continued)*

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

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 (the Trust). At 30 June 2006, the Trust held 9 965 386 (2005: 13 924 893) shares against the commitment of options granted by the trust totalling 11 074 000 (2005: 12 222 315) shares. If necessary, and at the Board's discretion, the company could issue new shares within the maximum of 10% of the Company's issued capital which was authorised by shareholders for this purpose.

35% of the outstanding options at 30 June 2006 was available for exercise.

The details of the movement in the outstanding options granted by the Trust during the year ended 30 June 2006 were as follows:

Schemes implemented on:		Outstanding options at 30 June 2005	Granted during the year	Surrendered during the year	Exercised during the year	Outstanding options at 30 June 2006	Option price per share (cents)	Weighted average share price on exercise (cents)
27 June 1996		223 539	–	(78 539)	(145 000)	–	1 720	2 573
07 July 1997		53 000	–	(6 000)	(22 500)	24 500	913	2 479
09 March 1998		473 500	–	(138 000)	(207 000)	128 500	805	2 518
17 March 1999		768 313	–	(13 313)	(535 000)	220 000	233	2 339
25 August 1999		17 000	–	–	(7 000)	10 000	440	1 966
08 May 2000		448 363	–	(9 860)	(308 753)	129 750	316	2 231
15 June 2000		850 000	–	–	–	850 000	316	–
29 August 2000		1 000 000	–	–	–	1 000 000	325	–
14 March 2001	Standard	660 000	–	–	(260 000)	400 000	460	2 598
14 March 2001	Hurdle	700 000	–	–	(250 000)	450 000	460	2 598
19 October 2001		20 000	–	–	–	20 000	700	–
13 March 2002	Standard	738 425	–	(21 500)	(225 050)	491 875	693	2 533
13 March 2002	Hurdle	672 425	–	(18 000)	(180 050)	474 375	693	2 520
29 November 2002		40 000	–	–	–	40 000	1 225	–
06 March 2003	Standard	595 250	–	(62 500)	(156 500)	376 250	1 100	2 532
06 March 2003	Hurdle	722 500	–	(67 500)	(200 000)	455 000	1 100	2 582
15 March 2004	Standard	975 000	–	(57 500)	(60 000)	857 500	1 304	2 620
15 March 2004	Hurdle	785 000	–	(57 500)	(56 250)	671 250	1 304	2 617
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	–	(50 000)	–	1 180 000	1 400	–
28 June 2005	Hurdle	1 000 000	–	(90 000)	–	910 000	1 400	–
03 March 2006	Standard	–	1 625 000	–	–	1 625 000	2 353	–
03 March 2006	Hurdle	–	510 000	–	–	510 000	2 353	–
TOTAL		12 222 315	2 135 000	(670 212)	(2 613 103)	11 074 000		

Notes:

1. For the 1998 and prior schemes, the options vest at 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. Options are forfeited if the employee leaves the Group before the options vest.
6. For the 2001 to 2003 schemes the hurdle rate is 25% per annum compound growth on option price.
7. For the 2004 to 2006 schemes the hurdle rate is CPI + 4% per annum compound growth on option price.
8. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

11. **SHARE CAPITAL AND PREMIUM** *(continued)*

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

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

Standard scheme	Binomial lattice model
Hurdle scheme	Monte Carlo model

The inputs into the models were as follows:

Schemes implemented on:		Option price per share (cents)	Expected volatility	Expected expiry date	Risk free rate	Expected dividend yield	Estimated fair value of options granted per option (cents)
29 November 2002		1 225	42,7%	29 November 2012	10,3%	3,0%	612
06 March 2003	Standard	1 100	41,9%	06 March 2013	9,7%	3,0%	508
06 March 2003	Hurdle	1 100	41,9%	06 March 2013	9,7%	3,0%	254
15 March 2004	Standard	1 304	35,8%	15 March 2014	9,5%	4,0%	523
15 March 2004	Hurdle	1 304	35,8%	15 March 2014	9,5%	4,0%	334
07 September 2004	Standard	1 200	34,0%	07 September 2014	9,6%	4,0%	463
07 September 2004	Hurdle	1 200	34,0%	07 September 2014	9,6%	4,0%	302
28 June 2005	Standard	1 400	31,1%	28 June 2011	7,6%	3,4%	433
28 June 2005	Hurdle	1 400	31,1%	28 June 2011	7,9%	3,4%	312
03 March 2006	Standard	2 353	30,1%	03 March 2012	7,2%	2,7%	750
03 March 2006	Hurdle	2 353	30,1%	03 March 2012	7,2%	2,7%	733

Expected volatility was determined using the exponentially weighted moving average (EWMA) model to calculate the historical volatility of the share price over the option lifetime giving more weight to recent data.

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

The Group recognised total expenses of R6,5 million (2005: R3,9 million) relating to these share options during the year.

All monetary amounts are expressed in millions of Rand

11. SHARE CAPITAL AND PREMIUM *(continued)*

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

The Letsema Vulindlela Share Incentive Scheme was approved by shareholders on 21 November 2005 as part of the Group's broad based black economic empowerment transaction. This transaction operates through various broad based entities of which The Letsema Vulindlela Black Executives Trust (the Vulindlela Trust) is one. The purpose of the Vulindlela Trust is to facilitate ownership in the company's ordinary share capital by black executives. At 30 June 2006, the Trust held 9 956 779 (2005: Nil) shares against the commitment of options granted by the trust totalling 664 000 (2005: Nil) shares.

The purchase of these shares was funded by an interest-free loan from the respective group employer companies. All dividends paid to the trust will be offset against the outstanding balance of the loan. Within one year after 31 December 2015, the black executives may elect to take delivery of the full benefit of the shares in accordance with their vesting rights. In the event of such an election, the black executives will be required to make a contribution to the trust in order to settle the outstanding loan amount. Should the value of the shares at 31 December 2015 be less than the outstanding loan amount, the trust must return the shares to the company and the loan will be cancelled.

The details of the movement in the outstanding options granted by the Vulindlela Trust during the year ended 30 June 2006 were as follows:

Schemes implemented on:	Outstanding options at 30 June 2005	Granted during the year	Surrendered during the year	Exercised during the year	Outstanding options at 30 June 2006	Option price per share (cents)	Estimated fair value of options granted per option (cents)
2 March 2006	–	664 000	–	–	664 000	2 353	1 253
TOTAL	–	664 000	–	–	664 000	–	–

Notes:

1. The options can only be exercised at their maturity.

2. Options are forfeited if the employee leaves the Group before the options vest.

The estimated fair values of options granted were determined using the Monte Carlo Simulation model.

The inputs into the models were as follows:

Schemes implemented on:	Option price per share (cents)	Expected volatility	Expected expiry date	Risk free rate	Expected dividend yield
2 March 2006	2 353	31,0%	31 December 2015	7,2%	2,7%

Expected volatility was determined using the exponentially weighted moving average (EWMA) model to calculate the historical volatility of the share price over the option lifetime giving more weight to recent data.

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

The Group recognised total expenses of R0,7 million (2005: RNil) relating to these share options during the year.

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
12. OTHER CAPITAL RESERVES		
Capital redemption reserve fund		
At beginning of the year	**2,2**	2,2
Transfer to retained earnings	**(0,5)**	–
	1,7	2,2
Statutory reserve		
As previously reported under SAGAAP		–
Restatement (note 51.2)		21,8
At 1 July as reported under IFRS	**24,7**	21,8
Transfer from retained earnings	**0,3**	2,9
	25,0	24,7
Share-based payment reserve		
As previously reported under SAGAAP		–
Restatement (note 51.2)		2,6
At 1 July as reported under IFRS	**6,5**	2,6
Recognition of share-based payments	**24,1**	3,9
	30,6	6,5
	57,3	33,4

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

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

The share-based-payment reserve represents the total cost recognised for the Group's equity-settled share-based payments.

	2006	Restated 2005
13. REVALUATION AND FAIR VALUE RESERVES		
Revaluation reserve		
As previously reported under SAGAAP		21,6
Restatement (note 51.2)		(21,6)
At 1 July as reported under IFRS	**–**	–
Fair value reserve		
At 1 July	**–**	(16,3)
Disposal of businesses	**–**	16,3
	–	–
	–	–

The fair value reserve represents the fair value movements on financial asset investments classified as non-trading.

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for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
14. HEDGING AND TRANSLATION RESERVES		
Hedging reserve		
At 1 July	–	(3,0)
Cash flow hedges – reclassified and added to property, plant and equipment	–	3,0
	–	–
Foreign currency translation reserve		
As previously reported under SAGAAP	17,3	(278,2)
Restatement (note 51.2)	–	278,2
At 1 July as reported under IFRS	17,3	–
Foreign currency translation movements	82,0	17,3
	99,3	17,3
	99,3	17,3

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

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

	2006	Restated 2005
15. MINORITY INTEREST		
The minority interest comprises:		
15.1 Interest of minority shareholders in reserves		
As previously reported under SAGAAP		33,9
Restatement (note 51.2)		1,1
At 1 July as reported under IFRS	67,0	35,0
Share of attributable earnings	48,6	30,2
Dividends declared and paid	(28,9)	(20,0)
Recognition of share-based payments	0,5	–
Acquisition of businesses	11,5	21,2
Purchase of minorities	(14,2)	–
Exchange rate adjustment	1,3	0,6
	85,8	67,0
15.2 Equity loans from minority shareholders		
At 1 July	29,9	20,1
Additional loans raised	2,8	16,5
Loan repayments	(10,4)	(8,3)
Exchange rate adjustment	0,5	1,6
	22,8	29,9

The loans from the minority shareholders of subsidiary companies are unsecured, have no fixed repayment terms and do not bear any interest.

	2006	Restated 2005
Balance at year end	108,6	96,9

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
16. SECURED LIABILITIES		
Liabilities of the Group are secured as follows:		
Loans secured by inventories with a book value of R1,2 million (2005: R1,7 million)	**5,3**	7,7
Loans secured over plant and machinery with a book value of R126,2 million (2005: R91,2 million)	**53,0**	33,1
Loans secured by investment in associate company with a fair value of R222,2 million (2005: R412,7 million)	**213,8**	200,1
	272,1	240,9
Reflected in the balance sheet under:		
Long term loans (note 17)	**240,0**	217,0
Bank overdrafts and short term loans (note 24)	**32,1**	23,9
	272,1	240,9
17. LONG TERM LOANS		
17.1 Interest-bearing secured loans		
Payable by		
30 June 2007	**32,1**	23,9
30 June 2008	**13,3**	14,0
between 1 July 2008 and 30 June 2012	**13,0**	2,9
later than 30 June 2012	**213,7**	200,1
	272,1	240,9
Less: Current portion (note 24)	**(32,1)**	(23,9)
	240,0	217,0
17.2 Interest-bearing unsecured loans		
Payable by		
30 June 2007	**196,4**	74,2
30 June 2008	**149,3**	54,7
between 1 July 2008 and 30 June 2012	**26,9**	41,7
later than 30 June 2012	**12,6**	1,2
	385,2	171,8
Less: Current portion (note 24)	**(196,4)**	(74,2)
	188,8	97,6
17.3 Non-interest-bearing unsecured loans		
Payable by		
30 June 2007	**55,8**	–
30 June 2008	**–**	0,1
	55,8	0,1
Less: Current portion (note 24)	**(55,8)**	–
	–	0,1

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for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
17. LONG TERM LOANS *(continued)*		
17.4 Capitalised finance leases		
Minimum lease payments		
within 1 year	**83,0**	30,7
within the year thereafter	**79,3**	24,3
subsequent years	**17,1**	1,6
	179,4	56,6
Less: future finance charges	**(8,7)**	(4,0)
Present value of lease obligations	**170,7**	52,6
The present value of lease obligations can be analysed as follows:		
30 June 2007	**82,5**	28,0
30 June 2008	**71,9**	23,1
between 1 July 2008 and 30 June 2012	**16,3**	1,5
	170,7	52,6
Less: Current portion (note 24)	**(82,5)**	(28,0)
	88,2	24,6
	517,0	339,3

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 16. Details of Group's interest rate risk management policies is set out in note 44.

18. OBLIGATIONS UNDER FINANCE HEADLEASES		
Payable by		
30 June 2007	**121,7**	79,2
30 June 2008	**76,7**	120,8
between 1 July 2008 and 30 June 2012	**78,4**	153,4
	276,8	353,4
Less: Current portion (note 24)	**(121,7)**	(79,2)
	155,1	274,2

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. Details of the Group's interest rate risk management policies are set out in note 44.

The finance headlease payments represent payments by the Group for the headlease properties in which the Group has 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.

The future minimum sublease payments expected to be received for the next three years on the leased properties are R325,5 million (2005: R267,4 million).

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
19. LONG TERM PROVISIONS		
19.1 Headleases and other property activities		
At beginning of year	**25,1**	48,4
Provision released to the income statement	**(13,5)**	(15,7)
Trading losses	**(1,4)**	(7,6)
At end of year	**10,2**	25,1
Less: Current portion included in trade and other payables (note 21)	**–**	(20,6)
	10,2	4,5
19.2 Decommissioning and other provisions		
At beginning of year	**–**	–
Additional provisions raised	**11,6**	–
Utilised during the year	**(0,5)**	–
Exchange differences	**1,1**	–
At end of year	**12,2**	–
	22,4	4,5
The decommissioning and other provisions are based on the directors' best estimate of the decommissioning cost to be incurred.		
20. DEFERRED TAXATION		
20.1 Deferred taxation assets		
The movement on the deferred taxation asset account is as follows:		
As previously reported under SAGAAP		32,8
Restatement (note 51.2)		0,9
As reported under IFRS	**34,1**	33,7
Transfer to deferred taxation liability	**(3,8)**	–
Acquisition of businesses	**22,5**	0,5
Charge to the income statement	**(1,3)**	(0,2)
Exchange rate adjustment	**–**	0,1
At end of year	**51,5**	34,1
Comprising:		
Inventory	**2,1**	2,0
Uncertified work and other construction temporary differences	**1,4**	–
Plant	**(36,0)**	(13,6)
Tax losses	**43,2**	34,6
Receivables	**(8,8)**	–
Prepayments	**(0,7)**	–
Provisions	**48,4**	9,2
Advance payments received net of tax allowances	**4,4**	–
Fair value adjustments	**(3,5)**	–
Other	**1,0**	1,9
	51,5	34,1

Notes to the consolidated financial statements
for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
20. DEFERRED TAXATION *(continued)*		
20.2 Deferred taxation liabilities		
The movement on the deferred taxation liability account is as follows:		
As previously reported under SAGAAP		117,9
Restatement (note 51.2)		(8,5)
As reported under IFRS	**251,5**	109,4
Acquisition of businesses	**11,9**	75,8
Transfer from deferred taxation asset	**(3,8)**	–
Charge to the income statement	**37,2**	67,7
Charge directly to equity	**0,7**	–
Exchange rate adjustment	**(0,2)**	(1,4)
At end of year	**297,3**	251,5
Comprising:		
Inventory	**3,8**	(4,7)
Uncertified work and other construction temporary differences	**50,5**	72,5
Plant	**131,9**	101,9
Financial leases	**48,0**	56,9
Tax losses	**(22,0)**	(7,7)
Receivables	**5,1**	2,0
Prepayments	**22,4**	5,4
Provisions	**(13,5)**	(19,0)
Advance payments received net of tax allowances	**(17,4)**	(6,1)
Fair value adjustments	**66,1**	13,5
Other	**22,4**	36,8
	297,3	251,5

20.3 Unused taxation losses

At the balance sheet date, the Group had unused taxation losses of R236 million (2005: R269 million) available for offset against future profits. A deferred taxation asset has been recognised in respect of R225 million (2005: R146 million) of such losses. No deferred taxation asset has been recognised in respect of the remaining R11 million (2005: R123 million) due to the unpredictability of future profit streams. There are no unrecognised tax losses that will expire in 2007 (2006: RNil). Other losses may be carried forward indefinitely.

