



These are the challenges we are now engaging to ensure **sustainable earnings growth and value creation into the future.**

- Extend the cultural transformation throughout the group
- Establish targets that stretch our performance
- Embrace risk management within our culture
- Enhance our business model for leverage



Group Profile and Core Values

Murray & Roberts

A major group of world class companies serving the global value chain created by the extraction, beneficiation and industrialisation of natural resources, with a strong presence in southern Africa and a focus on the construction economies of the developing world.

As a public company listed on the JSE Securities Exchange, Murray & Roberts generates approximately one third of total revenue from global markets and holds a significant investment in separately listed transport and logistics group, Unitrans Limited.

Employing over 16 000 people in its core operations in South and southern Africa, the Middle East and the United Kingdom, Murray & Roberts serves more than 50 countries around the world.

With a history spanning 100 years, the group has been responsible for constructing much of the built environment in southern Africa and has been involved in some of the world's great engineering challenges.

The board of Murray & Roberts is committed to profitable growth as the primary generator of value.

We are transforming our business to meet the knowledge and solutions demand of the new economy, leveraging off our proven resource and asset base.

We will continue to pursue future growth in international markets from our South African base. Much of this growth will be achieved by acquisition of predominantly knowledge-based businesses and organic expansion into new economy sectors that are aligned to our business strategy.

We are committed to:

Leadership

- Applying the vision, experience and energy of a strong corporate leadership team to the pursuit of profitable growth.

Employees

- Enhancing diversity in our workforce.
- Working in partnership to create a better future for all of our people.

Shareholders

- Delivering real growth and returns that maximise shareholders' value.

Customers and Partners

- Gaining preferred status by delivering the projects, products and services that fulfil customers' requirements.
- Fostering loyalty in our partners, suppliers, financiers and advisors.

Innovation

- Encouraging new ideas and better solutions to maintain a competitive edge.

Health, Safety and Environment

- Integrating sound health, safety and environmental management into all aspects of our business activities.

Business Conduct

- Professionalism and integrity in the conduct of our business.
- Open and honest disclosure of information.
- Resolution of disputes by direct personal discussion.

Corporate Citizenship

- Supporting a socially responsive, free market economy.
- Participating in economic development and the sustainable growth of communities in which we operate.



Transformation Strategy

Murray & Roberts is transforming from a reliance on the mobilisation of **Assets and Resources** to the leverage of **Knowledge and Solutions**.

Engineering is our expertise. It is the skill that we know best and have practised for a century. We apply this skill in all of our businesses – from those that serve the construction, industrial and mining markets, to those that fabricate engineered products for the automotive and transportation sectors.

Our business is contracting. It is the nature of our business transactions, the way that we negotiate and agree the legal, commercial and technical terms of projects that governs the relationships and conduct of parties in the subsequent implementation. Our ability to deliver major projects, engineered products and managed facilities for our customers on time, within budget and at a financial return depends as much on the strength of our contracting ability as it does on our engineering excellence.

Industrial design is our core competence. It is our ability to adapt and innovate in order to construct or manufacture better, faster, at lower cost and within environmental constraints. Industrial design is the factor that differentiates us from our competitors and gives us a competitive edge.

Our mission is world class fulfilment. Our ultimate strategic objective is to deliver projects and engineered products that fulfil customer specifications, on time and within budget.

We leverage our South African expertise to deliver **Major Projects** into the high growth markets of developing economies.

We leverage our South African competitiveness to deliver **Engineered Products** into the large markets of developed economies.

We focus on two value chains:

- **The Extraction, Beneficiation and Industrialisation of Natural Resources** sourced primarily from developing economies and destined primarily for developed economies.

We apply our unique combination of engineering design, manufacturing, construction and project management skills to all stages of the value chain from the extraction of natural resources and the implementation of major industrial plants used for the beneficiation of natural resources, to the manufacture of engineered products in our own facilities.

Our core competence enables us to play a key role in the delivery of new industrial capacity to emerging economies by developing infrastructure in the mining, metals, minerals, food and beverage, pulp and paper, oil and gas and petrochemical industries.

- **The Construction Economy** where we leverage our expertise to deliver major projects serving the development of emerging economies.

Our ability to innovate in order to suit the environments in which we work has positioned us as a leading contractor, able to deliver world class solutions across the broad spectrum of building and infrastructure.

