Preliminary Report
for the year ended 30 June 2006

Murray & Roberts Holdings Limited
(Registration number: 1948/029826/06)
("Murray & Roberts" or "Group")
Share Code: MUR ISIN code: ZAE00073441

Murray & Roberts and its associates employ more than 30 000 people directly and we estimate that a further 20 000 employees of our many business partners attend daily on our more than 150 active work sites throughout Southern Africa, Middle East, Australasia, 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.

BRIAN C BRUCE, GROUP CHIEF EXECUTIVE

Executive Summary

On behalf of the Directors, we are pleased to announce a final dividend of 40 cents per share (2005: 30 cents per share) increasing the total dividend for the full year by 33% to 60 cents per share (2005: 45 cents per share). Attention is drawn to the formal dividend announcement contained herein.

Shareholders are alerted to the fact that in finalising the audited financial statements for the reporting period in terms of International Financial Reporting Standards ("IFRS") some adjustments have been necessary to the financial statements for the year ended 30 June 2005.

Excluding an R87 million charge to the income statement relating to the granting of shares to almost 14000 employees in terms of the Group's Broad Based Black Economic Empowerment ("BBBEE") transaction in the year, diluted headline earnings for the year to 30 June 2006 increased by 26% to 184 cents per share (2005: 146 cents per share).

This performance is ahead of the prospects statements included in the 2005 Annual Report and the 2006 Interim Report, but within recent guidance offered to the market.

Operating profit increased 47% to R800 million (2005: R544 million) off a 16% increase in revenues to R11,9 billion (2005: R10,3 billion). The operating margin of 6,7% (2005: 5,3%) is the highest recorded by Murray & Roberts since its previous peak performance as an industrial holding group through the five years 1991 to 1995.

The year under 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 has brought increased levels of 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.

International markets have been positive overall, with improved performances delivered out of Canada and Middle East. Positive market conditions in the oil & gas sector boosted activity in the Group's 46,1% investment in Australian associate Clough Limited, but problems with two contracts in India resulted in a loss in its results for the year. The second half-year saw a return to profitability in the company.

The Interim Report advised of contracting problems experienced in the Group's South African Development Community ("SADC") construction operations. These have been addressed through the second half-year and where contracts have permitted, recovery has been pursued. Where applicable, claims have been lodged in terms of the Group's liability insurance policies.

The year-end net cash position was R1,6 billion (2005: R1,7 billion) following capital expenditure of R338 million (2005: R251 million) and a net acquisition outflow of R125 million (2005: R350 million inflow). Working capital utilisation at year-end reflects the impact of increased raw material stocks and slower payments in Construction Middle East.

Interest-bearing long term liabilities increased to R461 million (2005: R339 million). This primarily relates to working capital loans into Clough Limited and Cementation Canada and instalment sales agreements in Concor.

The Group returned 16,1% (2005: 16,0%) on average shareholder funds in the year, which remains below the strategic Group target of 20%. This will improve on a return to profitability in Clough.

International Financial Reporting Standards

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

The impact of the transition to IFRS has been an increase in shareholders funds attributable to equity holders of the holding company of R100 million on 30 June 2005 (1 July 2004: R124 million). For the year ended 30 June 2005, attributable earnings increased by R15 million to R463 million and diluted headline earnings increased by 6 cents per share to 146 cents per share.

Market

All markets targeted by the Group continue to promise sustainable growth potential. In some areas there is evidence of shortages of capacity and in all sectors there is a reduction in the high levels of price competition that had become characteristic of the industry.

In South Africa, gross fixed capital formation ("GFCF") has extended its growth trajectory, although recent interest rate increases may dampen consumer demand. Government investment into primary infrastructure is set to form the foundation for future growth.

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 continues to place increased 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 future demand.

Order Book

The Group's project order book stood at R10,0 billion at 30 June 2006 (2005: R8,5 billion), an increase of 18% in the year. This includes R1,5 billion acquired in Concor Limited and excludes the approximately R4,5 billion Murray & Roberts share in the Gautrain project.