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
21. TRADE AND OTHER PAYABLES		
Trade payables	**886,2**	720,3
Accruals and other payables	**2 204,8**	1 149,5
Payroll accruals	**278,7**	181,4
Operating lease payables recognised on a straight-line basis	**21,6**	16,6
Short term portion of long term provision (note 19)	**–**	20,6
	3 391,3	2 088,4
The directors consider that the carrying amount of the trade and other payables approximate their fair value.		
22. 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.	**803,5**	572,2

23. PROVISIONS FOR OBLIGATIONS

	Payroll	Warranty	Other	Total
Balance at 30 June 2005	83,9	1,1	2,1	87,1
Amounts utilised	(80,1)	(1,0)	(2,1)	(83,2)
Amounts reversed unused	(3,8)	(0,1)	–	(3,9)
Amounts raised	136,9	0,4	–	137,3
Acquisition of businesses	52,7	–	–	52,7
Exchange rate adjustment	0,9	–	–	0,9
Balance at 30 June 2006	**190,5**	**0,4**	**–**	**190,9**

The payroll provisions relate to staff bonus and severance pay obligations.

	2006	2005
24. BANK OVERDRAFTS AND SHORT TERM LOANS		
Bank overdrafts	**166,3**	197,5
Current portion of long term loans (note 17)		
– interest-bearing secured	**32,1**	23,9
– interest-bearing unsecured	**196,4**	74,2
– non-interest-bearing unsecured	**55,8**	–
Current portion of capitalised finance leases (note 17)	**82,5**	28,0
Current portion of obligations under finance headleases (note 18)	**121,7**	79,2
	654,8	402,8
25. REVENUE		
Continuing operations		
Contracting revenue	**7 396,2**	6 687,0
Sale of goods	**4 252,1**	3 320,0
Rendering of services	**210,7**	148,9
Other	**60,5**	116,2
	11 919,5	10 272,1

Notes to the consolidated financial statements

for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
26. EXCEPTIONAL ITEMS		
Headlease and other property activities (notes 1, 2, 18, 19)	**3,9**	**10,0**
Provision released to income statement	**13,5**	15,7
Net lease income from headlease property	**44,7**	65,7
Depreciation of headlease property	**(5,3)**	(5,2)
Interest expense on obligations under finance headleases	**(49,4)**	(58,4)
Profit on disposal of property	**3,8**	–
Additional liability	**(3,4)**	(7,8)
Broad based black economic empowerment expense	**(87,3)**	–
Net profit on disposals and closures	**–**	246,2
Impairment loss recognised on unlisted loan investments	**–**	(159,2)
Impairment loss recognised on property, plant and equipment	**(1,6)**	(23,1)
	(85,0)	73,9
27. EARNINGS BEFORE INTEREST AND TAXATION		
Earnings before interest and taxation is arrived at after taking into account:		
Items by nature		
Investment income other than interest		
Dividends received	**4,2**	0,7
Fair value gain on concession investments	**67,6**	46,1
Rentals received	**5,8**	7,6
Other items		
Amortisation of intangible assets (note 4)	**15,7**	1,9
Auditors' remuneration:		
Fees for audits	**21,2**	14,0
Other services	**2,8**	2,0
Expenses	**0,3**	0,4
Compensation income from insurance claims	**9,7**	22,9
Depreciation (note 1):		
Immovable property	**4,7**	4,4
Plant and machinery	**203,3**	205,9
Other property, plant and equipment	**20,3**	12,1
Other investment property	**0,2**	0,3
Employee benefit expense		
Salaries and wages (including directors' remuneration note 46)	**3 087,9**	2 611,5
Share option expense (note 11)	**7,2**	3,9
Pension costs – defined contribution plans (note 45)	**54,4**	49,4
Other post-employment benefits (note 45)	**12,8**	6,6
Fees paid for:		
Managerial services	**30,4**	14,0
Technical services	**8,6**	3,6
Administrative services	**11,9**	9,9
Secretarial services	**1,3**	0,7
Impairment loss recognised on property, plant and equipment	**4,3**	4,3
Impairment loss recognised on inventory	**0,3**	0,1

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
27. EARNINGS BEFORE INTEREST AND TAXATION *(continued)*		
Impairment charges		
Trade receivables	**17,3**	30,5
Contract receivables	**16,4**	14,6
Other receivables	**7,6**	10,2
Reversal of impairment loss recognised on property, plant and equipment	**2,6**	–
Profit on disposal of property, plant and equipment	**8,4**	25,0
Loss on disposal of property, plant and equipment	**1,9**	1,7
Net foreign exchange gains	**4,9**	6,6
Net fair value losses of financial instruments	**23,4**	6,1
Operating lease costs:		
Immovable property	**21,9**	18,8
Plant and machinery	**0,2**	–
Other	**11,2**	12,7
Research and development costs	**2,4**	1,4
Items by function		
Cost of sales*	**10 023,3**	8 712,3
Distribution and marketing costs	**179,7**	132,9
Administration costs	**1 167,8**	1 065,8
Other operating income	**251,6**	183,1
* Cost of sales include R3 281,1 million (2005: R2 696 million) relating to the cost of inventories sold during the year.		
28. NET INTEREST INCOME/(EXPENSE)		
28.1 Interest expense		
Bank overdrafts	**(26,4)**	(16,9)
Capitalised finance leases	**(5,8)**	(3,8)
Present value expense	**(14,0)**	(13,0)
Loans and other liabilities	**(30,9)**	(22,9)
	(77,1)	(56,6)
28.2 Interest income		
Bank balances and cash	**70,7**	35,8
Present value income	**10,8**	2,3
Unlisted loan investments and other receivables	**16,7**	16,0
	98,2	54,1
	21,1	(2,5)

Notes to the consolidated financial statements

for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
29. TAXATION		
South African taxation		
Normal tax		
Current year	**87,3**	60,0
Prior year	**(3,3)**	1,0
Secondary taxation on companies	**20,2**	0,3
Deferred taxation	**37,8**	64,4
Foreign taxation		
Current year	**45,4**	25,7
Deferred taxation	**0,7**	3,5
	188,1	154,9

Domestic income tax is calculated at 29% (2005: 29%) of the estimated assessable profit for the year. Taxation in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

	%	%
Reconciliation of effective rate of taxation to the standard rate of taxation		
Effective rate of taxation	**25,5**	25,2
Reduction in rate of taxation due to:		
Capital and non-taxable items	**3,2**	23,2
Taxation losses utilised	**4,4**	0,2
Deferred taxation assets recognised	**2,4**	2,4
Taxation on foreign companies	**1,2**	–
Prior year adjustments	**0,5**	–
	37,2	51,0
Increase in rate of taxation due to:		
Capital and non-deductible expenditure	**(3,7)**	(19,0)
Current year's losses not recognised	**–**	(0,4)
Taxation on foreign companies	**–**	(1,0)
Foreign withholding taxation	**(1,4)**	(0,3)
Imputed foreign income	**(0,4)**	(0,6)
Change in rate of taxation	**–**	(0,3)
Secondary taxation on companies	**(2,7)**	(0,1)
Prior year adjustments	**–**	(0,3)
South African standard rate of taxation	**29,0**	29,0

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
30. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD-FOR-SALE		
30.1 Earnings for the year from discontinued operations		
On 1 October 2005, the Group disposed of its forklift truck distribution business Criterion Equipment for R92,7 million. The comparative numbers include businesses that were closed or disposed in the prior year, being Consani Engineering, Improvair and Booker Tate.		
The profit/(loss) from the discontinued operations are analysed as follows:		
Profit/(loss) on disposal/closure	**16,4**	(53,1)
(Loss)/profit after taxation for the period	**(4,6)**	7,5
	11,8	(45,6)
(Loss)/profit after taxation for the period is analysed as follows:		
Revenue		
Sale of goods	**46,0**	402,3
	46,0	402,3
EBIT	**0,5**	11,7
Interest income	**–**	0,1
Interest expense	**(0,5)**	(1,7)
Profit before taxation	**–**	10,1
Taxation	**(4,6)**	(2,6)
Attributable (loss)/profit	**(4,6)**	7,5
EBIT comprises:		
Auditors' remuneration:		
Fees for audits	**0,1**	0,5
Depreciation:		
Plant and machinery	**0,9**	6,5
Other property, plant and equipment	**0,1**	0,4
Employee benefit expense		
Salaries and wages	**2,9**	15,9
Impairment charges		
Trade receivables	**0,7**	1,7
Profit on disposal of property, plant and equipment	**–**	0,9
Loss on disposal of property, plant and equipment	**–**	0,5
Net foreign exchange losses	**0,2**	2,8
Operating lease costs:		
Immovable property	**0,1**	2,8
Plant and machinery	**–**	0,3
Cost of sales*	**39,4**	375,1
Distribution and marketing costs	**0,2**	5,8
Administration costs	**6,2**	40,1
Other operating income	**0,3**	30,4

* Cost of sales include R39,4 million (2005: R375,1 million) relating to the cost of inventories sold during the year.

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for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
30. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD-FOR-SALE *(continued)*		
30.2 Assets classified as held-for-sale		
The Group is in advanced stages of selling one of its properties on the open market. The disposal is expected to occur within 12 months and the property has therefore been classified as an asset held-for-sale. The proceed of the disposal is expected to exceed the net carrying amount of the asset, and accordingly no impairment loss has been recognised on the classification of this asset as held-for-sale.		
The major classes of assets comprising the assets held-for-sale are as follows:		
Property, plant and equipment – land and buildings	2,6	–
Investment property	8,6	–
	11,2	–
31. EARNINGS AND HEADLINE EARNINGS PER SHARE		
31.1 From continuing and discontinued operations		
The calculation of basic and diluted earnings per share attributable to ordinary shareholders of the company is based on the following data:		
Earnings		
Earnings attributable to the equity holders of the company	512,7	462,4
Number of shares ('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	(12 139)	(13 664)
Less: Weighted average number of shares held by the Letsema BBBEE trusts	(14 917)	–
Weighted average number of shares in issue used in the determination of basic per share figures	304 837	318 229
Add: Dilutive adjustment for share options	5 081	4 611
Weighted average number of shares in issue used in the determination of diluted per share figures	309 918	322 840
Earnings per share from continuing and discontinued operations (cents)		
– Diluted	165	143
– Basic	168	145
31.2 From continuing operations		
The calculation of basic and diluted earnings per share from continuing operations attributable to ordinary shareholders of the company is based on the following data:		
Earnings		
Earnings attributable to the equity holders of the company	512,7	462,4
Adjustments:		
(Profit)/loss from discontinued operations (note 30.1)	(11,8)	45,6
Earnings for the purposes of basic and diluted earnings per share from continuing operations	500,9	508,0
Number of shares ('000)		
The denominators used are the same as those detailed above for both basic and diluted earnings per share.		
Earnings per share from continuing operations (cents)		
– Diluted	162	157
– Basic	164	160

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
31. EARNINGS AND HEADLINE EARNINGS PER SHARE *(continued)*		
31.3 From discontinued operations		
The calculation of basic and diluted earnings per share from discontinued operations attributable to ordinary shareholders of the company is based on the following data:		
Earnings		
Profit/(loss) from discontinued operations (note 30.1)	**11,8**	(45,6)
Number of shares ('000)		
The denominators used are the same as those detailed above for both basic and diluted earnings per share.		
Earnings/(loss) per share from discontinued operations (cents)		
– Diluted	**4**	(14)
– Basic	**4**	(14)
31.4 Headline Earnings		
The calculation of basic and diluted headline earnings per share attributable to ordinary shareholders of the company is based on the following data:		
Earnings		
Earnings attributable to the equity holders of the company	**512,7**	462,4
Adjustments:		
Non-headline exceptional items (note 26)	**1,6**	(63,9)
(Loss)/profit from disposal/closure (note 30.1)	**(16,4)**	53,1
Taxation on exceptional items	**4,0**	16,1
Non-headline portion of income from associate	**–**	2,4
Headline earnings	**501,9**	470,1
Number of shares ('000)		
The denominators used are the same as those detailed above for both basic and diluted earnings per share.		
Headline earnings per share (cents)		
– Diluted	**162**	146
– Basic	**165**	148
31.5 Headline earnings excluding the broad based black economic empowerment expense		
The calculation of basic and diluted headline earnings per share excluding the BBBEE expense is based on the following data:		
Headline earnings		
Headline earnings as above	**501,9**	470,1
Adjustments:		
BBBEE expense	**87,3**	–
Taxation effect on BBBEE expense	**(20,3)**	–
Headline earnings excluding the BBBEE expense	**568,9**	470,1
Number of shares ('000)		
The denominators used are the same as those detailed above for both basic and diluted earnings per share.		
Headline earnings per share excluding the BBBEE expense (cents)		
– Diluted	**184**	146
– Basic	**187**	148

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All monetary amounts are expressed in millions of Rand	2006	Restated 2005
32. ORDINARY DIVIDENDS		
Final dividend No. 109 of 40,0 cents declared on 30 August 2006	**132,8**	
Interim dividend No. 108 of 20,0 cents declared on 2 March 2006 and paid on 18 April 2006	**66,4**	
Final dividend No. 107 of 30,0 cents declared on 31 August 2005 and paid on 17 October 2005		99.6
Interim dividend No. 106 of 15,0 cents declared on 28 February 2005 and paid on 18 April 2005		49,8
	199,2	149,4
Less: Dividends relating to treasury shares	**23,7**	(6,2)
	175,5	143,2

In respect of final dividend no. 109, the directors have declared a dividend of 40,0 cents per share which will be paid to shareholders registered in the books of the company on Friday 13 October 2006, on Monday 16 October 2006. The secondary taxation on companies payable on this dividend is estimated to be R15,7 million.

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
33. CASH GENERATED BY OPERATIONS		
Earnings before exceptional items and interest (including discontinued operations)	**800,8**	555,9
Adjustments for non-cash items:		
Amortisation of intangible assets	**15,7**	1,9
Depreciation	**229,5**	229,6
Fair value adjustments on concession investments	**(67,6)**	(46,1)
Fair value adjustments on other financial instruments	**23,4**	6,1
Net provisions raised and released	**144,2**	61,3
Net profit on disposal of property, plant and equipment	**(6,5)**	(23,7)
Share-based payment expense	**7,2**	3,9
Other non-cash items	**6,2**	4,7
Adjustments for cash items:		
Adjustments for net cash outflow from exceptional items:		
Headlease and other property activities	**(82,3)**	(68,6)
BBBEE expense	**(69,9)**	–
Other	**(2,0)**	(18,9)
Dividends received	**(4,2)**	(0,7)
Provisions utilised and paid	**(83,7)**	(52,1)
Change in working capital	**(194,6)**	19,4
Inventories	**(74,7)**	(96,1)
Contracts in progress and contract receivables	**(494,2)**	(28,8)
Trade and other receivables	**(288,6)**	13,5
Trade and other payables	**484,2**	64,9
Subcontractor liabilities	**178,7**	65,9
	716,2	672,7

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
34. TAXATION PAID		
Taxation unpaid at beginning of year	**(93,6)**	(27,8)
Acquisition of businesses	**(45,8)**	6,6
Disposal of businesses	**–**	2,8
Taxation charged to the income statement, excluding deferred taxation	**(154,2)**	(89,6)
Taxation unpaid at end of year	**151,6**	93,6
	(142,0)	(14,4)

35. ACQUISITION OF BUSINESSES

Oconbrick Manufacturing (Proprietary) Limited and related companies

On 1 September 2005 the Group acquired 80,0% of the ordinary share capital of Oconbrick Manufacturing (Proprietary) Limited and related companies. The acquired businesses contributed revenue of R146,5 million and attributable profit of R20,8 million during this period. If the acquisition had been completed on 1 July 2005, total group revenue for the period would have been R11 997,6 million, and attributable profit for the year would have been R518,4 million.