Financial Highlights

	2001	Pro forma 2000	2000
Group Summary (R millions)			
Revenue	8 535	8 733	13 318
EBIT	218	91	294
Attributable earnings/(loss)	252	(571)	(571)
Total assets	5 675	5 657	5 657
Operating cash flow	558	79	370
Value created	2 159	1 360	2 156
Payroll costs	1 617	1 757	2 357
Total number of employees	16 337	17 806	26 098

Ordinary Share Performance (cents)

Attributable earnings/(loss) per share	74	(165)	(165)
Headline earnings per share	76	36	36
Operating cash flow per share	164	23	107
Net asset value per share	597	496	496
Market price per share	630	330	330

Financial Statistics

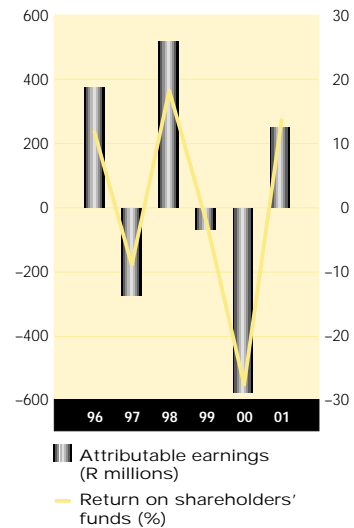
Operating margin (%)	2,6	1,0	2,2
EAT on average ordinary shareholders' funds (%)	13,6	(34,8)	(27,7)
Interest cover (times)	34,7	2,1	4,6

Ratios

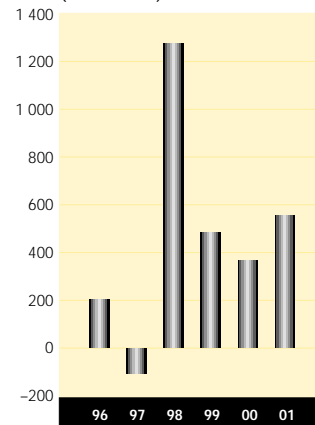
Debt/equity	0,22	0,33	0,33
Current	1,31	1,22	1,22

Note: 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 pro forma column in the above table restates the previously published results as if Unitrans Limited had been equity accounted in the comparative period.

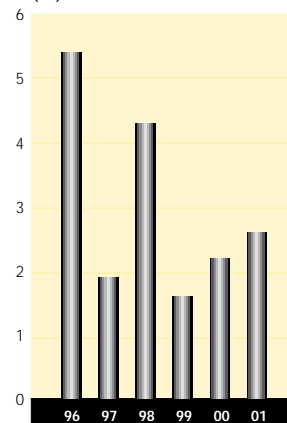
Earnings



Operating Cash Flow (R millions)



Operating Margin (%)





Segmental Analysis

(R millions)	Revenue		EBIT	
	2001	2000	2001	2000
MURRAY & ROBERTS LIMITED	8 535	8 733	218	91
Building and Civil Engineering	2 990	2 989	55	71
Building	2 077	2 248	27	34
Civil Engineering	913	741	28	37
Industry and Mining	1 328	1 053	73	49
Industry	915	685	55	38
Mining	413	368	18	11
Engineered Products	1 628	1 847	35	(19)
Automotive	1 048	1 349	2	(1)
Transport	580	498	33	(18)
Supplies and Services	2 545	2 823	120	43
Construction Services	725	788	49	48
Piping	688	821	31	(18)
Steel and Allied	1 132	1 214	40	13
Corporate	44	21	(65)	(53)
UNITRANS LIMITED	-	4 585	-	203

Note: The above segmental analysis reflects the results including certain divisional overhead costs in the clusters. As part of the Rebuilding Murray & Roberts strategy, divisional head offices have been disbanded and in future the corporate overhead will be aggregated and reflected as such in the segmental analysis. The analysis is restated below to set the base for future segmental reporting:

(R millions)	Year ended	Year ended
	30 June 2001	30 June 2000
	restated	restated
Building and civil engineering	84	99
Industry and mining	77	54
Engineered products	42	(8)
Supplies and services	124	51
Corporate	(109)	(105)
	218	91



Chairman's Statement

Dear Shareholder,

We are pleased to report wide-ranging and substantial progress and improved earnings for the year ended 30 June 2001. Brian Bruce's first year as group chief executive has been hectic, strenuous, successful and rewarding. He embarked on a well considered strategy called 'Rebuilding Murray & Roberts' after securing wholehearted support from the board of directors and can now rightfully claim that the process is well on track. He will detail in his report those aspects of the programme already complete and those which are still "in progress".

You will recall that your group took a strategic decision to migrate its business from assets and resources to knowledge and solutions. Brian has redesigned and rebuilt the structure into a unit to deliver sustainable value to shareholders and customers through continuous performance improvement and innovation.

Salient features of the results achieved for the year are:

- Headline earnings up 111% to 76 cents per share;
- Strong operating cash flow; and
- Solid prospects for delivery of future value.

Unitrans Limited also achieved growth in earnings in excess of internal budgets in a challenging environment.

Shareholders are referred to the Unitrans Limited published results and annual report for detailed information.

BUSINESS ENVIRONMENT

The World Economy

The world's largest economy, the USA, has continued to weaken. Industrial production has plunged and business sentiment is gloomy. The US economy and its people are at a crossroad after the terror attacks on New York and Washington. It is our hope that a consequence

of these tragic events will be a determined effort to reinvigorate the US economy.

The Japanese economy has been languishing for a decade and seems to be deteriorating further with a sharp year-on-year drop in industrial production. Political developments there provide the only hope for future improvements.

In Europe, the high rate of unemployment in Germany is causing concern and business confidence in France has declined. The UK economy is delicately balanced between accelerating retail sales and slumping manufacturing output and although business confidence has turned down, household expenditure is up and disposable incomes will be helped by the March tax cuts. The consensus for growth in the European Union over the next year is 2,7%.