The order book comprises Construction Middle East at R2,3 billion (R3,4 billion); Construction SADC and Concor at R3,8 billion (R1,2 billion); Mining Contracting at R3,1 billion (R3,4 billion); and Engineering at R0,7 billion (R0,4 billion). The amounts in brackets are the comparative levels at 30 June 2005. The regional composition of order book is SADC 71% (52%); Middle East 23% (39%); and Rest of World 6% (9%).

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 R11,9 billion. This includes both foundry engine programmes and the Spoornet locomotive recapitalisation programme.

Operations

The Group's South African regional construction activities recorded revenues of R2,1 billion (2005: R2,2 billion) at an operating profit of 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 the five identified problem projects in Tanzania, Botswana and South Africa. The delay in award of the Gautrain project resulted in an overhead under-recovery in the year.

Middle East construction posted increased revenues of R1,6 billion (2005: R906 million) at an operating profit of R77 million (2005: R41 million loss) at a margin of 4,8%. The Dubai Airport project has contributed to the turnaround of the business, underpinned by solid performances from other regional activities.

Engineering contracting and services operations experienced improving conditions in the year with revenues at R611 million (2005: R603 million) delivering operating profits of R48 million (2005: R26 million) at a margin of 7,9% (2005: 4,3%). There is increased activity evident in the conversion of natural resources into industrial products and power generation.

Mining contracting operations in Canada, South Africa and Australia recorded revenues of R2,7 billion (2005: R2,5 billion) and an operating profit of R164 million (2005: R130 million) at a margin of 6,1% (2005: 5,2%). In all these markets there is a tendency to more underground mining activity, specifically the construction of access infrastructure including shafts.

Improved levels of gross fixed investment in Southern Africa and Middle East have driven the demand for construction materials & services. The companies in this sector have delivered exemplary performances in the year.

Reinforcing steel construction products and trading services increased revenues 13% to R1,7 billion (2005: R1,5 billion) at an operating profit of R127 million (2005: R86 million).

Concrete and Asphalt infrastructure products increased revenues 32% to R980 million (2005: R743 million) at an operating profit of R218 million (2005: R130 million).

Clay and steel building products delivered revenues of R324 million (2005: R174 million) at an operating profit of R63 million (2005: R11 million). This result includes the maiden contribution from Ocon Brick.

Steel fabrication operations are dependent on major industrial and infrastructure projects, of which there is evidence of increasing activity. For the year under review revenues increased to R781 million (2005: R620 million) at an operating profit of R58 million (2005: R61 million).

Specialist services to the construction and investment sector delivered an operating profit of R71 million (2005: R38 million) on revenues of R235 million (2005: R170 million).

The Group's industrial manufacturing and specialist fabrication operations generated revenues of R968 million (2005: R869 million) at an operating profit of R86 million (2005: R101 million) at a margin of 8,9% (2005: 11,6%).

Net corporate overheads for the year increased to R147 million (2005: R122 million) and include new costs associated with share based expenses required under IFRS, the Health, Safety and Environment ("HSE") Stop.Think initiative, the International Advisory Board and other risk management initiatives.

Clough Limited

Murray & Roberts has recorded a break-even result from its 46,1% investment in Australian associate Clough Limited ("Clough"). This arises as a result of pre-acquisition accounting for the losses incurred and provisions raised on two EPC projects in India that have contributed to an attributable loss in the company of A$ 15,1 million (2005: A$57,6 million loss). The remainder of Clough's activities servicing the oil & gas sector, its Indonesian subsidiary and property division have been profitable in the year, underpinning the embedded value of the business.

Murray & Roberts will underwrite a A$40 million 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. The Group's investment in Clough may increase to approximately R1,0 billion in the year representing an effective shareholding below 50% at a premium to NAV of 50%. The shareholder agreement between McRae Investments (representing the Clough family) and the Group will be terminated.

Mr 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.

Murray & Roberts has appointed experienced Australian construction and engineering executive Mr 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 serving the oil & gas market.