Details of the net assets acquired and the goodwill are as follows:

	2006
Purchase consideration:	
– cash paid	**(96,0)**
– direct costs relating to the acquisition	**(2,4)**
Total purchase consideration	**(98,4)**
Fair value of net assets acquired	**37,9**
Goodwill (note 3)	**(60,5)**

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

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All monetary amounts are expressed in millions of Rand	Acquiree's carrying value	**Fair value**
35. ACQUISITION OF BUSINESSES *(continued)*		
The net assets acquired and the goodwill arising, are as follows:		
Cash balances in businesses	(31,4)	(31,4)
Inventories	(13,7)	(13,7)
Accounts receivable and contracts in progress	(16,6)	(16,6)
Associates	(8,2)	(8,2)
Intangible assets	–	(19,9)
Property, plant and equipment	(41,1)	(41,1)
Accounts payable and provisions	19,5	19,5
Current and deferred taxation	23,3	23,3
Non-current liabilities	7,5	7,5
Minority interest	11,5	11,5
Contingent liabilities		31,2
Net assets acquired	(49,2)	(37,9)
Goodwill		(60,5)
Total consideration		(98,4)
Net cash outflow arising on acquisition:		
Cash consideration paid		(98,4)
Cash balances acquired		31,4
		(67,0)

Concor Limited

On 14 June 2006 the Group acquired 100,0% of the ordinary share capital of Concor Limited. The acquired businesses did not contribute any revenue or attributable profit during the year. If the acquisition had been completed on 1 July 2005, total group revenue for the period would have been R13 793,4 million, and attributable profit for the year would have been R556 million.

Details of the net assets acquired and the goodwill are as follows:

	2006
Purchase consideration:	
– cash paid	**–**
– cash committed for acquisition	**(332,6)**
– direct costs relating to the acquisition	**(8,6)**
Total purchase consideration	**(341,2)**
Fair value of net assets acquired	**303,0**
Goodwill (note 3)	**(38,2)**

The goodwill is attributable to the synergies expected to arise after the acquisition.

All monetary amounts are expressed in millions of Rand	Acquiree's carrying value	**Fair value**
35. ACQUISITION OF BUSINESSES *(continued)*		
The net assets acquired and the goodwill arising, are as follows:		
Cash balances in businesses	(220,2)	(220,2)
Inventories	(32,6)	(32,6)
Accounts receivable and contracts in progress	(444,3)	(444,3)
Investments	(45,7)	(45,7)
Associates	(25,3)	(25,3)
Intangible assets	(1,0)	(1,0)
Investment property	(17,6)	(17,6)
Property, plant and equipment	(220,7)	(220,7)
Accounts payable and provisions	594,3	594,3
Subcontractor liabilities	52,6	52,6
Current and deferred taxation	(13,1)	(13,1)
Non-current liabilities	70,6	70,6
Net assets acquired	(303,0)	(303,0)
Goodwill		(38,2)
Total consideration paid and to be paid		(341,2)
Net cash outflow arising on acquisition:		
Cash consideration paid and to be paid		(341,2)
Amount not yet paid at 30 June 2006*		332,6
Cash balances acquired		220,2
		211,6

* The consideration for Concor Limited was only paid on 3 July 2006.

The Cementation Company (Africa) Limited and Cementation Canada Inc

In the prior year 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.

Details of the net assets acquired and the goodwill are as follows:

	2005
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 financial statements

for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	Acquiree's carrying value	**Fair value**
35. ACQUISITION OF BUSINESSES *(continued)*		
The fair value of net assets acquired and the goodwill arising, are as follows:		
Cash balances in businesses	(26,2)	(26,2)
Inventories	(40,5)	(40,5)
Accounts receivable and contracts in progress	(258,4)	(258,4)
Investments	(0,1)	(0,1)
Property, plant and equipment	(143,1)	(143,1)
Accounts payable	295,8	295,8
Current and deferred taxation	(12,3)	(12,3)
Non-current liabilities	16,7	16,7
Minority interest	3,6	3,6
Contingent liabilities	–	19,8
Net assets acquired	(164,5)	(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)

	2006	2005
36. NET CASH INFLOW/(OUTFLOW) ON DISPOSAL/CLOSURE OF BUSINESSES		
During the year the Group disposed of/closed businesses (note 30) with a fair value of assets sold and liabilities released of:		
Cash balances in businesses	**–**	43,0
Inventories	**35,7**	75,7
Accounts receivable and contracts in progress	**42,6**	136,3
Investments	**–**	4,4
Property, plant and equipment	**33,4**	27,6
Current and deferred taxation	**–**	(1,5)
Accounts payable	**(38,8)**	(84,8)
Profit/(loss) on disposal/closure of businesses	**19,8**	(148,4)
Total proceeds	**92,7**	52,3
Less: Cash balances in businesses disposed	**–**	(43,0)
Less: Balance remaining on loan account	**(45,0)**	(18,0)
	47,7	(8,7)

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
37. NET MOVEMENT IN BORROWINGS		
Loans raised	**318,3**	182,6
Loans repaid	**(49,9)**	(83,0)
	268,4	99,6
Capitalised leases repaid	**(40,7)**	(32,7)
	227,7	66,9
38. NET CASH AND CASH EQUIVALENTS		
38.1 Cash and cash equivalents		
Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
Bank balances and cash	**1 808,3**	1 930,9
Bank overdrafts	**(166,3)**	(197,5)
	1 642,0	1 733,4
38.2 Restricted cash		
Cash and cash equivalents at the end of the year include bank balances and cash that are restricted from immediate use due to:		
– margin deposits	**2,7**	–
– other agreements with banks and other financial institutions	**24,3**	–
– held in trust accounts for sublease tenants	**5,9**	–
– held in joint ventures	**183,8**	225,7
	216,7	225,7

38.3 Non-cash items

Excluded from the cash flow statement are additions to fixed assets amounting to R75,3 million (R52,1 million) which were funded by finance leases.

The acquisition consideration for Concor Limited was only paid on 3 July 2006.

	2006	Restated 2005
39. PROFIT AND LOSSES OF SUBSIDIARIES		
Aggregate profits	**825,7**	1 130,6
Aggregate losses	**(188,2)**	(399,5)

40. JOINT VENTURES

40.1 Joint venture arrangements

A proportion of the Group's operations are performed through joint ventures. The Group operates through two types of joint ventures:

Joint venture entities

these are incorporated arrangements such as jointly controlled companies.

Joint venture operations

these are unincorporated arrangements such as partnerships and contracts.

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
40. JOINT VENTURES *(continued)*		
The Group's aggregate proportionate share of joint ventures included in the consolidated balance sheet is as follows:		
Non-current assets	**33,5**	35,9
Current assets	**1 358,0**	542,2
Total assets	**1 391,5**	578,1
Non-current liabilities	**–**	–
Current liabilities	**1 067,5**	514,3
Total liabilities	**1 067,5**	514,3
Net assets	**324,0**	63,8
The Group's aggregate proportionate share of joint ventures included in the consolidated income statement is as follows:		
Revenue	**2 386,4**	1 025,1
Profit after taxation	**195,6**	82,2

40.2 Details of significant joint ventures

	Business segment	Ownership interest and voting power %	%
The Group has the following significant joint venture entities:			
Bombela Civils Joint Venture (Proprietary) Limited	Construction & engineering	45,0	–
SNC Lavalin-Murray & Roberts (Proprietary) Limited	Construction & engineering	50,0	50,0
Alert Steel Polokwane (Proprietary) Limited	Construction materials & services	50,0	50,0
Freyssinet Posten (Proprietary) Limited	Construction materials & services	50,0	50,0
Precast Reinforcing Steel (Proprietary) Limited	Construction materials & services	50,0	50,0
Reinforcing Steel Contractors East London (Proprietary) Limited	Construction materials & wervices	50,0	50,0
Shisane Reinforcing Steel (Proprietary) Limited	Construction materials & services	40,0	40,0
National Metal Cape Town (Proprietary) Limited	Construction materials & services	40,0	40,0
Flaming Silver 163 (Proprietary) Limited	Fabrication & manufacture	50,0	50,0
Falcon Aluminium Alloys (Proprietary) Limited	Fabrication & manufacture	33,3	33,3
The Group has the following significant joint venture operations:			
Al Habtoor – Murray & Roberts Takenaka Joint Venture	Construction & engineering	40,0	40,0
Al Habtoor – Murray & Roberts Joint Venture	Construction & engineering	50,0	50,0
SEP Joint Venture	Construction & engineering	50,0	–
Cemdelsam Joint Venture	Construction & engineering	50,0	50,0
Vresap Civils Joint Venture	Construction & engineering	40,0	–
Mpumalanga Pipeline Contractors Joint Venture	Construction & engineering	25,0	–
Murray & Roberts/BBMM Joint Venture	Construction & engineering	50,0	50,0
Murray & Roberts/WBHO Joint Venture	Construction & engineering	50,0	–
Murray & Roberts/Jolinde Joint Venture	Construction & engineering	85,0	85,0
A A Nass – Murray & Roberts Joint Venture	Construction & engineering	50,0	50,0
Vulindlela Joint Venture	Construction materials & services	33,3	–

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
41. 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	**131,4**	147,9
The Group has committed to a second subscription agreement in Clough Limited of 30 million shares at a price equal to the volume weighted average price of Clough's shares for 60 days prior to the date of subscription.		
Total financial institution guarantees given to third parties on behalf of group companies amounted to	**1 944,8**	1 787,5
The directors do not believe any exposure to loss is likely.		
Contingent liabilities arising from interest in joint ventures included above amounted to	**895,3**	–
The directors do not believe any exposure to loss is likely.		
The Group has not acquired any contingent liabilities at the date of acquisition of Concor Limited		
The Group acquired contingent liabilities at the date of acquisition of Oconbrick Manufacturing (Proprietary) Limited. These were recognised as liabilities on the date of acquisition (note 35).	**31,2**	
The Group acquired contingent liabilities at the date of acquisition of The Cementation Company (Africa) Limited. These were recognised as liabilities on the date of acquisition (note 35).		19,8
42. CAPITAL COMMITMENTS		
Approved by the directors, contracted and not provided in the balance sheet	**97,5**	59,2
Approved by the directors, not yet contracted for	**764,1**	336,3
	861,6	395,5

Capital expenditure will be financed from internal resources and existing facilities.

The capital commitments relate primarily to the acquisition of project related capital expenditure.

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All monetary amounts are expressed in millions of Rand	2006	Restated 2005
43. OPERATING LEASE ARRANGEMENTS		
43.1 General operating leases		
Operating lease payments represent rentals payable by the Group for certain of its office properties and certain items of plant and machinery, and furniture and fittings. These leases have varying terms, escalation clauses and renewal periods.		
Operating lease cost		
Operating lease costs recognised in the income statement are set out in note 27.		
Operating lease commitments		
The future minimum lease payments under non-cancellable operating leases are as follows:		
Due within one year	**24,9**	22,8
Due between two and five years	**37,3**	49,5
Due thereafter	**4,3**	0,3
	66,5	72,6
43.2 Operating headleases		
Operating headlease payments represent rentals payable by the Group for the headlease properties 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		
Operating headlease costs recognised in the income statement are set out in note 26.		
The future minimum sublease payments expected to be received for the next three years on the leased properties are R71,9 million (2005: R114,8 million).		
Operating headlease commitments		
The future minimum lease payments under non-cancellable operating headleases are as follows:		
Due within one year	**32,5**	30,5
Due between two and five years	**37,1**	99,2
Due thereafter	**–**	33,9
	69,6	163,6

All monetary amounts are expressed
in millions of Rand

44. FINANCIAL RISK MANAGEMENT

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

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

44.1 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.

44.2 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 in order to hedge significant future transactions and cash flows. 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.

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

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

	2006 Foreign amount million	2006 Rand amount million	2005 Foreign amount million	2005 Rand amount million
44. FINANCIAL RISK MANAGEMENT *(continued)*				
At the balance sheet date, the notional amount of outstanding forward foreign exchange contracts to which the Group is committed are as follows:				
Related to specific balance sheet items				
Bought				
US Dollars	0,7	5,0	5,6	35,4
Euros	3,2	29,4	8,4	68,7
British Pounds	3,6	43,3	8,5	74,9
Other	–	–	0,2	1,2
Total	–	77,7	–	180,2
Sold				
US Dollars	14,6	97,7	17,9	117,7
Euros	0,7	6,4	5,4	45,0
British Pounds	0,6	8,1	1,0	16,0
Other	–	–	–	–
Total	–	112,2	–	178,7
Related to future commitments				
Bought				
US Dollars	–	–	–	–
Euros	–	–	0,2	1,5
Japanese Yen	–	–	589,5	36,6
Total	–	–	–	38,1

At 30 June 2006, the fair value of the Group's currency derivatives is estimated to be approximately R0,2 million (2005: R29,6 million). These amounts are based on quoted market prices for equivalent instruments at the balance sheet date, and comprise R8,4 million assets (2005: R33,6 million) and R8,2 million liabilities (2005: R4,0 million) (note 10).

No amounts relating to currency derivatives that have been designated as cash flow hedges have been deferred in equity during the year (2005: RNil). No amounts (2005: R3,0 million) have been transferred to property, plant and equipment in respect of contracts matured during the period.

Fair value losses of non-hedging currency derivatives and those designated as cash flow hedges that were ineffective during the period amounting to R23,7 million (2005: R6,5 million gains) were recognised in the income statement in the year.

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

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
44. FINANCIAL RISK MANAGEMENT *(continued)*		
44.2 Foreign currency management (continued)		
The carrying amounts of the significant financial assets are denominated in the following currencies:		
Bank balances and cash		
Australian Dollar	**21,0**	13,9
Bahrain Dinar	**20,7**	26,3
Botswana Pula	**36,4**	28,1
British Pound	**5,6**	2,6
Canadian Dollar	**18,9**	41,8
Egyptian Pound	**2,4**	0,2
European Euro	**11,7**	18,2
Malaysian Ringit	**16,6**	23,4
Qatari Rial	**31,6**	29,3
South African Rand	**1 280,2**	1 328,0
UAE Dirham	**78,2**	170,6
US Dollar	**278,8**	231,7
Other	**6,2**	16,8
	1 808,3	1 930,9
Trade and contract receivables		
Australian Dollar	**23,3**	19,7
Bahrain Dinar	**79,2**	21,4
Botswana Pula	**47,5**	47,0
British Pound	**10,4**	7,8
Canadian Dollar	**190,4**	110,7
Egyptian Pound	**6,3**	4,6
European Euro	**4,4**	1,0
Malaysian Ringit	**0,6**	8,7
Qatari Rial	**42,9**	85,1
South African Rand	**1 879,9**	1 183,5
UAE Dirham	**368,8**	253,3
US Dollar	**106,9**	62,2
Other	**20,1**	17,1
Gross receivables	**2 780,7**	1 822,1
Present value and other adjustments	**(34,3)**	(28,9)
	2 746,4	1 793,2

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All monetary amounts are expressed in millions of Rand	2006	Restated 2005
44. FINANCIAL RISK MANAGEMENT *(continued)*		
44.2 Foreign currency management (continued)		
The carrying amounts of the significant financial liabilities are denominated in the following currencies:		
Bank overdrafts		
Botswana Pula	**7,5**	–
British Pound	**0,7**	0,3
Egyptian Pound	**52,8**	61,3
South African Rand	**69,8**	27,9
UAE Dirham	**33,7**	53,5
US Dollar	**0,2**	54,4
Other	**1,6**	0,1
	166,3	197,5
Trade payables and subcontractor liabilities		
Australian Dollar	**9,5**	8,5
Bahrain Dinar	**13,1**	15,1
Botswana Pula	**71,3**	61,4
British Pound	**0,3**	0,9
Canadian Dollar	**27,8**	29,9
Egyptian Pound	**1,7**	3,0
European Euro	**11,7**	0,6
Malaysian Ringit	**1,9**	10,2
Qatari Rial	**19,8**	77,6
South African Rand	**992,2**	740,1
UAE Dirham	**537,0**	288,5
US Dollar	**8,8**	14,0
Other	**1,1**	49,7
Gross liabilities	**1 696,2**	1 299,5
Present value and other adjustments	**(6,5)**	(7,0)
	1 689,7	1 292,5
Interest-bearing liabilities		
Australian Dollar	**80,3**	0,9
Botswana Pula	**1,0**	4,1
British Pound	**–**	78,8
Canadian Dollar	**55,5**	–
South African Rand	**680,3**	502,6
UAE Dirham	**73,8**	32,2
US Dollar	**213,9**	200,1
Other	**–**	–
	1 104,8	818,7
Non-interest-bearing liabilities		
South African Rand	**55,8**	0,1

All monetary amounts are expressed in millions of Rand

44. FINANCIAL RISK MANAGEMENT *(continued)*

44.3 Interest rate risk management

The Group is exposed to interest rate risk through its bank overdrafts and other interest-bearing liabilities. The Group does not normally hedge its interest rate risk 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.