The Asian economies are still suffering from the effect of the 1998 contagion and weakness in Japan. Other emerging economies, including those in South America, have a range of financial and other problems.

The Domestic Economy

In contrast to the above, the South African economy has demonstrated a remarkable robustness which appears to be a dividend arising from the sound macro-economic management of our economy over a number of years.

South Africa has been blessed with its strongest political leadership in many years, supported by sound macro-economic and financial leadership. Although the economic miracle still eludes us, the achievements in our young democracy have provided a solid foundation and, thereby, viable options for the future. South Africans still yearn for a prosperous, fast growing economy which will provide sustainable employment opportunities and rising living standards for all of its people.



Our business is contracting. To ensure the ultimate success of all of our projects – including concession projects where we are a contractor and an investor – we engage with partners and advisors who have world class expertise and we apply rigorous internal governance and risk management processes at all stages of negotiation and implementation.

Here, Charles Henwood, managing director of Murray & Roberts' concessions company, finalises a contract for the N4 West Platinum toll road, the biggest toll road concession contract undertaken in South Africa. With him are Antonio de la Llama of Dragados Consiones de Infraestructuras (seated left), José de Nobrega of Investec Bank (standing left) and Willie Ross of Nedcor Investment Bank (standing right).

There is a growing shared analysis in South Africa of what is needed to achieve this vision. First and foremost is growth in domestic and foreign direct investment followed by rapid human development (particularly skills development), the freeing up of trade, both regionally and globally, rapid infrastructure development and appropriate maintenance.

The economic debate in South Africa has matured and been tempered by invaluable inputs from abroad, leaving us equipped and hopefully poised for action. Our state president, Mr Thabo Mbeki, is to be congratulated on the substantial progress made with the New Africa Initiative which provides a new political will for African leaders to follow a programme of action, committed to peace, security, democracy, good governance and regional co-operation.

Our government deserves the full support and encouragement of the private sector and all South Africans to proceed apace with the South African component of this inspired programme which should include:

- Restructuring and privatisation of state owned assets and enterprises;
- Overcoming capacity constraints to the spending of already budgeted funds on infrastructure development and maintenance and further promoting public-private partnerships (PPPs) to accelerate private participation and funding of vital infrastructure development;
- Developing and implementing an approach to the HIV/AIDS crisis and a plan to fight malaria and tuberculosis;
- Finding short and long-term solutions for land redistribution in order to provide access to property for informal housing and to promote a viable and growing agricultural sector;
- Deregulating the commercial sector to promote legitimate and fast growth of micro and small enterprises;
- Eliminating remaining exchange controls to demonstrate to potential foreign investors that we have faith in our economy;
- Reducing corporate and personal taxation to globally competitive levels;
- Taking further steps to liberalise trade with our region and with our major international trading partners;
- Prioritising skills development and allowing appropriate privatisation of Sectoral Education and Training Authorities (SETA's);
- Liberalising skills importation (immigration) to fill skills gaps and encourage foreign investors; and
- Developing a mindset of getting South Africa back to work.

Corporate Governance

We are appreciative and supportive of the strenuous efforts made by the King Committee and its five task teams in revising and building on the King Report on corporate governance. We are studying the draft King II report and look forward to the completed report becoming effective from 1 January 2002.

“Your group
is well positioned
to add value to
shareholders.”

It is imperative that the South African corporate sector adheres to best international practice if we wish to attract high levels of investment. The new 'triple bottom line' approach addressing economic, environmental and social aspects of governance is to be applauded as is the more onerous accountability of directors to the company and responsibility to the stakeholders.

Employment Equity

The Murray & Roberts group has for several years subscribed to a dynamic affirmative action programme which has focused primarily on development and training. Both internal and external sources of education and advancement have been utilised with a great deal of success. The advent of the Employment Equity Act formalised much of what was already in place and the company has fully embraced the principles and requirements of this legislation.

Comprehensive and viable plans have been developed and agreed throughout the organisation, based on a code of good practice, and aimed at achieving realistic goals. Consultative committees, which include all

stakeholders, have been established, many of which received the benefit of outside professional guidance and tuition. Committees meet on a regular basis, are active at all levels and are instrumental in communicating objectives, creating awareness and achieving consensus.

Plans are assessed and evaluated on an ongoing basis, by the operational companies, as is progress towards the attainment of agreed objectives and goals. The overall process is monitored and reviewed by the board of directors.

Corporate Social Investment (CSI)

Murray & Roberts' CSI has been reviewed in order to improve its effectiveness and align its activities with issues of priority on the national agenda. CSI activities are now focused on four key areas: mathematics, science and technology education; environmental education; early childhood development and the development of women.

To leverage its spending within these key areas and co-ordinate its funding activities, CSI continues to seek opportunities for partnerships with other funders.

The success and popularity of the Murray & Roberts interactive exhibition, 'Building Africa', at the MTN Science Centre in Cape Town, has resulted in CSI providing additional funding for the development of a similar interactive stand at the new MTN Science Centre at Menlyn Shopping Centre in Pretoria.