Further details on the Clough financial results for the year to 30 June 2006 are available on www.clough.com.au

Exceptional Items

An expense of R87 million relating to part of the Group's BBBEE transaction in the year was the major contributor to an exceptional loss of R85 million (2005: R74 million profit). The empowerment charge is R8 million lower than recorded at the half-year as surplus shares were subsequently transferred to the Black Employee Benefits Trust.

Acquisitions and Disposal

The Group acquired 80% of Ocon Brick Manufacturing effective 1 August 2005 for a consideration of R96 million.

The Group increased its shareholding in Clough Limited based in Perth Australia to 46,1% in November 2005, for a consideration of approximately R225 million, plus rights to a further 3,0% on conversion of a loan facility of A$15 million. 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 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 in cash.

The Group's financial statements at 30 June 2006 have consolidated the balance sheet of Concor although the income statement will be consolidated from 1 July 2006.

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%).

Black Economic Empowerment

Following the BBBEE transaction in December 2005, the Group 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 including what is stipulated in the legislation, to meet future development criteria.

Health Safety and 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. Of the fatalities, 50% 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.

A comprehensive HSE campaign under the banner Stop.Think was initiated during the year and is currently being rolled-out within the South African operations. The Group's Lost Time Injury Frequency Rate (LTIFR) is currently at a factor of 4,6 compared to a short-term target of 3,0 and long-term target of 1,0.

Many Group operations already operate within these targets and significant management attention is being applied to the cultural challenges that influence the change in attitude needed for sustainable HSE success.

On 30 March 2006 the Bahrain dhow tragedy became world news as the Group was confronted with the loss of 58 people (10 from Murray & Roberts) associated with its joint venture City Gardens project in that country. While the project will be completed, the lives of so many people from many different nationalities have been permanently affected by this tragic event.

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, where we expect a significant financial turnaround.

The Gautrain project should commence construction in September 2006 with a clear objective to commission the link between Johannesburg International Airport and Sandton in time for the 2010 Soccer World Cup. The many other major projects required for this global event must also commence during the year ahead, with little room for time extension. It is in response to these challenges that the Group recently reorganised its key executive leadership responsibilities in the Southern Africa market.

New opportunities in Middle East have demanded increased resource allocations and new executive appointments in the region. The Group's global mining contracting operations face increased opportunity and a higher level of leadership coordination is being planned, linking these operations with the Group's increasing global oil & gas capability.

The Directors remain of the view that the next few years will be positive to 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.

On behalf of the directors

Roy Andersen	**Brian Bruce**	**Roger Rees**
Chairman of the Board	Group Chief Executive	Group Financial Director

Bedfordview
30 August 2006

Notice to Shareholders

Declaration of final ordinary dividend (No. 109)

Notice is hereby given that the final dividend, dividend No. 109 of 40 cents per share in respect of the financial year ended 30 June 2006 has been declared payable to shareholders recorded in the register at the close of business on Friday 13 October 2006.

The salient dates for the final ordinary dividend are as follows:

Last day to trade *cum* the dividend	Friday 6 October 2006
Shares commence trading *ex* dividend	Monday 9 October 2006
Record date	Friday 13 October 2006
Payment date	Monday 16 October 2006

Share certificates may not be dematerialised or re-materialised between Monday 9 October 2006 and Friday 13 October 2006, both days inclusive.

On Monday 16 October 2006, the dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. Where electronic fund transfer is not available or desired, cheques dated 16 October 2006 will be posted on that date.

Dematerialised shareholder accounts will be credited at their CSDP or broker on Monday 16 October 2006.