Interest rate swap agreements are valued at fair value on the balance sheet with the resultant gain or loss included in the income statement.

As at 30 June 2006 the Group had two interest rate swap agreements outstanding as detailed below (note 10).

	Currency	Interest rate (%)	Final maturity date	Nominal outstanding amounts Rm
Pay floating rate, receive fixed rate	ZAR	13,4	02 January 2007	1,3
Pay fixed rate, receive floating rate	GBP	8,0	20 February 2007	48,7

At 30 June 2006, the fair value of the Group's interest derivatives is estimated to be liability of approximately R1,1 million (2005: R3,4 million liability). These amounts are based on quoted market prices for equivalent instruments at the balance sheet date, and comprise R0,1 million assets (2005: R0,2 million) and R1,2 million liabilities (2005: R3,6 million) (note 10).

No interest rate derivatives have been designated as cash flow hedges and hence no fair value movements have been deferred in equity during the year (2005: RNil).

Fair value gains of the non-hedging interest derivatives amounting to R0,3 million (2005: R12,6 million losses) were recognised in the income statement in the year.

	2006	2005
The financial instruments that are sensitive to interest rate risk are:		
Bank balances and cash	**1 808,3**	1 930,9
Bank overdrafts	**166,3**	197,5
Interest-bearing liabilities	**1 104,8**	818,7

All monetary amounts are expressed in millions of Rand

44. FINANCIAL RISK MANAGEMENT *(continued)*

44.4 Maturity profile of financial instruments

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

	<1 year	1 – 6 years	Total
Financial assets			
Bank balances and cash	1 808,3	–	1 808,3
Net amounts due from contract customers	2 825,6	52,6	2 878,2
Trade and other receivables	1 454,4	18,2	1 472,6
Derivative financial instruments	8,5	–	8,5
Other investments	–	435,1	435,1
Loans to associate companies	–	93,6	93,6
Financial liabilities			
Bank overdrafts	166,3	–	166,3
Interest-bearing liabilities	432,7	672,1	1 104,8
Non-interest-bearing liabilities	55,8	–	55,8
Amounts due to contract customers	961,3	–	961,3
Trade and other payables	3 391,3	5,6	3 396,9
Derivative financial instruments	9,4	30,5	39,9
Subcontractor liabilities	803,5	–	803,5

44.5 Credit risk management

Potential areas of credit risk consist of trade accounts receivable, short term cash investments and non-current unsecured loan receivables.

Trade accounts receivable consists 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 and account limits. Provision is made for specific bad debts and at the 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	2006	Restated 2005
44. FINANCIAL RISK MANAGEMENT *(continued)*		
44.6 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 capacity is unlimited.		
Borrowing facility		
Total borrowing facility	**6 637,6**	6 009,7
Current utilisation	**2 717,6**	2 712,3
Borrowing facilities available	**3 920,0**	3 297,4

45. RETIREMENT AND OTHER BENEFIT PLANS

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

45.1 Defined contribution plans – pension funds

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

Murray & Roberts Retirement Fund
Investment Solutions Pension Fund

The assets of the funds are independently controlled by a board of trustees which includes representatives elected by the members. The funds were actuarially valued on the following dates and declared to be in a sound financial position:

Murray & Roberts Retirement Fund	31 December 2005
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 2006 was R35,9 million (2005: R32,8 million).

45.2 Defined contribution plans – provident funds

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

Murray & Roberts Provident Fund
The Cementation Company Provident Fund*

The assets of the fund are independently controlled by a board of trustees which includes representatives elected by the members. The funds were actuarially valued on 28 February 2006 and on 31 December 2004 respectively and declared to be in a sound financial position.

The total cost to the Group in respect of the above funds for the year ended 30 June 2006 was R18,5 million (2005: R16,6 million).

45.3 Surplus legislation

Set out below is the current status in respect of surplus scheme submissions:

Murray & Roberts Retirement Fund	Nil surplus scheme recorded by the Financial Services Board
Investment Solutions Pension Fund	Surplus apportionment scheme under dispute (R12,4 million)
Murray & Roberts Provident Fund	Nil surplus scheme recorded by the Financial Services Board
The Cementation Company Provident Fund	Nil surplus scheme submitted to the Financial Services Board

* Includes hourly-paid employees

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for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
45. RETIREMENT AND OTHER BENEFIT PLANS *(continued)*		
45.4 Defined benefit plan – retirement benefits		
The Murray & Roberts Retirement Fund is a defined contribution scheme that provides, amongst other benefits, guaranteed pensions to pensioners in payment. The latter benefits are classified as defined benefit obligations. In the valuation of the scheme surplus, all assets and liabilities of defined contribution members have been ignored. The scheme currently has 3 892 pensioners as members.		
Present value of funded liability	**1 735,8**	1 557,1
Fair value of plan assets	**(2 179,9)**	(1 867,7)
Unrecognised actuarial gain	**(444,1)**	(310,6)
The disclosure of the funded status is for accounting purposes only, and does not indicate available assets to the Group.		
The most recent actuarial valuations of the plan assets and the present value of the defined obligations were carried out at 30 June 2006 by Alexander Forbes Financial Services. The present value of the defined benefit obligation, and the related current service costs were measured using the projected unit credit method.		
The components of the income statement pension expense is as follows:		
Interest cost	**125,0**	–
Expected return on plan assets	**(160,3)**	–
Net actuarial loss recognised	**25,0**	–
	(10,3)	–
Movements in the net asset were as follows:		
Present value at beginning of year	**–**	–
Amounts recognised in the income statement	**(10,3)**	–
Unrecognised actuarial gains	**10,3**	–
At 30 June	**–**	–
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	**9,0%**	8,5%
Inflation rate	**5,8%**	4,5%
Expected return on plan assets	**9,5%**	9,0%
Pension increase allowance	**4,8%**	3,3%

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

The actual return on plan assets was R484,8 million. The expected rates of return on individual categories of plan assets are determined by reference to indices published by the JSE Limited. The overall expected rate of return is calculated by weighing the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The Group does not expect to contribute any amounts to its retirement defined benefit plan in 2007.

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
45. RETIREMENT AND OTHER BENEFIT PLANS *(continued)*		
45.5 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	**60,8**	58,3
Fair value of plan assets	**(79,1)**	(82,9)
Unrecognised actuarial gain	**(18,3)**	(24,6)
The disclosure of the funded status is for accounting purposes only, and does not indicate available assets to the Group.		
The most recent actuarial valuations of the plan assets and the present value of the defined obligations were carried out at 30 June 2006 by Lekana Employee Benefit Solutions. The present value of the defined benefit obligation, and the related current service costs were measured using the projected unit credit method.		
Costs for the year included in payroll costs (note 27) and interest expense (note 28) in the income statement:		
Current service cost	**12,8**	13,6
Interest cost	**4,6**	6,8
Expected return on plan assets	**(4,8)**	(4,9)
Net actuarial (gain)/loss recognised	**(9,0)**	15,2
Contributions	**11,7**	(5,9)
	15,3	24,8
Movements in the net asset were as follows:		
Present value at beginning of year	**–**	–
Amounts recognised in the income statement	**15,3**	24,8
Contributions	**(15,3)**	(24,8)
At 30 June	**–**	–
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	**8,8%**	8,3%
Expected return on plan assets	**6,0%**	5,3%
Long term increase in medical subsidies	**4,8%**	4,8%

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

The actual return on plan assets was R5,0 million. The expected rates of return on individual categories of plan assets are determined by reference to indices published by the JSE Limited. The overall expected rate of return is calculated by weighing the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The Group expects to contribute approximately R9,3 million to its post-retirement medical aid defined benefit plan in 2007.

All monetary amounts are expressed in millions of Rand	2006	Restated 2005

45. RETIREMENT AND OTHER BENEFIT PLANS *(continued)*

45.6 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.

	2006	Restated 2005
Present value of funded liability	**44,0**	44,0
Fair value of plan assets	**(45,7)**	(47,4)
Unrecognised actuarial gain	**(1,7)**	(3,4)

The disclosure of the funded status is for accounting purposes only, and does not indicate available assets to the Group.

The most recent actuarial valuations of the plan assets and the present value of the defined obligations were carried out at 30 June 2006 by Lekana Employee Benefit Solutions. The present value of the defined benefit obligation, and the related current service costs were measured using the projected unit credit method.

Costs for the year included in payroll costs (note 27) and interest expense (note 28) in the income statement:

	2006	Restated 2005
Current service cost	**8,4**	7,8
Interest cost	**3,2**	3,9
Expected return on plan assets	**(3,6)**	(4,0)
Net actuarial loss/(gain) recognised	**0,8**	(1,0)
Contributions	**(1,8)**	1,0
	7,0	7,7

Movements in the net asset were as follows:

	2006	Restated 2005
Present value at beginning of year	**–**	–
Amounts recognised in the income statement	**7,0**	7,7
Contributions	**(7,0)**	(7,7)
At 30 June	**–**	–

	2006	Restated 2005
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	**8,8%**	8,3%
Expected return on plan assets	**8,0%**	7,5%
Long term increase in disability benefits	**5,8%**	4,8%

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

The actual return on plan assets was R3,7 million. The expected rates of return on individual categories of plan assets are determined by reference to indices published by the JSE Limited. The overall expected rate of return is calculated by weighing the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The Group expects to contribute approximately R12,0 million to its disability benefit defined benefit plan in 2007.

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
45. RETIREMENT AND OTHER BENEFIT PLANS *(continued)*		
45.7 Defined benefit plan – pension scheme		
The Group is the principal employer for a defined benefit pension scheme in the United Kingdom, the Multi (UK) Limited Pension Scheme. Membership only comprises pensioners and deferred pensioners.		
Present value of funded liability	**51,1**	48,7
Fair value of plan assets	**(56,7)**	(54,6)
Unrecognised actuarial gain	**(5,6)**	(5,9)
The disclosure of the funded status is for accounting purposes only, and does not indicate available assets to the Group.		
The most recent actuarial valuations of the plan assets and the present value of the defined obligations were carried out at 30 June 2006 by Barnett Waddingham LLP. The present value of the defined benefit obligation, and the related current service costs were measured using the projected unit credit method.		
The components of the income statement pension expense is as follows:		
Current service cost	**–**	–
Interest cost	**2,2**	2,6
Expected return on plan assets	**(2,5)**	(2,4)
Net actuarial loss recognised	**–**	–
	(0,3)	0,2
Movements in the net asset were as follows:		
Present value at beginning of year	**–**	–
Amounts recognised in the income statement	**(0,3)**	0,2
Unrecognised actuarial gains	**0,3**	(0,2)
At 30 June	**–**	–
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	**5,3%**	5,0%
Expected return on scheme assets	**5,0%**	5,0%
Rate of increase in pension payments	**3,1%**	3,0%
Rate of increase in pensions in deferment	**3,1%**	2,7%
Rate of inflation	**3,1%**	2,7%

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

The actual return on plan assets was R0,7 million (2005: R6,3 million). The overall expected rate of return is calculated by weighing the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The Group does not expect to contribute any amount to its pension benefit defined benefit plan in 2007.

Notes to the consolidated financial statements

for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
46. RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTERESTS		
46.1 Identity of related parties		
The Group has a related party relationship with its subsidiary companies (annexure 1), associate companies (note 5), joint ventures (note 40), retirement and other benefit plans (note 45) and with its directors and executive officers. In addition, the Group has a related party relationship with certain other parties. These are:		
– Borbet SA (Proprietary) Limited – 50% equity ownership but no significant influence		
– Consani Engineering (Proprietary) Limited – 100% equity ownership but no control (in liquidation)		
46.2 Related party transactions and balances		
During the year the company and its related parties, in the ordinary course of business, entered into various inter-group sale and purchase transactions. These transactions are no less favourable than those arranged with third parties.		
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.		
Amounts owed by related parties		
Unsecured loans (note 6):		
Borbet SA (Proprietary) Limited	**139,5**	128,6
Impairment provision	**(55,9)**	(55,9)
The loan amount is unsecured, interest free and has no fixed terms of repayment.	**83,6**	72,7
Consani Engineering Proprietary Limited	**154,5**	185,1
Impairment provision	**(144,2)**	(144,2)
The loan amount is unsecured, interest free and has no fixed terms of repayment.	**10,3**	40,9
Amount owing by joint ventures	**3,3**	4,3
The loan amounts are unsecured, interest free and have no fixed terms of repayment.	**97,2**	117,9
Amounts owed to related parties		
Unsecured interest-bearing borrowings (note 24):		
Amounts owing to joint ventures	**73,1**	19,2
	73,1	19,2

The amounts owing to the joint ventures are unsecured, with no fixed terms of repayment and carry interest at 6,7% (2005: 6,4%) per annum.

46.3 Related party guarantees

A subsidiary company has provided a suretyship to a third party on behalf of Borbet SA (Proprietary) Limited, the relating contingent liability amount limited to R8,5 million.

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
46. RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTERESTS *(continued)*		
46.4 Transactions with key management personnel		
Interest of the directors in the share capital of the company is set out in the directors' report.		
The key management personnel compensation, excluding the directors, are as follows:		
Salary	**14,0**	12,8
Retirement fund contributions	**1,7**	1,6
Allowances	**2,9**	2,9
Other benefits	**2,0**	0,7
Total guaranteed remuneration	**20,6**	18,0
Gain on exercise of share options	**8,9**	5,5
Performance related	**9,1**	7,6
Total remuneration	**38,6**	31,1

Directors' emoluments

Executive directors

The remuneration of executive directors for the year ended 30 June 2006 was as follows:

	Directors' fees R'000	Salary R'000	Retirement fund contri-butions R'000	Other R'000	Other benefits R'000	Total guaran-teed remune ration R'000	Perform-ance related** R'000	Total
2006								
BC Bruce	**49**	**2 578**	**332**	**–**	**426**	**3 385**	**4 000**	**7 385**
SJ Flanagan	**49**	**1 424**	**197**	**200**	**30**	**1 900**	**1 700**	**3 600**
N Jorek	**49**	**1 617**	**–**	**–**	**149**	**1 815**	**925**	**2 740**
RW Rees	**49**	**1 617**	**194**	**–**	**390**	**2 250**	**2 300**	**4 550**
KE Smith	**49**	**1 485**	**199**	**292**	**26**	**2 051**	**3 000**	**5 051**
Total	**245**	**8 721**	**922**	**492**	**1 021**	**11 401**	**11 925**	**23 326**
2005								
BC Bruce	49	2 349	280	–	295	2 973	2 300	5 273
SJ Flanagan[1]	37	815	115	133	22	1 122	1 100	2 222
N Jorek[2]	49	1 122	–	–	92	1 263	800	2 063
RW Rees	49	1 427	181	–	215	1 872	1 650	3 522
KE Smith	49	1 271	180	380	32	1 912	1 650	3 562
Total	233	6 984	756	513	656	9 142	7 500	16 642

1 Appointed 1 November 2004

2 Appointed 8 September 2004

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

Notes to the consolidated financial statements
for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	2006	Restated 2005

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

46.4 Transactions with key management personnel ***(continued)***

Non-executive directors

The level of fees for service as director, additional fees for service on the Board committees and the chairman's fee are reviewed annually and approved in advance at the annual general meeting.

The remuneration of non-executive directors for the year ended 30 June 2006 was as follows:

	Directors Fees R'000	Committee Fees R'000	Chairman's Fee R'000	**Total 2006 R'000**	Total 2005 R'000
RC Andersen	–	–	735	**735**	725
SE Funde	67	69	–	**136**	163
SJ Macozoma	87	86	–	**173**	58
N Magau	87	87	–	**174**	95
M McMahon	87	56	–	**143**	127
I Mkhize	79	55	–	**134**	67
AA Routledge	67	87	–	**154**	166
MJ Shaw	87	87	–	**174**	153
JJM van Zyl	87	90	–	**177**	176
R Vice	87	48	–	**135**	46
Other***	–	–	–	**–**	120
	735	665	735	**2 135**	1 896

*** Past director emoluments: BN Bam (15), WP Esterhuyse (65), PG Joubert (15), AJ Morgan (25)

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

The chairman's fee includes attendance at committee meetings.