CSI is supporting a research project by the Centre for Development and Enterprise to generate comprehensive data on maths and science education. The research findings will be used to develop recommendations on educational policies and will also provide CSI with a baseline for effective practical interventions in mathematics, science and technology projects.

The Murray & Roberts Chair of Environmental Education at Rhodes University continues to be one of the leading institutions in developing environmental education through applied academic research.

New Appointments

We are pleased to welcome Saki Macozoma as an independent non-executive director, as well as Keith Smith and John Stanbury, as executive directors, with effect from 28 February 2001. Saki

brings extensive business and political experience and wisdom and will reinforce the capable group of independent directors on the board. Keith and John both have impressive records in operational and strategic management and will enhance the board with their skills and inputs.

Departures

Three Murray & Roberts executives departed in recent months, Lionel Bird and Carlo Di Nicola on retirement and Rohan Sheppard to further his career elsewhere. Lionel joined RUC Mining on transfer from Union Corporation in 1981 and transferred to Murray & Roberts Holdings as group financial director in 1988. Lionel's financial leadership through a spectrum of phases from buoyant conglomerate growth to disposal, focus and contraction has been invaluable. We wish him a long and happy retirement.

Carlo Di Nicola and Rohan Sheppard joined Murray & Roberts after the group purchased a controlling interest in Gillis-Mason in 1983. They soon proved their mettle in Murray & Roberts taking progressively more important roles until Rohan headed the Construction operations and Carlo the Industrial operations as executive directors of Murray & Roberts Holdings. Carlo will be remembered for his trading skills and Rohan for his development of an international construction capability. We wish them both well in their future endeavours.

Prospects

Your group is sufficiently well positioned to continue to play an important role in the development of the South African economy and infrastructure as well as chosen foreign markets in such a way as to add value to shareholders by way of improved earnings and returns on shareholders' funds. Achievement of performance objectives will enable the resumption of dividends in 2002.

Dave Brink

Dave Brink
Chairman



A line in

In 2000, we made a commitment to a new future for Murray & Roberts. We said that this would require the delivery of results in certain key areas. A year later, we report back on our performance.

- **Face up to the problems impacting on our credibility**



We have achieved strategic clarity and operational focus and we exceeded our performance targets for the year under review.

Our share price performance over the year reflects the improved confidence of investors in our group, our leadership team and our Rebuilding Murray & Roberts strategy.

- **Implement a disposal strategy for non-core operations**



During the year, we disposed of Main Pipesystems, Bellambie, Licence Mining, Stone Stamcor and TLF. After the year-end, we disposed of Woodline and Harvey Fielders.

In addition, we liquidated Alloy Wheels International (Canada) and finalised the liquidation of Astas.

Negotiations for the disposal of Alloy Wheels International and our investment in Unitrans, are in progress.

- **Fix the problem operations**



Union Carriage & Wagon, Hall Longmore and Harvey Roofing were returned to profitability during the year as a result of management and strategic interventions to align them with the Rebuilding Murray & Roberts strategy and strengthen their marketing capabilities.

We rationalised and restructured our construction business in order to improve its marketing capability and performance in difficult markets.

- **Define the brand identity of Murray & Roberts**



We conducted a brand recognition exercise with key customers and other industry stakeholders, and established that the name Murray & Roberts is more recognisable and differentiated, both locally and internationally, than M&R. Our name and other elements that represent our brand equity, such as the colour yellow and octagonal shape of our landmark, have been retained in a newly designed landmark which modernises and aligns our corporate image with the strategic changes underway.

As part of this process, Engineering Management Services (EMS), incorporating JCI Capital Projects and Lama, re-branded itself as Murray & Roberts to take advantage of the favourable market perception of our brand. A similar process is underway with other operations in the group.

the sand

- **Integrate the corporate structure for unity**

We broke down the individual divisional “silos” of the past and created a more transparent and integrated management environment.

We implemented a new organisational framework to improve the quality of communication between the operating companies and the corporate office, to strengthen the group’s expertise and to harness the unique synergies within the group. This framework has three primary axes of influence, namely:

- The operations with their management teams, responsible for day-to-day performance management;
- The corporate executive team, responsible for ensuring that Murray & Roberts delivers strategic value to its customers and shareholders; and
- The corporate team of knowledge executives, responsible for providing technical leadership and expertise to the organisation as a whole.



- **Attract young people into the business**

During the year, we attracted a number of new corporate and operational executives in their 30s and early 40s.

We have seen a substantial increase in the number of job applications from highly skilled young people around the globe, indicating that Murray & Roberts has become an attractive destination, internationally, for talented individuals.



- **Build around our core competence for growth**

Our core competence is industrial design, the ability to adapt and innovate in order to construct or manufacture better, faster, at lower cost and within environmental constraints. This is the factor that differentiates Murray & Roberts and gives it a competitive edge.

Operations such as Murray & Roberts Engineering Solutions, Murray & Roberts Foundries, Union Carriage & Wagon and Genrec are already delivering successes in this regard and the strategy is being implemented in all other operations.