By order of the Board

SF Linford
Group Secretary

Bedfordview
30 August 2006

Murray & Roberts Holdings Limited Registration No. 1948/029826/06

Directors:
RC Andersen* (Chairman) BC Bruce (Managing & Group Chief Executive) SJ Flanagan SE Funde* N Jorek[3] SJ Macozoma* NM Magau* JM McMahon* IN Mkhize* RW Rees[1] AA Routledge* MJ Shaw* KE Smith[2] JJM van Zyl* RT Vice*
[1] British [2] Irish [3] German *Non executive

Secretary:
SF Linford

Registered office:
Douglas Roberts Centre,
22 Skeen Boulevard, Bedfordview
PO Box 1000
Bedfordview 2008

Registrar:
Link Market Services South Africa (Pty) Limited
11 Diagonal Street, Johannesburg 2001

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

SALIENT POINTS

Revenues
⇧ **16%** to R11,9 billion

Full year dividend
⇧ **33%** to 60 cents per share

Operating profit
⇧ **47%** to R800 million

Order book
⇧ **18%** to R10,0 billion

Headline earnings
⇧ **26%** to 184 cents per share (excluding BBBEE transaction)

Condensed consolidated income statement

for the year ended 30 June 2006 R millions	Audited 30.6.06	Restated 30.6.05
Revenue	**11 920**	10 272
Earnings before interest, exceptional items depreciation and amortisation	**1 044**	768
Depreciation	**(228)**	(222)
Amortisation of intangible assets	**(16)**	(2)
Earnings before interest and exceptional items	**800**	544
Exceptional items	**(85)**	74
Headlease and other property activities[1]	**4**	10
BBBEE expense	**(87)**	–
Other	**(2)**	64
Earnings before interest and taxation[2]	**715**	618
Net interest income (expense)	**22**	(2)
Earnings before taxation	**737**	616
Taxation	**(189)**	(155)
Earnings after taxation	**548**	461
Share of profit of associates	**1**	78
Earnings from continuing operations	**549**	539
Earnings from discontinued operations (notes 2.4 and 3)	**12**	(46)
Earnings for the year	**561**	493
Attributable to:		
Shareholders of the holding company	**512**	463
Minority shareholders	**49**	30
	561	493
Earnings per share (cents)		
- Diluted	**165**	143
- Basic	**168**	145
Earnings per share from continuing operations (cents)		
- Diluted	**162**	157
- Basic	**164**	160
Total dividend per ordinary share (cents)	**60**	45
Operating cash flow per share (cents)	**180**	200
[1] The headlease and other property activities include the following:		
Rental income	**144**	161
Interest expense	**(49)**	(57)
[2] Includes interest expense of R49 million (2005: R57 million) in respect of the headlease and other property activities.		
SUPPLEMENTARY INCOME STATEMENT INFORMATION		
Reconciliation of weighted average number of shares in issue (000)		
Weighted average number of ordinary shares in issue	**331 893**	331 893
Less: weighted average number of shares held by The Murray & Roberts Trust	**(12 139)**	(13 664)
Less: weighted average number of shares held by the Letsema BBBEE trusts	**(14 917)**	–
Weighted average number of shares used for basic per share figures	**304 837**	318 229
Add: dilutive adjustment for share options	**5 081**	4 611
Weighted average number of shares used for diluted per share figures	**309 918**	322 840
Reconciliation of headline earnings		
Earnings attributable to shareholders of the holding company	**512**	463
Non-headline exceptional items	**2**	(64)
(Profit) loss on disposal of discontinued operations	**(16)**	53
Taxation on above adjustments	**4**	16
Non-headline portion of income from associate	**–**	2
Headline earnings	**502**	470
Headline earnings per share (cents)		
– Diluted	**162**	146
– Basic	**165**	148
Reconciliation of headline earnings excl BBBEE expense		
Headline earnings as above	**502**	470
BBBEE expense	**87**	–
Taxation effect on BBBEE expense	**(20)**	–
Headline earnings excluding BBBEE expense	**569**	470
Headline earnings per share excluding BBBEE expense (cents)		
– Diluted	**184**	146
– Basic	**187**	148