Details of service on board committees are set out in the corporate governance report.

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

At the date of signature of the group annual financial statements there had been no changes to the above shareholdings.

The directors of the company held in aggregate, directly or indirectly, grants of option from The Murray & Roberts Trust in respect of 1,8% (2005: 2,0%) of the ordinary shares of the company. These options are subject to the terms and conditions of the employee share scheme.

All monetary amounts are expressed
in millions of Rand

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

46.4 Transactions with key management personnel *(continued)*

The movements in share options of directors during the year ended 30 June 2006 are as follows:

Grant date	Conditions	Outstanding options at 1 July 2005	Strike price	Granted during the year	Exercised during the year	Net Gain (R'000)	Average Exercise price	Outstanding options at 30 June 2006	Expiry Date
Bruce, BC									
27 June 1996	Standard	20 000	R 17,20		20 000	212	R27,90	–	27 Jun 2006
9 Mar 1998	Standard	25 000	R 8,05		25 000	493	R27,90	–	9 Mar 2008
17 Mar 1999	Standard	125 000	R 2,33		125 000	3 094	R27,15	–	17 Mar 2009
15 Jun 2000	Standard	750 000	R 3,16					750 000	15 Jun 2010
29 Aug 2000	Standard	1 000 000	R 3,25					1 000 000	29 Aug 2010
14 Mar 2001	Standard	200 000	R 4,60					200 000	14 Mar 2011
14 Mar 2001	Hurdle	250 000	R 4,60					250 000	14 Mar 2011
13 Mar 2002	Standard	200 000	R 6,93					200 000	13 Mar 2012
13 Mar 2002	Hurdle	210 000	R 6,93					210 000	13 Mar 2012
6 Mar 2003	Standard	80 000	R 11,00					80 000	6 Mar 2013
6 Mar 2003	Hurdle	120 000	R 11,00					120 000	6 Mar 2013
15 Mar 2004	Standard	140 000	R 13,04					140 000	15 Mar 2014
15 Mar 2004	Hurdle	70 000	R 13,04					70 000	15 Mar 2014
28 Jun 2005	Standard	90 000	R 14,00					90 000	28 Jun 2011
28 Jun 2005	Hurdle	90 000	R 14,00					90 000	28 Jun 2011
Total		**3 370 000**						**3 200 000**	
Rees, RW									
15 Jun 2000	Standard	100 000	R 3,16					100 000	15 Jun 2010
14 Mar 2001	Standard	200 000	R 4,60					200 000	14 Mar 2011
14 Mar 2001	Hurdle	200 000	R 4,60					200 000	14 Mar 2011
13 Mar 2002	Standard	100 000	R 6,93					100 000	13 Mar 2012
13 Mar 2002	Hurdle	110 000	R 6,93					110 000	13 Mar 2012
6 Mar 2003	Standard	65 000	R 11,00					65 000	6 Mar 2013
6 Mar 2003	Hurdle	100 000	R 11,00					100 000	6 Mar 2013
15 Mar 2004	Standard	90 000	R 13,04					90 000	15 Mar 2014
15 Mar 2004	Hurdle	90 000	R 13,04					90 000	15 Mar 2014
28 Jun 2005	Standard	15 000	R 14,00					15 000	28 Jun 2011
3 Mar 2006	Standard		R 23,53	150 000				150 000	3 Mar 2012
3 Mar 2006	Hurdle		R 23,53	100 000				100 000	3 Mar 2012
Total		**1 070 000**						**1 320 000**	

All monetary amounts are expressed in millions of Rand

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

46.4 Transactions with key management personnel (continued)

Grant date	Conditions	Outstanding options at 1 July 2005	Strike price	Granted during the year	Exercised during the year	Net Gain (R'000)	Average Exercise price	Outstanding options at 30 June 2006	Expiry Date
Smith, KE									
27 June 1996	Standard	7 000	R 17,20		7 000	61	R 26,00	–	27 Jun 2006
9 Mar 1998	Standard	50 000	R 8,05		50 000	892	R 26,00	–	9 Mar 2008
8 May 2000	Standard	10 000	R 3,16		10 000	227	R 26,00	–	8 May 2010
14 Mar 2001	Standard	190 000	R 4,60		190 000	4 046	R 26,00	–	14 Mar 2011
14 Mar 2001	Hurdle	200 000	R 4,60		200 000	4 259	R 26,00	–	14 Mar 2011
13 Mar 2002	Standard	85 000	R 6,93		63 750	1 209	R 26,00	21 250	13 Mar 2012
13 Mar 2002	Hurdle	85 000	R 6,93		63 750	1 209	R 26,00	21 250	13 Mar 2012
6 Mar 2003	Standard	80 000	R 11,00		40 000	596	R 26,00	40 000	6 Mar 2013
6 Mar 2003	Hurdle	120 000	R 11,00		60 000	894	R 26,00	60 000	6 Mar 2013
15 Mar 2004	Standard	55 000	R 13,04		13 750	177	R 26,00	41 250	15 Mar 2014
15 Mar 2004	Hurdle	50 000	R 13,04		12 500	161	R 26,00	37 500	15 Mar 2014
28 Jun 2005	Standard	100 000	R 14,00					100 000	28 Jun 2011
28 Jun 2005	Hurdle	40 000	R 14,00					40 000	28 Jun 2011
3 Mar 2006	Standard		R 23,53	100 000				100 000	3 Mar 2012
3 Mar 2006	Hurdle		R 23,53	60 000				60 000	3 Mar 2012
Total		**1 072 000**						**521 250**	
Flanagan, SJ									
27 June 1996	Standard	4 000	R 17,20		4 000	34	R 25,92	–	27 Jun 2006
8 May 2000	Standard	12 500	R 3,16		12 500	283	R 25,92	–	8 May 2010
14 Mar 2001	Standard	70 000	R 4,60		70 000	1 485	R 25,92	–	14 Mar 2011
14 Mar 2001	Hurdle	50 000	R 4,60		50 000	1 061	R 25,92	–	14 Mar 2011
13 Mar 2002	Standard	63 750	R 6,93		42 500	803	R 25,92	21 250	13 Mar 2012
13 Mar 2002	Hurdle	63 750	R 6,93		42 500	803	R 25,92	21 250	13 Mar 2012
6 Mar 2003	Standard	60 000	R 11,00		30 000	445	R 25,92	30 000	6 Mar 2013
6 Mar 2003	Hurdle	95 000	R 11,00		47 500	704	R 25,92	47 500	6 Mar 2013
15 Mar 2004	Standard	45 000	R 13,04		11 250	144	R 25,92	33 750	15 Mar 2014
15 Mar 2004	Hurdle	45 000	R 13,04		11 250	144	R 25,92	33 750	15 Mar 2014
28 Jun 2005	Standard	100 000	R 14,00					100 000	28 Jun 2011
28 Jun 2005	Hurdle	100 000	R 14,00					100 000	28 Jun 2011
3 Mar 2006	Standard		R 23,53	60 000				60 000	3 Mar 2012
3 Mar 2006	Hurdle		R 23,53	50 000				50 000	3 Mar 2012
Total		**709 000**						**497 500**	
Jorek, N									
15 Mar 2004	Standard	150 000	R 13,04					150 000	15 Mar 2014
15 Mar 2004	Hurdle	100 000	R 13,04					100 000	15 Mar 2014
28 Jun 2005	Standard	80 000	R 14,00					80 000	28 Jun 2011
28 Jun 2005	Hurdle	70 000	R 14,00					70 000	28 Jun 2011
3 Mar 2006	Standard		R 23,53	100 000				100 000	3 Mar 2012
3 Mar 2006	Hurdle		R 23,53	70 000				70 000	3 Mar 2012
Total		**400 000**						**570 000**	

All monetary amounts are expressed
in millions of Rand

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

Interest of directors in contracts

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

Directors' service contracts

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

Directors' share transactions

During the year BC Bruce, RW Rees and JJM van Zyl reduced their shareholding as part of the company's general share buy-back to facilitate the BBBEE transaction. Furthermore, BC Bruce purchased 68 000 shares and KE Smith sold 22 555 shares.

47. SUBSIDIARY COMPANIES

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

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

	% direct ownership	
	2006	2005
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.

48. POST BALANCE SHEET EVENTS

In order to build its capacity and strengthen its balance sheet, the Group's associate company Clough, has approved a A$40 million capital raising by convertible note, fully underwritten by the Group. The offer will be open to all shareholders. Clough is presently finalising the terms of the convertible note issue which will end the shareholder agreement between the Group and McRae Investments Proprietary Limited. The key aspects of the note issue are as follows:

– amount of note issue – A$40 million
– three year term at 10% pa
– option to convert after one year on a quarterly basis at the 30 June 2006 net asset value per share
– unlisted issue
– *pro rata* participation offer to all shareholders.

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.

Notes to the consolidated financial statements
for the year ended 30 June 2006

All monetary amounts are expressed
in millions of Rand

49. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Key sources of estimation uncertainty

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

Revenue recognition and contract accounting

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

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

Impairment testing of investments in associate companies (note 5)

The directors applied judgement in assessing the investment in Clough Limited for impairment. The value of the investment was assessed against discounted cash flows of Clough using an appropriate discount rate and other factors.

Estimated impairment of goodwill

Assumptions were made in assessing any possible impairment of goodwill. Details of these assumptions and risk factors are set out in note 3.

Estimation of the fair value of share options

Assumptions were made in the valuation of the Group's share options. Details of the assumptions used are set out in note 11.

Estimated value of employee benefit plans

Assumptions were made in the valuation of the Group's retirement and other benefit plans. Details of the assumptions and risk factors used are set out in note 45.

Income taxation

The Group is subject to income taxation in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxation will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Other estimates made

The Group also makes estimates for:

- the calculation of the provision for doubtful debts
- the determination of useful lives and residual values of items of property, plant and equipment
- the calculation of the provision for obsolete inventory
- the calculation of any provision for claims, litigation and other legal matters
- the calculation of any other provisions including warrantees, guarantees and bonuses
- the assessment of impairments and the calculation of the recoverable amount of assets
- the calculation of the fair value of financial instruments including the service concessions
- the calculation of the fair value of assets, identifiable intangible assets and contingent liabilities on acquisition of businesses, specifically Oconbrick Manufacturing (Proprietary) Limited and Concor Limited during the current year

50. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND STANDARDS EARLY ADOPTED

50.1 Standards, interpretations and amendments not yet effective

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2006 or later periods but which the Group has not early adopted, are as follows:

IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006)
This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for the recognition of actuarial gains and losses and does not participate in any defined benefit multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts. The Group will apply this amendment from annual periods beginning 1 July 2006.

IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006)
The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements as of 30 June 2006 and 2005.

IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006)
This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The Group will apply this amendment from annual periods beginning 1 July 2006.

IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006)
This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value and subsequently measured at the higher of: (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management is considering the amendment to IAS 39 and is in the process of quantifying the impact on the Group.

IFRS 6, Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)
IFRS 6 is not relevant to the Group's operations as it is not involved in the exploration of mineral resources.

IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007)
IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 July 2007.

All monetary amounts are expressed
in millions of Rand

50. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND STANDARDS EARLY ADOPTED *(continued)*

50.1 Standards, interpretations and amendments not yet effective (continued)

IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006)

IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of IFRIC 4 on the Group's operations.

IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006)

IFRIC 5 clarifies the accounting treatment for entities that has an obligation and contributes to a decommissioning fund. IFRIC 5 is currently not relevant to the Group's operations.

IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from 1 January 2006)

IFRIC 6 requires producers of electrical goods to recognise a liability under IAS 37 for the cost of waste management relating to the decommissioning of waste electrical and electronic equipment supplied to private households. IFRIC 6 is not relevant to the Group's operations.

IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006)

IFRIC 7 provides guidance on how to apply IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period and the entity is required to restate its financials statements in accordance with IAS29. IFRIC 7 is not relevant to the Group's operations.

IFRIC 9, Reassessment of Embedded Derivatives (effective from 1 June 2006)

IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract and prohibits subsequent reassessments unless there is a change in the terms of the contract that significantly modifies the cash flows. The group has assessed the impact of IFRIC 9 and considered it not to be material.

50.2 Standards, interpretations and amendments early adopted

IFRIC 8, Scope of IFRS 2 (effective from 1 May 2006)

The Group has early adopted IFRIC 8 during the current year. IFRIC 8 applies to transactions where an entity has granted equity instrument or incurred liabilities to transfer cash or other assets for amounts that are based on the prices (or value) of the entity's shares or other equity instruments when the identifiable consideration received (or to be received) appears to be less than the fair value of the equity instrument granted or liability incurred. This was applicable to the Group's broad based black economic transaction that as a result of IFRIC 8, falls within the scope of IFRS 2. This resulted in an expense of R87,3 million recognised in exceptional items during the current year.

All monetary amounts are expressed in millions of Rand

51. BASIS OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS

51.1 Application of IFRS 1

The Group applied IFRS 1: First-time Adoption of IFRS in preparing these consolidated financial statements.

The Group's transition date is 1 July 2004. The Group prepared its opening IFRS balance sheet at that date using the accounting policies as set out in these financial statements. The Group's IFRS adoption date is 1 July 2005.

In preparing these consolidated financial statements in accordance with IFRS 1, the Group applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of IFRS.

Optional exemptions from full retrospective application elected by the Group

Business combinations exemption

The Group applied the business combinations exemption in IFRS 1. It has not restated business combinations that took place prior to the 1 July 2004 transition date.

Fair value as deemed cost exemption

The Group elected to measure the majority items of property, plant and equipment at fair value as at 1 July 2004.

Employee benefits exemption

The Group elected to not recognise all unrecognised cumulative actuarial gains as at 1 July 2004 as it would have resulted in the recognition of defined benefit assets on the balance sheet.

Foreign currency translation reserve exemption

The Group elected to set the previously accumulated cumulative translation differences recorded in the foreign currency translation reserve to zero at 1 July 2004. This exemption has been applied to all subsidiaries that qualified for first-time adoption in accordance with IFRS 1.

Compound financial instruments exemption

The Group has not issued any compound instruments; this exemption is not applicable.

Assets and liabilities of subsidiaries, associates and joint ventures exemption

This exemption is not applicable, as the use of the exemption is made at the level of the subsidiary, associate or joint venture that adopts IFRS later than its parent company.

Designation of financial assets and financial liabilities exemption

The Group elected to apply this exemption. It therefore applies the IFRS rules to derivatives, financial assets and financial liabilities and to hedging relationships from 1 July 2004.

Share-based payment transaction exemption

The Group elected to apply the share-based payment exemption. It applied IFRS 2 from 1 July 2004 to those share options that were issued after 7 November 2002 but that have not vested by 1 January 2005.

Insurance contracts exemption

The Group does not issue insurance contracts; this exemption is not applicable.

Exemption from restatement of comparatives for IAS 32 and IAS 39.

The Group elected not to apply this exemption. It therefore applies the IFRS rules to derivatives, financial assets and financial liabilities and to hedging relationships from 1 July 2004.

Decommissioning liabilities included in the cost of property, plant and equipment exemption

The Group recognises a provision in respect of environmental liabilities relating to contamination caused to land from the installation of assets and from its production processes, when applicable. The exemption provided in IFRS 1 from the full retrospective application of IFRIC 1 has been applied to determine the adjustment required to property, plant and equipment in respect of the obligation to decommission existing production facilities.

All monetary amounts are expressed
in millions of Rand

51. BASIS OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS *(continued)*

51.1 Application of IFRS 1 (continued)

Fair value measurement of financial assets or liabilities at initial recognition

The Group applied the exemption offered by the revision of IAS 39 on the initial recognition of the financial instruments measured at fair value through profit and loss where there is no active market.

Mandatory exceptions from full retrospective application followed by the Group

Derecognition of financial assets and liabilities exception

Financial assets and liabilities derecognised before 1 July 2004 are not re-recognised under IFRS.