- **Improve the operating margins**

Margins improved by more than 100% during the 2001 financial year but a great deal of work lies ahead to achieve our full objectives in this regard.

We have implemented major interventions aimed at cutting costs and developing a better proposition on how we engage our markets for value.



- **Deliver growth in headline earnings**

We exceeded our performance targets in the 2001 financial year.



Structure influences behaviour. Dominant cultures by default, keep reproducing the same non-solution, which is why the experience with corporate transformation is fraught with frustration. The implicitness of the organising assumptions residing at the core of the organisation's collective memory, is overpowering. Accepted on faith, these assumptions are transformed into unquestioned practices that obstruct the future. They function like self-fulfilling prophecies.

Unless the content and implications of these implicit cultural codes (which function much like DNA) are made explicit and dismantled, the nature of the beast will outlive the temporary effects of the [transformation] intervention, no matter how well intended. ”

Gharajedachi

The Murray & Roberts share price performance during the year under review reflects the improved confidence of investors in our group, our leadership team and our Rebuilding Murray & Roberts strategy. We have engaged a number of interventions during the year that have attacked both cultural and structural impediments to our commitment to sustainable growth and value creation.

The first performance reward of the Rebuilding Murray & Roberts strategy has been delivered in the financial result to 30 June 2001. Headline earnings of 76 cents per share is more than double last year's performance, but still only 67% of our target of a 20% return on average shareholders' funds.

In partnership with key advisors, we have designed the fundamental blueprints based on which we will face the challenge of Rebuilding Murray & Roberts as the strategy moves into its next phase during the current year. More than the delivery of a further improvement in financial performance, our challenge is to ensure a deeper understanding of and commitment to the strategy itself, amongst the broader group of Murray & Roberts leadership and management.

Transformation is our fundamental challenge. There will be no compromise in this respect. The concept of a Unitary Murray & Roberts underpins the consolidation of our corporate office and directs the way forward based on internal synergy, common values and the application of a universal business model in the management of risk.

The transformation and strengthening of our corporate leadership team has continued throughout the year.

- John Stanbury joined the group in January 2001. He and Keith Smith were appointed directors of Murray & Roberts Holdings Limited in February 2001.

- Sean Flanagan was appointed to the board of Murray & Roberts Limited in February 2001.
- Dan Modzelewski joined the group in June 2001. He will lead the development of our enterprise systems supporting group procurement, logistics and innovation.
- We also welcomed Henry Laas, who joined the group in February 2001 as managing director of RUC Holdings, and Allan Holloway, who was appointed managing director of Harvey Roofing Products in May 2001.

The global environment into which Murray & Roberts must deliver its value proposition is transforming significantly. A primary element of group strategy is a leadership team with the capacity to meet this challenge and to grow with the success and complexity that will follow.

2001 in Review

A Unitary Murray & Roberts

- Divisional structures eliminated
- Corporate office consolidated
- Remuneration aligned with business strategy
- Leadership team strengthened
- Knowledge businesses acquired
- Non-core businesses disposed
- New brand identity adopted

Shareholder value

• Net asset value	597 cents	+20%
• Market value	630 cents	+91%
• Cash flow	164 cents	+613%
• Return on equity	13,6%	

Share repurchase

- 14 074 921 shares repurchased at R3,07 per share



Brian Bruce, Group Chief Executive. During the past year, Murray & Roberts strengthened its leadership team which now comprises a group of individuals strongly committed to the Rebuilding Murray & Roberts strategy.

To facilitate this capacity and unlock the inherent potential in the group, a series of corporate-driven intervention projects have been engaged over the year. Some of these projects will continue into the coming year.

- A review of the business and overhead structure will ensure the appropriate framework, competence and sizing for the corporate office and each operating company, relative to market potential, strategy and internal synergy.
- The development of an enterprise-wide strategy for group procurement and logistics will enable the significant procurement potential of the group to deliver cost benefit, empowerment and client value.
- An audit of existing group-wide enterprise systems, infrastructure and skills capacity and the development of the fundamental platform and service capability will enable strategic connectivity between all elements of the group, its customers, partners and suppliers.

- A programme of targeted leadership mentoring and personal coaching will assist key executives through the challenge brought about by the significant strategic and transformation process that has been imposed on group leadership and operating company management.
- The review of remuneration practice across the group and the design of a unitary system will align remuneration with business strategy.

Business Proposition

Murray & Roberts chooses to engage the competitive landscape in the market arena defined by the extraction, beneficiation and industrialisation of natural resources. A number of companies in the group offer both direct and indirect access into this value chain, primarily as implementers of projects, where design and fulfilment functions are synergised.