Condensed consolidated cash flow statement

for the year ended 30 June 2006 R millions	Audited 30.6.06	Restated 30.6.05
Cash generated by operations before working capital changes	**1 063**	723
Cash outflow from exceptional items relating to BBBEE	**(70)**	–
Cash outflow from headlease and other property activities	**(82)**	(69)
(Increase) decrease in working capital	**(195)**	19
Cash generated by operations	**716**	673
Interest and taxation	**(118)**	(10)
Operating cash flow	**598**	663
Dividends paid to shareholders of the holding company	**(154)**	(143)
Dividends paid to minority shareholders	**(29)**	(20)
Cash flow from operating activities	**415**	500
Cash flow from investing activities	**(356)**	159
Property, plant and equipment and intangible assets (net)	**(307)**	(168)
Business acquisitions/disposals (net)	**(126)**	317
Other investments (net)	**73**	(25)
Other (net)	**4**	35
Cash flow from financing activities	**(183)**	51
Net movement in borrowings	**228**	67
Treasury share acquisition	**(411)**	(16)
Net (decrease) increase in cash and cash equivalents	**(124)**	710
Net cash and cash equivalents at beginning of year	**1 733**	985
Effect of foreign exchange rates	**33**	38
Net cash and cash equivalents at end of year	**1 642**	1 733

Condensed consolidated balance sheet

for the year ended 30 June 2006 R millions	Audited 30.6.06	Restated 30.6.05
ASSETS		
Non-current assets	**3 589**	2 629
Property, plant and equipment	**1 714**	1 376
Investment property	**278**	259
Goodwill	**147**	48
Other intangible assets	**68**	19
Deferred taxation assets	**52**	34
Associate companies	**877**	505
Other investments	**435**	357
Other non-current receivables	**18**	31
Current assets	**6 796**	5 475
Accounts receivable and other	**2 110**	1 629
Net amounts due from contract customers	**2 878**	1 915
Bank balances and cash	**1 808**	1 931
TOTAL ASSETS	**10 385**	8 104
EQUITY AND LIABILITIES		
Total equity	**3 194**	3 164
Attributable to equity holders of the holding company	**3 086**	3 067
Minority shareholders' interest	**108**	97
Non-current liabilities	**1 027**	890
Long-term provisions	**22**	5
Obligations under finance headleases*	**155**	274
Other long-term liabilities*	**461**	339
Non-interest bearing long-term liabilities	**56**	–
Deferred taxation liabilities	**297**	252
Other non-current liabilities	**36**	20
Current liabilities	**6 164**	4 050
Accounts payable and other	**5 509**	3 647
Bank overdrafts*	**166**	198
Short-term loans*	**489**	205
TOTAL EQUITY AND LIABILITIES	**10 385**	8 104
* Interest-bearing borrowings		
SUPPLEMENTARY BALANCE SHEET INFORMATION (R millions)		
Net asset value per share (cents)	**1 031**	980
Commitments		
Capital expenditure		
– spent	**294**	251
– authorised but unspent	**862**	396
Operating lease commitments	**136**	236
Contingent liabilities	**131**	148
Financial institution guarantees	**1 945**	1 788

Segmental analysis

for the year ended 30 June 2006 R millions	Revenue	EBIT before exceptional items	Exceptional items	Segment results
2006				
Construction & engineering	6 966	324	(60)	264
Construction materials & services	3 986	537	(15)	522
Fabrication & manufacture	968	86	(11)	75
Corporate	–	(147)	1	(146)
Continuing operations	11 920	800	(85)	715
Discontinued operations (note 3)	46	1	–	1
	11 966	801	(85)	716
2005				
Construction & engineering	6 230	239	(3)	236
Construction materials & services	3 172	326	–	326
Fabrication & manufacture	869	101	(146)	(45)
Corporate	1	(122)	223	101
Continuing operations	10 272	544	74	618
Discontinued operations (note 3)	402	12	–	12
	10 674	556	74	630

Notes

1. **Basis of preparation**
The Group has adopted IFRS 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 (SA GAAP). This preliminary report has been prepared and presented in accordance with IAS34: Interim Financial Reporting and the Companies Act 1973 (amended).

The financial statements for the year ended 30 June 2006 is the Group's first consolidated IFRS-compliant financial statements and hence IFRS1: *First-time Adoption of IFRS* has been applied in preparing this preliminary report. Comparative information has been restated as required by IFRS. The condensed financial information does not include all the relevant information required by IFRS for full annual financial statements. For further information on the IFRS and related adjustments, refer to the annual financial statements.