Hedge accounting exception

Management has claimed hedge accounting from 1 July 2004 only if the hedge relationship meets all the hedge accounting criteria under IAS 39.

Estimates exception

Estimates under IFRS at 1 July 2004 are consistent with estimates made for the same date under SAGAAP, unless there was evidence that those estimates were in error.

Assets held for sale and discontinued operations exception

Management applied IFRS 5 prospectively from 1 July 2005. Any assets held-for-sale or discontinued operations are recognised in accordance with IFRS 5 only from 1 July 2005.

All monetary amounts are expressed in millions of Rand	Notes	SAGAAP	Effect of transition to IFRS	IFRS
51. BASIS OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS *(continued)*				
51.2 Reconciliation of equity at 1 July 2004				
ASSETS				
Non-current assets				
Property, plant and equipment	a	1 090,6	156,3	1 246,9
Investment property		271,5	–	271,5
Goodwill	b	4,7	(4,7)	–
Other intangible assets	c, e	–	5,7	5,7
Investment in associate companies	d	652,8	0,5	653,3
Other investments	d, e	304,7	(2,9)	301,8
Operating lease receivables	f	103,9	(57,1)	46,8
Deferred taxation assets	m	32,8	0,9	33,7
Total non-current assets		2 461,0	98,7	2 559,7
Current assets				
Inventories	g	489,6	(3,5)	486,1
Contracts in progress and contract receivables	h	928,1	(2,7)	925,4
Trade and other receivables	h	1 081,8	(37,8)	1 044,0
Derivative financial instruments		67,4	–	67,4
Bank balances and cash	i	1 103,6	(37,0)	1 066,6
Total current assets		3 670,5	(81,0)	3 589,5
TOTAL ASSETS		6 131,5	17,7	6 149,2
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and premium		1 445,1	–	1 445,1
Other capital reserves	j	2,2	24,4	26,6
Revaluation and fair value reserves	j	5,3	(21,6)	(16,3)
Hedging and translation reserves	k	(281,2)	278,2	(3,0)
Retained earnings	n	1 431,7	(156,9)	1 274,8
Total ordinary shareholders' equity		2 603,1	124,1	2 727,2
Minority interest	n	54,0	1,1	55,1
Total equity		2 657,1	125,2	2 782,3
Non-current liabilities				
Long term loans		139,2	0,1	139,3
Obligations under finance headleases		346,1	–	346,1
Long term provision		29,3	–	29,3
Operating lease payables	f	101,8	(57,1)	44,7
Deferred taxation liabilities	m	117,9	(8,5)	109,4
Total non-current liabilities		734,3	(65,5)	668,8
Current liabilities				
Trade and other payables	h, i	1 901,8	(60,6)	1 841,2
Derivative financial instruments		17,2	–	17,2
Subcontractor liabilities	h, i	509,2	(14,8)	494,4
Current taxation liabilities		28,8	4,8	33,6
Bank overdrafts and short term loans	h, i, l	283,1	28,6	311,7
Total current liabilities		2 740,1	(42,0)	2 698,1
TOTAL EQUITY AND LIABILITIES		6 131,5	17,7	6 149,2

All monetary amounts are expressed in millions of Rand	Notes	SAGAAP	Effect of transition to IFRS	IFRS
51. BASIS OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS *(continued)*				
51.3 Reconciliation of equity at 30 June 2005				
ASSETS				
Non-current assets				
Property, plant and equipment	a	1 194,3	181,3	1 375,6
Investment property		259,3	–	259,3
Goodwill	b	47,9	(0,1)	47,8
Other intangible assets	c, e	–	18,9	18,9
Investment in associate companies	d	504,9	0,5	505,4
Other investments	d, e	360,1	(3,4)	356,7
Operating lease receivables	f	95,8	(64,6)	31,2
Deferred taxation assets	m	37,8	(3,7)	34,1
Total non-current assets		2 500,1	128,9	2 629,0
Current assets				
Inventories	g	554,2	(3,0)	551,2
Contracts in progress and contract receivables	h	1 125,0	(7,8)	1 117,2
Trade and other receivables	h	1 054,3	(10,8)	1 043,5
Derivative financial instruments		33,8	–	33,8
Bank balances and cash	i	1 932,8	(1,9)	1 930,9
Total current assets		4 700,1	(23,5)	4 676,6
TOTAL ASSETS		7 200,2	105,4	7 305,6
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and premium		1 425,2	–	1 425,2
Other capital reserves	j	2,2	31,2	33,4
Revaluation and fair value reserves	j	20,7	(20,7)	–
Hedging and translation reserves	k	(218,3)	235,6	17,3
Retained earnings	n	1 737,5	(146,4)	1 591,1
Total ordinary shareholders' equity		2 967,3	99,7	3 067,0
Minority interest	n	92,1	4,8	96,9
Total equity		3 059,4	104,5	3 163,9
Non-current liabilities				
Long term loans		339,0	0,3	339,3
Obligations under finance headleases		274,2	–	274,2
Long term provision		4,5	–	4,5
Operating lease payables	f	85,1	(64,6)	20,5
Deferred taxation liabilities	m	202,1	49,4	251,5
Total non-current liabilities		904,9	(14,9)	890,0
Current liabilities				
Trade and other payables	h, i	2 177,5	(2,0)	2 175,5
Derivative financial instruments		7,6	–	7,6
Subcontractor liabilities	h, i	575,1	(2,9)	572,2
Current taxation liabilities		94,9	(1,3)	93,6
Bank overdrafts and short term loans	h, i, l	380,8	22,0	402,8
Total current liabilities		3 235,9	15,8	3 251,7
TOTAL EQUITY AND LIABILITIES		7 200,2	105,4	7 305,6

All monetary amounts are expressed in millions of Rand	Notes	SAGAAP	Effect of transition to IFRS	IFRS
51. BASIS OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS *(continued)*				
51.4 Reconciliation of profit*				
Revenue	h	10 693,8	(19,4)	10 674,4
Earnings before interest, exceptional items and depreciation		792,9	(5,5)	787,4
Amortisation of intangible assets	a, c	–	(1,9)	(1,9)
Depreciation	a, c	(249,7)	20,1	(229,6)
Earnings before exceptional items and interest		543,2	12,7	555,9
Exceptional items	o	13,4	7,4	20,8
Headlease and other discontinued property activities		11,2	(1,2)	10,0
Other		2,2	8,6	10,8
Earnings before interest and taxation		556,6	20,1	576,7
Interest expense	o	(54,5)	(3,8)	(58,3)
Interest income	o	49,2	5,0	54,2
Earnings before taxation		551,3	21,3	572,6
Taxation	m	(150,4)	(7,1)	(157,5)
Earnings after taxation		400,9	14,2	415,1
Income from associates		77,5	–	77,5
Attributable earnings for the year		478,4	14,2	492,6
Attributable as follows:				
Minority shareholders		30,3	(0,1)	30,2
Ordinary shareholders		448,1	14,3	462,4
Attributable earnings for the year		478,4	14,2	492,6

* Including discontinued operations

All monetary amounts are expressed in millions of Rand	Notes	SAGAAP	Effect of transition to IFRS	IFRS
51. BASIS OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS *(continued)*				
51.4 Reconciliation of profit (continued)				
Earnings per share (cents)				
Diluted		139	4	143
– Depreciation and amortisation (note a)			6	
– Receivables, payables, and the recognition of revenue (note h)			(1)	
– Share-based payments (note j)			(1)	
– Exceptional items and interest (note o)			2	
– Taxation (note m)			(2)	
Basic		141	4	145
– Depreciation and amortisation (note a)			6	
– Receivables, payables, and the recognition of revenue (note h)			(1)	
– Share-based payments (note j)			(1)	
– Exceptional items and interest (note o)			2	
– Taxation (note m)			(2)	
Headline earnings per share (cents)				
Diluted		140	6	146
– Depreciation and amortisation (note a)			6	
– Receivables, payables, and the recognition of revenue (note h)			(1)	
– Share-based payments (note j)			(1)	
– Exceptional items and interest (note o)			4	
– Taxation (note m)			(2)	
Basic		142	6	148
– Depreciation and amortisation (note a)			6	
– Receivables, payables, and the recognition of revenue (note h)			(1)	
– Share-based payments (note j)			(1)	
– Exceptional items and interest (note o)			4	
– Taxation (note m)			(2)	

Adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under IFRS and that presented under SAGAAP, other than presentation changes and the following:

i) R4,7 million relating to unpresented cheques already posted on 30 June 2005 were credited back to payables (note i). Under IFRS, these payables were derecognised with the resultant decrease in the cash and cash equivalents on 30 June 2005 and a decrease in the inflow from trade and other payables.

ii) The purchase of property, plant and equipment amounting to R52,1 million that was financed by capitalised leases, was excluded from the cash flow statement under IFRS. This decreased the inflow from borrowings and decreased the outflow from the purchase of property, plant and equipment.

iii) The purchase of intangible assets other than goodwill amounting to R15,0 million was separated from the purchase of property, plant and equipment and disclosed separately.

iv) The movements in provisions were previously reflected in the working capital inflow from trade and other payables, but are now separately disclosed.

51. BASIS OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS *(continued)*

51.5 Notes

a) Property, plant and equipment and depreciation

Useful lives and residual values of items of property, plant and equipment were reassessed in accordance with the criteria of IAS16: *Property, Plant and Equipment (revised).* In future, useful lives and residual values of all property, plant and equipment will be reassessed on an annual basis. Previously useful lives and residual values were only assessed on initial recognition of the specific items and were not subject to annual reassessment. The continuous reassessment typically leads to a change in depreciation charges annually.

Items of property, plant and equipment that were previously fully depreciated, were reinstated to reflect the applicable useful lives and residual values from their respective dates of acquisition. Where not practicable, the Group has elected to measure individual items of property, plant and equipment at fair value on 1 July 2004, the Group's date of transition to IFRS. In future those fair values are deemed to be cost at that date.

Where significant components of an item of property, plant and equipment have different useful lives or residual values those components are accounted for as separate items of property, plant and equipment. Previously all parts of an item of property, plant and equipment were depreciated at the same rate.

The effect of the above adjustments was to increase property, plant and equipment by R190,5 million (1 July 2004: R156,1 million) and to decrease the depreciation charge for the year ended 30 June 2005 by R18,2 million.

Computer software amounting to R12,2 million (1 July 2004: R3,3 million) and related depreciation of R1,9 million were reallocated to intangible assets and amortisation respectively.

Major spare parts of R3,0 million (1 July 2004: R3,5 million) having useful lives longer than 12 months were reallocated from inventories.

The net effect was to increase property, plant and equipment by R181,3 million (1 July 2004: R156,3 million) and decrease the depreciation charge by R20,1 million for the year ended 30 June 2005.

b) Goodwill

A recoverable amount exercised was performed on the goodwill on 1 July 2004, and found to be impaired at that date. Under SAGAAP the impairment charge of R4,7 million was recognised in the income statement for the year ended 30 June 2005 (note o). For IFRS, this amount was adjusted against the opening balance sheet at transition date.

c) Other intangible assets

Computer software was reclassified from property, plant and equipment of R12,2 million (1 July 2004: R3,3 million) and from prepaid expenditure of R3,8 million to intangible assets. The depreciation of these intangible assets is now reflected as amortisation in the income statement.

Included in other investments was an amount of R2.9 million (1 July 2004: R2,4 million) relating to intangible assets. This amount was reclassified to afford a proper disclosure.

The effect was to decrease property, plant and equipment by R12,2 million (1 July 2004: R3,3 million), other receivables by R3,8 million and other investments by R2,9 million (1 July 2004: R2,4 million), and to increase other intangible assets by R18,9 million (1 July 2004: R5,7 million). There was no effect on the income statement for the year ended 30 June 2005.

d) Investment in associate companies

Associates were previously excluded from equity accounting when significant influence was intended to be temporary because it was acquired and held exclusively with a view to its subsequent disposal in the near future; or it operated under severe long term restrictions that significantly impaired its ability to transfer funds to the parent. This was specifically relevant to the Group's 49% shareholding in Murray & Roberts (Zimbabwe) Limited. In accordance with IFRS, these exclusions from equity accounting are no longer permitted and the Group's investments were reclassified from other investments to investments in associate companies and are now equity accounted in the consolidated financial statements.

The carrying value of this investment was R0,5 million. There was no significant effect on the income statement for the year ended 30 June 2005.

All monetary amounts are expressed in millions of Rand

51. BASIS OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS *(continued)*

51.5 Notes *(continued)*

e) Other investments

As noted in notes (c) and (d) above, other investments included R2,9 million (1 July 2004: R2,4 million) of intangible assets and a R0,5 million investment in an associate company that was not equity accounted. Both these amounts were reclassified into the respective categories.

The effect was to decrease other investments by R3,4 million (1 July 2004: R2,9 million) and increase other intangible assets by R2,9 million (1 July 2004: R2,4 million) and investments in associate companies by R0,5 million. There was no effect on the income statement for the year ended 30 June 2005.

f) Operating lease receivables and payables

Operating lease receivables of R64,6 million (1 July 2004: R57,1 million) were offset against the corresponding payables under IFRS as it pertained to intercompany balances that were not correctly eliminated in 2005.

g) Inventories

Inventories included R3,0 million (1 July 2004: R3,5 million) of material major spare parts and consumables that had a useful life of more than 12 months. These items were reclassified to property, plant and equipment. There was no effect on the income statement for the year ended 30 June 2005.

h) Receivables, payables and the recognition of revenue

IAS 39: Financial Instruments: Recognition and Measurement requires that imputed interest be recognised on interest free receivables and purchases. IAS18: Revenue also requires that revenue be recognised at the fair value of the consideration receivable or payable. Accordingly, where the fair value of the consideration is significantly impacted by the time value of money, a portion of the revenue or purchases has been deemed to be interest income or expense and recognised on a time apportionment basis.

In addition certain debit balances previously recorded in payables were reclassified to receivables as well as reallocations to other intangible assets as mentioned in note (c).

In accordance with circular 9/2006 issued by the South African Institute of Chartered Accountants, settlement discounts allowed to customers and clients of R11,0 million were reallocated from overheads and netted off revenue.

Accounts payable included R19,2 million interest-bearing liabilities owing to joint ventures. These liabilities were reclassified to short term interest-bearing borrowings – note (l).

The net effect was to decrease contracts in progress and contract receivables by R7,8 million (1 July 2004: R2,7 million), trade and other receivables by R10,8 million, subcontractor liabilities by R2,9 million (1 July 2004: R14,8 million), revenue by R19,4 million, decrease trade and other payables by R2,0 million (1 July 2004: R43,3 million) and increase short term borrowings by R19,2 million.

i) Bank balances and overdrafts

Unpresented cheques already posted to suppliers on 30 June 2005 were previously written back to payables. These items are now deducted from bank balances and overdrafts since the financial liability has already been settled and should be derecognised.

The effect was to decrease bank balances and cash by R1,9 million (1 July 2004: R37,0 million) and increase bank overdrafts by R2,8 million (1 July 2004: R28,6 million). There was no effect on the income statement for the year ended 30 June 2005.

All monetary amounts are expressed
in millions of Rand

51. BASIS OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS *(continued)*

51.5 Notes ***(continued)***

j) Capital and other reserves

Certain group companies are required by local law to keep a non-distributable reserve. This statutory reserve was previously disclosed as part of retained earnings. An amount of R21,8 million was reclassified on 1 July 2004 into this reserve and R2,9 million during the year ended 30 June 2005.

The effect was to increase the statutory reserve on 30 June 2005 by R24,7 million and decrease retained earnings accordingly. There was no effect on the income statement for the year ended 30 June 2005.

The Group applied IFRS2: Share-based Payment to its equity-settled share-based payment arrangements granted after 7 November 2002 but that had not vested by 1 January 2005.

The effect was to increase the share-based payment reserve by R6,5 million, decrease retained earnings by R2,6 million and increase the staff cost for the year ended 30 June 2005 by R3,9 million.

Property, plant and equipment are no longer periodically revalued. As a result the revaluation reserve was released to the retained earnings where the revalued carrying amount of the assets was deemed to be cost.