There is no standard model for the Murray & Roberts of the future. We build on our advanced skills and experience in engineering and

Engineering Excellence

Murray & Roberts recognises industrial design as its core competence. The group's operating companies are continuously challenged to elevate the engineering discipline to:

- Innovate
Outmanoeuvre the competition by finding new market and technology combinations.
- Benchmark and improve
Surpass the competition by being better, faster and cheaper.
- Choose the right technologies
Partner whenever we are unable to deliver the best world class solutions alone.
- Be in control of our engineering destiny
Actively lead the development of designs and processes that drive our operations. Understand the interfaces and pro-actively fill the gaps.
- Think, plan and do
Develop and plan projects up-front on paper at low cost, rather than downstream in operations at high cost.
- Adhere to industry norms and standards
Apply the highest possible standards of quality, employee health and safety and environmental responsibility.



We leverage our core competence and expertise to deliver major projects to developing economies. At Bulyanhulu mine in Tanzania, Murray & Roberts subsidiary, RUC, in joint venture with Thyssen Schachtbau and Byrnegut, is sinking a vertical service shaft and doing major underground development work. Bulyanhulu, which is owned by a subsidiary of Barrick Gold, boasts one of the richest gold deposits in the world. The joint venture designed and constructed a mid-shaft loading system which allows hoisting through the upper section while the rest of the shaft is sunk. Roland Berndt, Murray & Roberts chief engineer, Henry Laas, RUC managing director and Mike Carlisle, Bulyanhulu project manager, survey the site.

contracting garnered over the past 100 years of our history. Enhanced through our core competence in industrial design, we deliver world class fulfilment in our solutions to meet the performance and delivery expectations of our market.

Our market is embodied in the entire scope of opportunity possible within the context of the extraction, beneficiation and industrialisation value chain. We do not wish to own the source of natural resources, nor the destination for final products. These are the principle domains of our clients and customers.

We seek to service as much of the selected value chain as appropriate, leveraging off our skills and core competence. Our premise is that the extraction and beneficiation of natural resources occurs primarily in the developing world, and that the products of industrialisation are destined primarily for the developed world.

We offer our core competence and expertise to implement major project solutions directly into the developing economies of the world and combined with our South African competitiveness, to supply engineered products under contract, into the developed economies of the world through third party partnerships.

We have built our business on long-term strategic relationships, through which we crystallise targeted project opportunities for growth and value creation.

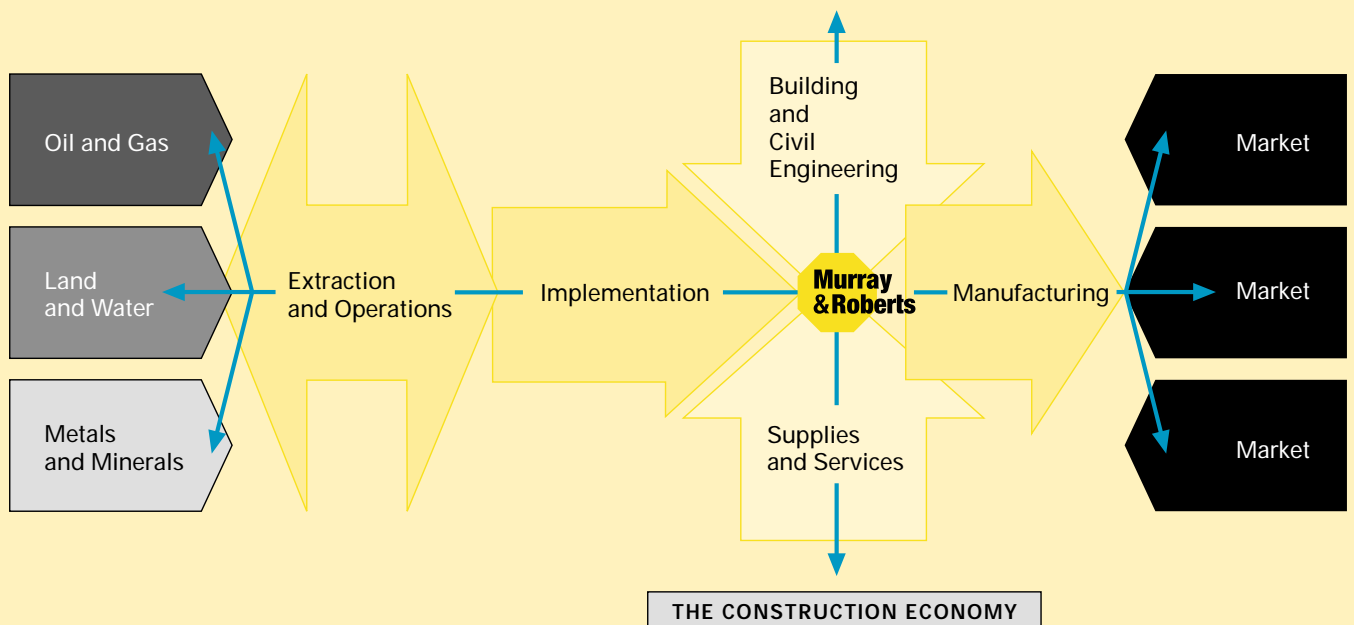
Performance

Our headline earnings performance of 76 cents per share is an improvement of 111% on the previous year. Although total earnings reflects a non-operating cost of only two cents per share for the year, this is the net result of a number of losses and gains related to the further restructuring of the group and its balance sheet.