The Group's 2006 annual financial statements were audited by the Group's external auditors, Deloitte & Touche, whose unqualified audit opinion is available for inspection at the company's registered office.

2. **Effect on the first time adoption of IFRS and other restatements**
IFRS 1: *First Time Adoption of International Financial Reporting Standards* allows a number of exemptions on adoption of IFRS, and the Group has elected to utilise the following transitional arrangements:

- Business combinations: The Group has elected not to retrospectively apply the requirements of IFRS 3 *Business Combinations* for business combinations that occurred prior to the transition date of 1 July 2004.
- Property, plant and equipment: The Group has elected to measure certain individual items of property, plant and equipment at fair value at the date of transition to IFRS, hence fair value is deemed to be cost at that date.
- Foreign currency translation reserve: The Group has elected to transfer all foreign currency translation reserves to retained earnings.

2.1 Property, plant and equipment
Useful lives and residual values of certain items of property, plant and equipment were reassessed in accordance with the criteria of *IAS16: Property, Plant and Equipment* (revised). In future, residual values of all property, plant and equipment will be reassessed on an annual basis. Previously residual values and useful lives 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. Depreciation ceases when the residual value of an asset equals or exceeds its carrying value.

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.

Computer software and related depreciation were reallocated to intangible assets and amortisation respectively.

Major spare parts having useful lives longer than 12 months were reallocated from inventories to property, plant and equipment.

2.2 Share-based payment transactions
In accordance with IFRS2: *Share-based Payment* the fair value of share options granted to employees is recognised as an employee expense in operating profit with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period during which the employee becomes unconditionally entitled to the equity instruments (the vesting period). The fair value of the instruments granted is measured using an appropriate valuation technique, taking into account the terms and conditions upon which the instruments are granted. This accounting policy has been applied to all share options granted after 7 November 2002 that had not yet vested at 1 January 2005. Previously such expenses were not recognised in the income statement.

2.3 Presentation of minority interest in subsidiary companies
Minority interests are now reflected as part of equity. Any change in ownership interest in subsidiary companies without a change in control is recognised as an equity transaction in the consolidated financial statements.

2.4 Discontinued operations
In accordance with the requirements of IFRS5: *Non-current Assets Held For Sale and Discontinued Operations,* the financial results of discontinued operations are reported as one line item in the income statement and not on a line-by-line basis. Refer to note 3.

2.5 Interest free receivables, payables and the recognition of revenue and purchases
Notional interest
IAS 39: *Financial Instruments: Recognition and Measurement* requires that imputed interest be recognised on interest free receivables. IAS18: *Revenue* further requires that revenue be recognised at the fair value of the consideration received or receivable. Accordingly, where the fair value of the Group's consideration is significantly impacted by the time value of money, a portion of the revenue has been deemed to be interest income recognised on a time apportionment basis. This has resulted in a decrease in recognised revenue, certain financial receivables and liabilities.

Rebates and discounts
In accordance with circular 9/2006 issued by the South African Institute of Chartered Accountants regarding the treatment of settlement discounts and cash discounts, the valuation of inventories and accounts receivable and payable as well as the measurement of cost of sales and revenue have been adjusted retrospectively by the settlement discounts received from suppliers in respect of purchases, and discounts granted to customers in respect of sales. The impact on the balance sheet was minimal.

2.6 Reclassifications and disclosure adjustments
In addition to the above, certain reclassifications and disclosure adjustments were made to the balance sheet presentation, most notably the reallocation of certain interest-bearing liabilities from accounts payable to short-term loans.