The effect was to decrease the revaluation reserve by R20,7 million (1 July 2004: R21,6 million) and increase retained earnings accordingly. There was no effect on the income statement for the year ended 30 June 2005.

k) Translation reserve

In accordance with IFRS1 the Group has elected to set the previously accumulated translation differences recorded in the foreign currency translation reserve to zero at 1 July 2004. This exemption has been applied to all subsidiaries that qualified for first-time adoption in accordance with IFRS 1.

The effect was to increase the foreign currency translation reserve by R278,2 million on 1 July 2004 and decrease retained earnings by the same amount. The movement for the year ended 30 June 2005 subsequently changed from R 59,9 million to R17,3 million, with a net increase of 235,6 million for the year ended 30 June 2005. There was no effect on the income statement for the year ended 30 June 2005.

l) Current borrowings

Interest-bearing amounts owing to joint ventures were previously reflected as other payables and were reclassified into current interest-bearing borrowings.

The effect was to decrease other payables by R19,2 million and increase short term loans by the same amount. There was no effect on the income statement for the year ended 30 June 2005.

m) Deferred taxation

The above changes increased the deferred taxation liability by R49,4 million (1 July 2004: R8,5 million decrease) and decreased the deferred taxation asset by R3,7 million (1 July 2004: R0,9 million increase).

The effect on the income statement for the year ended 30 June 2005 was to increase the previously recognised deferred taxation charge by R7,1 million.

n) Retained earnings and minority interest

The net effect of the restatements on retained earnings resulted in a decrease of R156,9 million on 1 July 2004 and R146,4 million on 30 June 2005.

Minority interest on 1 July 2004 increased by R1,1 million and by R4,8 million for the year ended 30 June 2005.

o) Exceptional items

Exceptional items for the year ended 30 June 2005 included R4,7 million relating to the impairment of goodwill. This balance was already impaired at 30 June 2004 and hence reallocated to that year (note b). Exceptional items also included a loss of R3,9 million on the disposal of 26% of Murray & Roberts Cementation (Proprietary) Limited to AKA Capital (Proprietary) Limited. In accordance with IFRS any change in ownership interest in subsidiary companies without a change in control is recognised as an equity transaction in the consolidated financial statements. This loss was therefore removed from the income statement and deducted from the minority interest on the balance sheet.

The headlease property activities of the Group were previously treated as a discontinued operation and excluded from headline earnings. Under IFRS this treatment is no longer allowed. Accordingly, these property activities are treated as continuing however are still disclosed as exceptional items. Net interest of R1,2 million has been reclassified into the interest lines on the income statement. These items, including the exceptional items elements are now included in the determination of headline earnings.

The net effect was to increase exceptional profit by R7,4 million and decrease the retained earnings by R4,7 million and the minority interest on the balance sheet by R3,9 million.

Murray & Roberts Holdings Limited financial statements

for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	Notes	2006	Restated 2005
BALANCE SHEET			
at 30 June 2006			
NON-CURRENT ASSETS			
Investment in subsidiary company	2	**0,4**	0,4
Deferred taxation asset		**0,9**	–
Total non-current assets		**1,3**	0,4
CURRENT ASSETS			
Amount owing from subsidiary company	2	**1 639,2**	1 635,5
Amount owing from The Murray & Roberts Trust	3	**186,9**	230,0
Cash and cash equivalents		**2,3**	–
Total current assets		**1 828,4**	1 865,5
TOTAL ASSETS		**1 829,7**	1 865,9
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	4	**1 672,8**	1 672,8
Non-distributable reserve		**0,9**	0,9
Retained earnings	5	**151,0**	191,0
Total ordinary shareholders' equity		**1 824,7**	1 864,7
Current liabilities			
Accounts payable		**4,9**	1,2
Taxation		**0,1**	–
Total current liabilities		**5,0**	1,2
TOTAL EQUITY AND LIABILITIES		**1 829,7**	1 865,9
INCOME STATEMENT			
for the year ended 30 June 2006			
Revenue			
Dividend received from subsidiary company		**129,8**	34,2
Fees received from subsidiary company		**3,0**	2,3
Total revenue		**132,8**	36,5
Total expenses		3,1	2,6
Interest expense		**–**	0,3
Audit remuneration		**0,4**	–
JSE Fees		**0,1**	0,1
Other		**2,6**	2,2
Earnings before taxation		**129,7**	33,9
Taxation	6	**(3,7)**	(0,6)
Attributable profit for the year		**126,0**	33,3

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
CASH FLOW STATEMENT		
for the year ended 30 June 2006		
Earnings before taxation	**129,7**	33,9
Adjustments:		
Dividends received	**(129,8)**	(34,2)
Interest expense	**–**	0,3
Change in working capital		
Trade accounts payable increase/(decrease)	**3,7**	(0,2)
Cash generated by operations	**3,6**	(0,2)
Interest paid	**–**	(0,3)
Taxation paid	**(4,5)**	(0,6)
Operating cash flow	**(0,9)**	(1,1)
Dividends paid	**(166,0)**	(149,4)
Cash flows from operating activities	**(166,9)**	(150,5)
Dividends received	**129,8**	34,2
Cash flows from investing activities	**129,8**	34,2
(Increase)/decrease in amounts owing from subsidiary company	**(3,7)**	133,6
Decrease/(increase) in amounts owing from The Murray & Roberts Trust	**43,1**	(17,3)
Cash flows from financing activities	**39,4**	116,3
Net increase in net cash and cash equivalents	**2,3**	–
Net cash and cash equivalents at beginning of year	**–**	–
Net cash and cash equivalents at end of year	**2,3**	–

Murray & Roberts Holdings Limited financial statements
for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	Share capital	Share premium	Capital redemption reserve fund	Retained earnings	**Attributable to equity holders of the company**
STATEMENT OF CHANGES IN EQUITY					
for the year ended 30 June 2006					
Balance at 30 June 2004	**33,2**	**1 639,6**	**0,9**	**307,1**	**1 980,8**
Attributable profit for the year				33,3	**33,3**
Dividends declared and paid				(149,4)	**(149,4)**
Balance at 30 June 2005	**33,2**	**1 639,6**	**0,9**	**191,0**	**1 864,7**
Attributable earnings for the year				126,0	**126,0**
Dividends declared and paid				(166,0)	**(166,0)**
Balance at 30 June 2006	**33,2**	**1 639,6**	**0,9**	**151,0**	**1 824,7**

Notes to the Murray & Roberts Holdings Limited financial statements

for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
1. ACCOUNTING POLICIES		
The accounting policies are set out on pages 81 to 92.		
2. INTEREST IN SUBSIDIARY COMPANY		
Shares at cost	**0,4**	0,4
Net amount due	**1 639,2**	1 635,5
	1 639,6	1 635,9
The amount due from the subsidiary company is unsecured, interest free and does not have any fixed repayment terms. (Refer annexure 1 for details)		
3. AMOUNT OWING FROM THE MURRAY & ROBERTS TRUST		
Net amount due	**186,9**	230,0
	186,9	230,0
The amount due from The Murray & Roberts Trust is unsecured, interest free and does not have any fixed repayment terms.		
4. SHARE CAPITAL AND PREMIUM		
Share capital		
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
Share premium	**1 639,6**	1 639,6
	1 672,8	1 672,8
5. RETAINED EARNINGS		
Retained earnings		
Opening balance	**191,0**	189,6
Ordinary shareholders' earnings	**126,0**	33,3
Dividend declared and paid	**(166,0)**	(31,9)
	151,0	191,0
Retained earnings (previously transferred from share premium account not subjected to STC)		
Opening balance	**–**	117,5
Dividend declared and paid	**–**	(117,5)
Closing balance	**151,0**	191,0

Notes to the Murray & Roberts Holdings Limited financial statements
for the year ended 30 June 2006

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
6. TAXATION		
Normal taxation		
– current year	**(0,3)**	–
– prior year under provision	**–**	(0,6)
Deferred taxation	**0,9**	–
Secondary taxation on companies		
– current year	**(4,3)**	–
	(3,7)	(0,6)
Reconciliation of effective rate of taxation to the standard rate of taxation		
	%	%
Effective rate of taxation	**2,9**	*1,8*
Reduction in rate of taxation due to:		
Capital and non-taxable items	**29,0**	29,3
Deferred taxation assets recognised	**0,7**	–
	32,6	31,1
Increase in rate of taxation due to:		
Capital and non-deductable expenditure	**(0,3)**	(0,3)
Secondary taxation on companies	**(3,3)**	–
Prior year adjustments	**–**	(1,8)
South African standard rate of taxation	**29,0**	29,0
7. EMOLUMENTS OF DIRECTORS		
Executive directors (paid by subsidiary companies)	**23,3**	16,6
Non-executive directors (paid by the company)	**2,1**	1,9
	25,5	18,5
Included in the above are fees paid for services as directors of the company	**1,0**	1,1
Number of directors at year end	**16**	15
Details of individual director emoluments are disclosed in note 46 on the consolidated financial statements.		
8. 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

9. DERIVATIVE FINANCIAL INSTRUMENTS: CALL OPTIONS

In terms of the broad based black economic empowerment transaction approved by shareholders on 21 November 2005, the company has two call options to repurchase the shares in Murray & Roberts Letsema Khanyisa (Proprietary) Limited and Murray & Roberts Letsema Sizwe (Proprietary) Limited (the BBBEE subco's) at market value and on the following conditions:

a) **31 December 2010 call option**
On 31 December 2010, if after review, all parties agree in writing that it is not economically viable to continue with the structure, and

b) **31 December 2015 call option**
On 31 December 2015, being the date on which the lock-in period expires, if the value of the shares owned by the BBBEE subco's is less than the aggregate redemption amount of the funding.
No value has been placed on these call options as they give the company an option to repurchase the shares at market value and therefore do not expose the company to any potential loss or gain.

Annexure 1 – Major operating subsidiaries and associate companies

All monetary amounts are expressed in millions of Rand

(a) Direct

	Issued share capital amount in Rand	Interest in issued share capital 2006 %	2005 %	Cost of investment 2006 Rm	2005 Rm	Loan account 2006 Rm	2005 Rm
Murray & Roberts Investments Limited	68 000	**100**	100	**0,4**	0,4	**1 639,2**	1 635,5

(b) Indirect

		Issued share capital (in Rand except where indicated otherwise)	Proportion of ownership interest 2006 %	2005 %	Proportion of voting power held 2006 %	2005 %
Murray & Roberts Limited		**59**	**100**	**100**	**100**	**100**
Construction & engineering						
Cementation Canada Inc	CAD	2 700 010	**100**	100	**100**	100
Concor Limited		6 673 797	**100**	–	**100**	–
Murray & Roberts (Botswana) Limited	BWP	2	**100**	100	**100**	100
Murray & Roberts (Namibia) Limited	NAD	80 000	**100**	100	**100**	100
Murray & Roberts Abu Dhabi LLC	AED	2 000 000	**49**	49	**100**	100
Murray & Roberts Cementation (Proprietary) Limited		1 750 000	**80**	74	**80**	74
Murray & Roberts Concessions (Proprietary) Limited		100	**100**	100	**100**	100
Murray & Roberts Construction (Proprietary) Limited		100	**100**	100	**100**	100
Murray & Roberts Contractors (Middle East) LLC	AED	2 000 000	**49**	49	**100**	100
Murray & Roberts Contractors (Nigeria) Limited	NGN	20 000 000	**60**	60	**60**	60
Murray & Roberts Contractors (Tanzania) Limited	TZS	2	**100**	100	**100**	100
Murray & Roberts Contractors (Uganda) Limited	UGS	5 000 000	**100**	100	**100**	100
Murray & Roberts Contractors (Zambia) Limited	ZMK	22 000 000	**100**	100	**100**	100
Murray & Roberts Engineering Solutions (Proprietary) Limited		2	**100**	100	**100**	100
Murray & Roberts MEI (Proprietary) Limited		1	**100**	100	**100**	100

Annexure 1

		Issued share capital (in Rand except where indicated otherwise)	Proportion of ownership interest 2006 %	2005 %	Proportion of voting power held 2006 %	2005 %
Construction materials & services						
Genrec Engineering (Proprietary) Limited		200	**100**	100	**100**	100
Hall Longmore (Proprietary) Limited		100	**100**	100	**100**	100
Harvey Roofing Products (Proprietary) Limited		100	**100**	100	**100**	100
Johnson Arabia LLC	AED	300 000	**49**	49	**49**	49
Oconbrick Manufacturing (Proprietary) Ltd		1 000	**80**	–	**80**	–
Much Asphalt (Proprietary) Limited		100	**100**	100	**100**	100
Murray & Roberts Steel (Proprietary) Limited		100	**100**	100	**100**	100
Rocla (Proprietary) Limited		250 000	**100**	100	**100**	100
Tolcon-Lehumo (Proprietary) Limited		100	**74**	74	**74**	74
Toll Road Concessionaires (Proprietary) Limited		12 000	**100**	100	**100**	100
Fabrication & Manufacture						
Murray & Roberts Foundries Group (Proprietary) Limited		2	**100**	100	**100**	100
Pefco (Proprietary) Ltd		200	**100**	100	**100**	100
Union Carriage and Wagon Co (Proprietary) Limited		8 160 000	**100**	100	**100**	100
The UCW Partnership			**70**	70	**70**	70
Corporate						
Interbuild Insurance Limited	USD	170 000	**100**	100	**100**	100
Murray & Roberts (Malaysia) Sdn. Bhd.	MYR	250 000	**100**	100	**100**	100
Murray & Roberts International Limited	USD	5 000 000	**100**	100	**100**	100
Murray & Roberts Properties Services (Proprietary) Limited		2	**100**	100	**100**	100
P.T. Murray & Roberts Indonesia	USD	250 000	**100**	100	**100**	100
Associate companies						
Clough Limited		A$130 232 000	**46**	30	**46**	30
Murray & Roberts (Zimbabwe) Limited	ZWD	4 087 742	**49**	49	**49**	49

Annexure 2 – Interest-bearing borrowings

	Financial years of redemption	Closing interest rate (effective NACM) 2006 %	2005 %	Amount 2006 Rm	2005 Rm
Secured					
Equal monthly instalments with one balloon payment at the end	2007	**6,38**	6,85	**25,9**	21,2
Equal monthly instalments	2010	**5,68**	–	**13,8**	–
Term loans with equal quarterly instalments	2009	**7,83**	–	**12,3**	–
No fixed terms of repayment		**5,61**	4,30	**213,6**	200,1
Various loans each under R10 million at varying rates of interest and on varying terms of repayment				**6,4**	19,6
				272,0	240,9
Unsecured					
Quarterly instalments	2007	**8,70**	5,57	**43,1**	78,8
No fixed terms	2006	**6,82**	–	**100,9**	–
No fixed terms of repayment		**6,88**	–	**259,7**	–
Various obligations each under R10 million at varying rates of interest and on varying terms of repayment				**37,4**	93,1
Bank overdrafts				**166,3**	197,5
				607,4	369,4
Capitalised finance leases					
Full maintenance leases				**10,5**	–
IT equipment rentals				**10,1**	–
Specific project plant & equipment				**74,7**	36,1
Various plant & equipment financing				**70,8**	–
Various obligations each under R10 million at varying rates of interest and on varying terms of repayment				**4,6**	16,5
				170,7	52,6
Obligations under finance headleases					
Bi-annual instalments	2008	**11,85**	11,85	**117,2**	174,6
Bi-annual instalments	2009	**13,18**	13,18	**40,2**	47,7
Monthly instalments	2011	**17,90**	17,90	**17,2**	17,9
Monthly instalments	2007	**18,38**	18,38	**22,4**	30,2
Monthly instalments	2010	**18,90**	18,90	**17,8**	17,9
Monthly instalments	2012	**18,72**	18,72	**31,1**	32,9
Monthly instalments	2010	**18,50**	18,50	**30,9**	32,2
				276,8	353,4
Total Group				**1 326,9**	**1 016,3**
Reflected in the notes under:					
Long term loans (note 17)					
Interest-bearing secured loans				**240,0**	217,0
Interest-bearing unsecured loans				**188,8**	97,6
Non-interest-bearing unsecured loans				**–**	0,1
Capitalised finance leases				**88,2**	24,6
Obligations under finance headleases (note 18)				**155,1**	274,2
Overdrafts and short term loans (note 24)					
Bank overdrafts				**166,3**	197,5
Current portion of long term borrowings				**284,3**	98,1
Current portion of capitalised finance leases				**82,5**	28,0
Current portion of obligations under finance headleases				**121,7**	79,2
				1 326,9	1 016,3

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.