An important feature of the year's performance is that for the first time in many years, all operating companies traded profitability, apart from our construction operation in KwaZulu-Natal. Credit is due to my executive colleagues and their company management teams who have set this as a key target going forward.

The building and civil engineering operations performed better than expected, but at a lower level than in the previous year. Improvements from our Industrial, Middle East, Cape and Botswana operations more than offset the problems experienced in our KwaZulu-Natal, Mauritius and Roads & Earthworks operations during the year.

Extraction, Beneficiation and Industrialisation value chain





Our mission is world class fulfilment. The Ibhayi Brewery in Port Elizabeth was completed in a record 18 months and at a capital cost below the international benchmark. Murray & Roberts helped to ensure that the project lived up to the strict world class quality and performance capability standards demanded by the client, South African Breweries (SAB). Here, Ibhayi Brewery production manager, Nic Nortje, tests some of SAB's finest.

There is a great deal of work still to be done to settle these businesses into the new strategic framework for Murray & Roberts. The performance promise for the coming financial year is disappointing relative to the other business clusters. Investment activity in our traditional construction markets remains at a low level, placing pressure on margins and costs. New geographic areas of activity offer promising potential, but carry business and performance risks.

The N3 Toll Road project, of which Murray & Roberts is a partner in the construction consortium, experienced performance difficulties during the year. The now well-publicised problem of heavy vehicle overloading continues to impact on road maintenance scheduling. An industry task group has been established under the leadership of Murray & Roberts to develop a national strategy for this problem.

Despite a difficult year, with major curtailment in mining and industrial investment, the companies serving this sector delivered credible growth and performance. Booker Tate and JCI Projects delivered maiden financial contributions, boosting performance in the year.

Murray & Roberts was well positioned to participate in the implementation of various mining and industrial projects that were recently postponed due primarily to the global economic slowdown. Notwithstanding, we expect companies in this cluster to deliver an improvement in performance for the 2002 financial year.

The companies manufacturing engineered products turned in solid performances for the year, with an EBIT turnaround of R54 million on the losses incurred in the previous year. Following the liquidation of its Canadian operation,

Procurement

Murray & Roberts is developing a strategy and plan that will enable the group's significant procurement potential to deliver cost benefit, empowerment and client value. The scope of this intervention includes:

- Analysis and benchmarking of the group's spending;
- Procurement competencies and skills;
- Systems and processes to enable leveraging of group spending;
- Supplier relationships and development requirements;
- Sourcing strategies for specific commodities;
- Linking suppliers directly to business processes;
- Supplier performance management; and
- Information management.

Our expectation is that this intervention will elevate the importance of procurement within our organisation, thereby enhancing our competitive position in the sourcing process.

Information Technology

In line with the Rebuilding Murray & Roberts strategy, our group is reviewing its business models and practices to ensure that strategic objectives are met.

A strategic management team has been appointed to fulfil this task and, where necessary, change the way that we do business in order to improve operational efficiency and profitability.

An important part of this process will be a review of our information technology infrastructure in order to identify opportunities to achieve the following objectives:

- Enable innovation;
- Accelerate and improve decision-making;
- Share information and knowledge;
- Improve planning and execution processes;
- Reduce costs by consolidating effort;
- E-enable our business community;
- Enhance the transparency of supply chains;
- Access real time information;
- Improve asset management;
- Automate business processes and workflows; and
- Add value for customers.



We leverage the competitiveness of our South African manufacturing assets to deliver engineered products into the large markets of developed economies. Murray & Roberts is supplying all major iron and aluminium castings for Ford's new Rocam engines for export markets. To fulfil the contract, we are investing in a greenfields state-of-the-art aluminium cylinder head foundry in Port Elizabeth, using the latest casting technology supplied by our global technology partner, VAW Automotive. Kevin Kelly, Rocam project manager, reports: "We are proceeding within budget and on schedule."

AWI returned to profitability. The remainder of the business is currently under disposal. Foundries moved back into profitability after three years of losses and Union Carriage made an operating profit for the first time in five years. Consani recorded an improved performance in a challenging global market.

This cluster is expected to deliver improved results in the year ahead.

The expected reduction in total profit contribution from the Supplies & Services cluster following the disposal of Main Pipesystems, was compensated by improved performances across the board from other companies in the cluster. Harvey Roofing and Hall Longmore returned to profitability, Much Asphalt produced a record performance and Rocla reported good growth in a flat market.

All these companies are offering good performance upside for the year ahead.

The disposals of Woodline and the Harvey Fielders operation have been confirmed post year-end. The small company disposal programme is all but complete. It is in the context of these small companies that the concept of "Return on Management Time" has been tested to the full.

Unitrans

Unitrans delivered an 18% return on our investment during the year as well as an increase of 9% in market value. We continued to engage proactively with the company during the year and commend management for their continued

performance growth under challenging market conditions. Full details are available from the annual report of the company.

We have announced our commitment to exit from our investment in Unitrans. This will be on terms that are in the best interest of Murray & Roberts and its shareholders, which will dictate the timing of the process.