R millions	IFRS transition **01.7.04**	Restated 30.6.05
Reclassification of balance sheet items under IFRS and SA GAAP improvements		
Property, plant and equipment	1	(9)
Intangible assets	5	19
Associate companies	1	1
Other investments	(3)	(4)
Accounts receivable and other	(60)	(69)
Accounts payable and other	122	86
Bank balances and cash	(66)	(24)
2.7 Reconciliation of equity		
BALANCE SHEET		
Equity previously reported under SA GAAP	2 603	2 967
SA GAAP adjustments		
Goodwill impairment	(5)	(5)
Current taxation liabilities	(5)	2
IFRS adjustments		
Property, plant and equipment	155	190
Accounts receivable and other – impairment provision and notional interest	(46)	(18)
Accounts payable and other – additional liabilities	–	(19)
Reclassification of minority interest as equity	55	97
Accounts payable and other – subcontractor liabilities	15	3
Deferred taxation impact on IFRS adjustments	10	(53)
Equity as reported under IFRS	2 782	3 164

2.8 Income statement adjustments

R millions	Restated 30.6.05
INCOME STATEMENT	
Earnings attributable to shareholders of the holding company as reported under SA GAAP	448
SA GAAP adjustments	
Goodwill	5
IFRS adjustments	
Revenue – notional interest	(8)
Cost of sales and purchases – notional interest	7
Loss on disposal of minority interest in subsidiary companies	4
Property, plant and equipment – depreciation	20
Intangible assets – amortisation	(2)
Share options expense	(4)
Deferred taxation impact on IFRS adjustments	(7)
Earnings attributable to shareholders of the holding company as reported under IFRS	463

3. **Earnings from discontinued operations**
On 1 October 2005, the Group disposed its forklift truck distribution business Criterion Equipment for R92,7 million. The comparative numbers include businesses that were closed or disposed of in the prior year, being Consani Engineering, Improvair and Booker Tate.

R millions	**30.6.06**	30.6.05
Earnings from the discontinued operation is analysed as follows:		
Profit (loss) on disposal/closure	**16**	(53)
Earnings after taxation for the period	**(4)**	7
	12	(46)
Earnings after taxation for the period is analysed as follows:		
Revenue	**46**	402
EBITDA	**2**	19
Depreciation	**(1)**	(7)
EBIT	**1**	12
Net interest expense	**(1)**	(2)
Earnings before taxation	**–**	10
Taxation	**(4)**	(3)
Earnings after taxation	**(4)**	7

Condensed statement of changes in equity

for the year ended 30 June 2006 R millions	Issued capital	Other capital reserves	and fair value reserves	translation reserves	Hedging Retained earnings	earnings	Revaluation and Minority **Total**
Balances at 1 July 2004	1 445	2	5	(281)	1 432	54	**2 657**
Effect of change in accounting policies	–	24	(21)	278	(157)	1	**125**
SA GAAP improvements	–	–	–	–	(10)	–	**(10)**
IFRS adjustments	–	24	(21)	278	(147)	1	**135**
Restated balances at 1 July 2004	**1 445**	**26**	**(16)**	**(3)**	**1 275**	**55**	**2 782**
Earnings attributable to shareholders of the holding company					463		**463**
Earnings attributable to minority shareholders						30	**30**
Other movements in minority interest						32	**32**
Movement in share-based payment reserve		4					**4**
Movement in statutory reserve		3			(3)		**–**
Movement in revaluation and fair value reserves			16				**16**
Movement in hedging reserve				3			**3**
Foreign currency translation movement on investments				17			**17**
Movement in treasury shares	(20)						**(20)**
Dividend declared and paid					(143)	(20)	**(163)**
Restated balances at 30 June 2005	1 425	33	–	17	1 592	97	**3 164**
Earnings attributable to shareholders of the holding company					512		**512**
Recognition of financial instruments on acquisition of businesses					(29)		**(29)**
Deferred taxation recognised directly in equity					(1)		**(1)**
Earnings attributable to minority shareholders						49	**49**
Purchase of minorities					(5)	(14)	**(19)**
Other movements in minority interest						6	**6**
Movement in share-based payment reserve		24					**24**
Foreign currency translation movement on investments				82			**82**
Movement in treasury shares	(411)						**(411)**
Dividend declared and paid					(154)	(29)	**(183)**
Balances at 30 June 2006	**1 014**	**57**	**–**	**99**	**1 915**	**109**	**3 194**

JONSSONS