	Construction & engineering	Construction materials & services	Fabrication & manufacture	Corporate*	**Group**
2006					
Revenue – external	6 966	4 032	968	–	**11 966**
Continuing operations	6 966	3 986	968	–	**11 920**
Discontinued operations	–	46	–	–	**46**
Revenue – internal	133	69	7	(209)	**–**
Results					
Earnings before exceptional items and interest	324	538	86	(147)	**801**
Continuing operations	324	537	86	(147)	**800**
Discontinued operations	–	1	–	–	**1**
Exceptional items	(60)	(15)	(11)	1	**(85)**
Earnings before interest and taxation	264	523	75	(146)	**716**
Net interest income/(expense)	13	(11)	(13)	33	**22**
Earnings before taxation	277	512	62	(113)	**738**
Taxation	(78)	(141)	(19)	45	**(193)**
Earnings after taxation	199	371	43	(68)	**545**
Income from associates	1	1	–	(1)	**1**
Profit for the year from discontinued operations	–	–	16	–	**16**
Minority shareholders' interest	(10)	(39)	–	–	**(49)**
Earnings attributable to ordinary shareholders	190	333	59	(69)	**513**

* Corporate includes the elimination of inter-segment revenue

All monetary amounts are expressed in millions of Rand

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. These segments are the basis on which the Group reported its primary segment information. The composition of these segments is set out in Annexure 1.

	Construction & engineering	Construction materials & services	Fabrication & manufacture	Corporate*	**Group**
2005					
Revenue – external	6 230	3 420	1 023	1	**10 674**
Continuing operations	6 230	3 172	869	1	**10 272**
Discontinued operations	–	248	154	–	**402**
Revenue – internal	29	129	6	(164)	**–**
Results					
Earnings before exceptional items and interest	239	345	94	(122)	**556**
Continuing operations	239	326	101	(122)	**544**
Discontinued operations	–	19	(7)	–	**12**
Exceptional items	(3)	–	(146)	223	**74**
Earnings before interest and taxation	236	345	(52)	101	**630**
Net interest income/(expense)	5	(23)	(23)	37	**(4)**
Earnings before taxation	241	322	(75)	138	**626**
Taxation	(104)	(133)	–	79	**(158)**
Earnings after taxation	137	189	(75)	217	**468**
Income from associate	16	–	–	61	**77**
Loss for the year from discontinued operations	–	–	(53)	–	**(53)**
Minority shareholders' interest	(5)	(19)	(6)	–	**(30)**
Earnings attributable to ordinary shareholders	148	170	(134)	278	**462**

* Corporate includes the elimination of inter-segment revenue

Annexure 3 – Group segmental report

All monetary amounts are expressed in millions of Rand

Primary reporting – business segments

	Notes	Construction & engineering	Construction materials & services	Fabrication & manufacture	Corporate*	Group
2006						
Balance sheet						
Segmental assets	1	5 412	2 577	946	(410)	**8 525**
Segmental liabilities	2	4 118	1 403	555	500	**6 576**
Investment in associate company		777	6	–	1	**784**
Loans to associate companies		14	–	–	79	**93**
Non-current assets held-for-sale		11	–	–	–	**11**
Other information						
Capital expenditure of property, plant and equipment		196	119	53	1	**369**
Capital expenditure of other intangible assets		40	2	1	1	**44**
Depreciation		113	69	45	3	**230**
Amortisation of other intangible assets		12	3	–	1	**16**
Impairment of property, plant and equipment		4	–	–	–	**4**
Reversal of impairment of property, plant and equipment		–	–	3	–	**3**
Impairment of receivables		17	18	1	6	**42**
Number of employees		17 074	4 939	1 754	100	**23 867**
2005						
Balance sheet						
Segmental assets	1	3 757	1 969	718	(305)	**6 139**
Segmental liabilities	2	2 699	1 130	376	192	**4 397**
Investment in associate company		504	–	–	1	**505**
Other information						
Capital expenditure of property, plant and equipment		132	93	69	5	**299**
Capital expenditure of other intangible assets		9	1	3	2	**15**
Depreciation		121	57	51	1	**230**
Amortisation of other intangible assets		1	1	–	–	**2**
Impairment of property, plant and equipment		–	4	23	–	**27**
Impairment of receivables		15	33	1	8	**57**
Number of employees		18 056	4 025	1 740	83	**23 904**

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

All monetary amounts are expressed in millions of Rand	2006	Restated 2005
NOTES		
1. RECONCILIATION OF SEGMENTAL ASSETS		
Total assets	**10 385**	8 104
Bank balances and cash	**(1 808)**	(1 931)
Deferred taxation assets	**(52)**	(34)
Segmental assets	**8 525**	6 139
2. RECONCILIATION OF SEGMENTAL LIABILITIES		
Current liabilities	**6 163**	4 050
Bank overdrafts	**(166)**	(197)
Current taxation liabilities	**(152)**	(94)
Non-current liabilities	**1 028**	890
Deferred taxation liabilities	**(297)**	(252)
Segmental liabilities	**6 576**	4 397

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

The group operates in the following geographic areas of the world.

	South Africa	Africa – other	Europe	The Americas	Pacific Rim / South East Asia	Middle East	Group
2006							
Revenue	8 564	716	–	657	153	1 876	**11 966**
Percentage	72	6	–	5	1	16	
Segmental assets	5 167	391	1 006	205	621	1 135	**8 525**
Percentage	61	5	12	2	7	13	
Capital expenditure	296	6	–	30	13	24	**369**
Percentage	80	2	–	8	4	7	
Number of employees	20 452	2 010	5	733	79	588	**23 867**
Percentage	86	8	–	3	–	2	
2005							
Revenue	8 108	721	5	547	206	1 087	**10 674**
Percentage	76	7	–	5	2	10	
Segmental assets	4 098	357	829	114	111	630	**6 139**
Percentage	67	6	14	2	2	10	
Capital expenditure	275	5	2	4	5	8	**299**
Percentage	92	2	1	1	2	3	
Number of employees	19 030	3 708	5	632	80	449	**23 904**
Percentage	80	16	–	3	–	2	

Group directorate and executive committee

Non-executive directors

Roy Cecil Andersen (58)
CA(SA) CPA (Texas), independent non-executive chairman
Appointed to the Board in 2003. Appointed chairman in 2004. Chairman of the nomination committee and member of the remuneration & human resources committee. Trustee of The Murray & Roberts Trust. Chairman of Sanlam Limited and Virgin Active (South Africa) (Proprietary) Limited. Member of the King Committee on Corporate Governance and the International Accounting Standards Committee Foundation. Former chief executive and deputy chairman of the Liberty Group.

Roy served as executive president of the 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 (63)
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 the 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 (49)
BA, independent non-executive director
Appointed to the board in 2001. Member of the remuneration & human capital resources committee. Trustee of The Murray & Roberts Trust. Chairman of Stanlib Limited, the Council of Higher Education, Grassroots (Proprietary) Limited, Andisa Capital Limited, Ilso Consulting (Proprietary) Limited and Nail Outdoor Natanya (Proprietary) 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 (Proprietary) Limited, VW South Africa (Proprietary) Limited, Liberty Holdings Limited, Standard Bank of South Africa (Proprietary) Limited, Liberty Group Limited and Emblesi (Proprietary) Limited. Former managing director of Transnet.

Saki is a member of the ANC's National Executive Committee, co-chairman of the Business Trust and a council member of the University of the Witwatersrand, Rhodes University and Unisa.

Namane Milcah Magau (54)
BA EdD (Harvard) MEd BEd, independent non-executive director
Appointed to the Board in 2004. Member of the remuneration & human resources committee and the health, safety & environment committee. Trustee of The Murray & Roberts Trust. President of the Businesswomen's Association. Director of Santam Limited, Thebe Investment (Proprietary) Limited and FastComm (Proprietary) 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 (60)
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 Murray & Roberts during the 1970s.

Imogen Nonhlanhla Mkhize (43)
BSc Information Systems (Rhodes) MBA (Harvard), independent non-executive director
Appointed to the Board in 2005. Member of the audit and the risk management committees. Former CEO of the World Petroleum Congress 2005. Director of Sasol Limited, Datacentrix Holdings Limited, Allan Gray South Africa Limited and Vodafone Investments (SA). Also member of Financial Markets Advisory Board and Rhodes University Board of Governors.

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 (59)
BCom CA(SA), independent non-executive director
Appointed to the Board in 1994. Member of the audit 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 (67)
CA(SA), independent non-executive director
Appointed to the Board in 2003. Chairman of the audit committee and member of the risk 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 (66)
PrEng BSc Eng (Mech), independent non-executive director
Appointed to the board in 1998. Chairman of the remuneration & human resources committee and 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 (59)
BCom CA (SA), independent non-executive director
Appointed to the Board in 2005. Chairman of the risk committee and member of the remuneration & human resources committee. CE of Waco International and chairman of Consol Limited. Was previously CEO of Industrial and Special Products of the UK-based BOC Group. 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 (57)
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), council member, University of

Witwatersrand, chairman of the Engineering and Built Environment faculty advisory board, University of Witwatersrand, and member at University of Cape Town. As former chairperson of CIDB (2000 to 2003) and past president (1994) of the South African Institute of Civil Engineering, Brian is active in the development of the strategic future of the regional construction and engineering sector.

Sean Joseph Flanagan (47)
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 Engineering Management Services (Proprietary) Limited 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 domestic mining contracting and major projects for 2010.

Norbert Jorek (41)
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. With AT Kearney in Disseldorf/Berlin (Germany), Toronto (Canada), São Paulo (Brazil), Seoul (South Korea) and Johannesburg. 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 (53)
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 (56)
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 (59)
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 chief executive.

Brian Cameron Bruce (57)
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.

Malose Phillip Chaba (46)
PrEng BSc Eng (Elec) MSc, 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 (47)
BSc (Building), group executive director
Appointed to the board in 2001.

Edwin Hewitt (40)
MDip Tech Eng (Metallurgical) MDP, executive director – operations
Appointed to the board in 2005. Since he joined the Group in 2000, Edwin has played an 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 (41)
Dipl – Kfm MBA, group executive director
Appointed to the board in 2004.

Craig Vaughn Lawrence (47)
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.

Roger William Rees (53)
BSc (Econ) Hons FCA, group financial director
Appointed to the board in 2000. Director of Murray & Roberts (Zimbabwe) Limited.

Terence William Rensen (59)
FCA CA(SA) FCMA, executive director – corporate services
Appointed to the board in 2004. Formerly chairman of Union Carriage and Wagon Company (Proprietary) 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 (56)
BCom, executive director – operations
Appointed to the board in 2000. Director of Murray & Roberts (Zimbabwe) Limited.

International

Peter Richard Adams (58)
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 (45)
ACIBM MDP (Cape Town)
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: ZAE000073441)
(company)

Notice is hereby given that the fifty-eighth annual general meeting of the company will be held at Douglas Roberts Centre, 22 Skeen Boulevard, Bedfordview, Johannesburg on Wednesday 25 October 2006 at 10:00 to conduct the following business:

1. To receive and consider the annual financial statements for the year ended 30 June 2006.
2. To elect RC Andersen, N Jorek, SJ Macozoma, MJ Shaw and JJM van Zyl as directors who in terms of the articles of association retire by rotation.

   All the retiring directors are eligible and available for re-election except for SJ Macozoma who has confirmed that he is not available for re-election.

   The profiles of the directors available for re-election appear on pages 16 and 17.
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 2006 as follows:

		Proposed Per annum	**Previous Per annum**
Chairman fee	Includes director and committee fees	[1]R790 000	R735 000
Director fees	Per annum	[3]R100 000	[2]R80 000
Audit	Chairman	R120 000	R77 000
	Member	R60 000	R44 000
Risk management	Chairman	R80 000	R60 000
	Member	R50 000	R44 000
Remuneration & human resources	Chairman	R80 000	R66 000
	Member	R50 000	R44 000
Nomination	Chairman	[4]R42 000	R42 000
	Member	R25 000	R25 000
Health, safety & environment	Chairman	R80 000	R60 000
	Member	R50 000	R44 000

1 Effective from 1 January 2007 payable monthly in arrears.
2 Calculated on the basis of five meetings per annum.
3 A deduction of R10 000 per meeting will apply for non attendance at a scheduled meeting and an ad hoc fee of R20 000 will be payable for attendance at a special board meeting.
4 Included in chairman fee.

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, pass, 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:

- 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;
- 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 2006;
- 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
- the working capital of the company and 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 considered the impact of a repurchase of up to 20% (twenty percent) of the company's shares, being the maximum permissible under a general authority in terms of the JSE Listings Requirements. Should the opportunity arise and should the directors deem it in all respects to be advantageous to the company to repurchase such shares, it is deemed appropriate that the directors be authorised to repurchase the company's shares.

Directors' responsibility statement

The directors, whose names appear on pages 16 and 17, 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 pages 16 and 17, 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 twelve 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.

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, Market Link Services South Africa (Proprietary) Limited by no later than 10:00 on Monday 23 October 2006.

The completion of a form of proxy will not preclude a shareholder from attending the annual general meeting.

By order of the board

Per: Sandi Linford
Group Secretary

29 September 2006

Shareholders' diary

Financial year end	30 June 2006
Mailing of annual report	29 September 2006
Annual general meeting	25 October 2006
Publication of half year results 2006/7	28 February 2007
Publication of preliminary report 2006/7	29 August 2007

DIVIDEND

Interim dividend

• SA cents per share	20
• Date declared	28 February 2006
• Last date traded *cum* dividend	6 April 2006
• Date paid	18 April 2006

Final dividend

• SA cents per share	40
• Date declared	30 August 2006
• Last day to trade *cum* dividend	9 October 2006
• Date payable	16 October 2006

Administration

COMPANY REGISTRATION NUMBER

1948/029826/06

SHARE CODE:	MUR
ISIN:	ZAE000073441

BUSINESS ADDRESS AND REGISTERED OFFICE

Douglas Roberts Centre
22 Skeen Boulevard
Bedfordview 2007
Republic of South Africa

POSTAL AND ELECTRONIC ADDRESSES AND TELECOMMUNICATIONS NUMBERS

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REGISTRARS

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Republic of South Africa

Telephone:	+27 11 834 2266
Fax:	+27 11 834 4398

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: ZAE000073441)
(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, should provide instructions to their appointed CSDP or broker in the form as 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 10:00 on Wednesday 25 October 2006 Douglas Roberts Centre, 22 Skeen Boulevard, Bedfordview, 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 RC Andersen			
2.2 N Jorek			
2.3 MJ Shaw			
2.4 JJM van Zyl			
3. Reappointment of auditors			
4. Fees payable to non-executive directors			
5. 30 000 000 unissued shares under control of directors			
6. Special resolution 1 General authority to repurchase shares			

Signed at .... on 2006

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 Registrars 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 Registrars, Link Market Services South Africa (Proprietary) Limited, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) by no later than 10:00 South African time on Monday 23 October 2006.

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.

About this report

Murray & Roberts is committed to reporting on its performance and activities in a transparent manner.

The Murray & Roberts annual report is the Group's primary reporting document. The annual report satisfies the Listings Requirements of the JSE Limited and reports the Group's progress in complying with the recommendations of the King Report on Corporate Governance for South Africa 2002. It is an integrated report offering a global overview of Murray & Roberts and its business environment. The report is expanded to include indepth operational reviews and a report on our sustainability performance.

Investors and other stakeholders have immediate and equal access to other information through the Murray & Roberts website www.murrob.com.

The CE forum on the murrob.com website encourages comment and suggestion on all aspects of Murray & Roberts and its activities.

Murray & Roberts continues to apply the principles of transparency, governance and corporate citizenship throughout the Group but has much to learn and contribute during the years ahead.

Murray & Roberts

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