Corporate

Murray & Roberts will have only one corporate office in the future which is consistent with our approach to be a unitary business. Divisional head offices have been disbanded and all corporate overhead will be reported and managed as a separate cost centre.

Our corporate office includes the executive directorship responsible for engaging the operations of the group and the knowledge and functional executives and staff that provide group services.

The overhead for the 2001 financial year included a number of one-off costs related to consultancy fees and restructuring costs. We face the challenge of controlling our overhead and ensuring that it justifiably adds value to group operational and strategic activities.

Cost control and reduction remains a challenge and we will review the total overhead of the group in this context. We have commenced this process with a review of our building and civil engineering companies.

Health, Safety and the Environment

Murray & Roberts continues to strive towards a healthier and safer environment for all of our employees and the communities in which we operate.

Our group is committed to the Occupational Health & Safety Act of 1993, to the health and safety of its employees and to protecting the public against hazards associated with our activities. Adequate resources are provided to ensure the understanding, implementation and maintenance of effective health, safety and environmental actions.

Murray & Roberts recognises its interdependence with the communities in which we operate and is committed to managing the impact of our activities on natural, work and social environments in a responsible manner. Environmental assessments are conducted in accordance with international standards with the assistance of recognised institutions.

Prospects

There are many challenges ahead for the management and people of Murray & Roberts. Building on the success of the past year, we can expect the turnaround to deliver further value in the year ahead.

The South African economy and market appear sound, but fixed investment is under pressure. Major investment projects in the pipeline have been postponed, including Gamsberg Zinc (US\$850 million) and Premier Mine (R1,2 billion). Platinum investment appears intact, but project commencement has been slow. Copper and cobalt are also demanding investment and activity has accelerated in Zambia. Aluminium remains a solid opportunity in the short, medium and long terms.

The refurbishment of the national rolling stock asset appears to be a government priority and the Motor Industry Development Plan is attracting high levels of investment interest into the automotive sector. Civil engineering infrastructure is in greater demand, having attracted both public and private investor interest, but residential and non-residential buildings cannot find economic support at present.

The slowdown in the global economy is starting to impact on our markets. We are concerned that the recent terrorist attack on financial and military symbols of the free world will impact on trade and investment activity in the short to medium term. We had expected the USA to start to lift from its economic doldrums in the first quarter of 2002. The Middle East has been showing good signs of activity based on long-term sustainability in the current price of crude oil.

Southeast Asia remains in malaise, with the Australian economy suffering the consequence of Japanese recession and Indonesia struggling to break free from the consequences of its political transformation. There are many potential opportunities for Murray & Roberts in the region, hence the decision to continue supporting a representative office in Jakarta.

Africa remains a difficult market, with aid-funded infrastructure and mining development projects the only real opportunities of value. Nigeria and Angola appear to offer significant opportunity based on projected oil revenues, but their business environments are extremely challenging.

Acknowledgements

My board and executive committee colleagues have engaged in a great deal of hard talk and rigorous debate over the past year. There has been limited opportunity for compromise in the process of Rebuilding Murray & Roberts and we will be challenged to maintain the momentum of change in the year ahead.

I thank my executive and corporate colleagues for the strong support they have shown the company over the past year. We have had to face difficult decisions together and will continue to challenge the status quo into the future.

Our chairman, David Brink, has provided solid and wise counsel and support, especially in respect of the executives who faced personal challenges with the transformation and changes during the year. He has continued to play a leadership role in the engagement by big business in South Africa of national socio-economic and political development.

Finally, I wish to express my appreciation to the members of the board and the remuneration and audit committees of Murray & Roberts Holdings, for the trust placed in myself and the executive team, the support for our strategy, the difficult decisions on performance and operational matters, and their commitment to the future of Murray & Roberts.



Brian Bruce
Group Chief Executive

A stake in the future

These are the challenges we are now engaging to ensure sustainable earnings growth and value creation into the future.

- **Extend the cultural transformation throughout the group**

The Rebuilding Murray & Roberts strategy has been widely communicated throughout the group and case studies have been developed to show practical implementation of key elements of the strategy. This process is strengthened by the new organisational framework.

A programme of targeted leadership mentoring and personal coaching has been introduced to assist key executives through the challenge brought about by the significant strategic and transformation process that has been imposed on group leadership and operating company management.

- **Establish targets that stretch our performance**

We have implemented a rigorous budgeting process which involves testing all business plans against the Rebuilding Murray & Roberts strategy, reviewing capital expenditure relative to investment returns, re-visiting operations that are not meeting our expectations and intervening where necessary. Corporate executives are engaging intensively and on a regular basis with the operations and operational management teams will be constantly reviewed to ensure that they are able to deliver on target.

A series of corporate-driven intervention projects have been implemented during the year to unlock the inherent potential in the group. Some of these interventions will continue in 2002.

- **Embrace risk management within our culture**

Risk management has become a central driver of performance culture and now forms a key element of business reporting and conduct.

- **Enhance our business model for leverage**

The central market arena for Murray & Roberts is defined by the intersection of two value chains, the extraction, beneficiation and industrialisation of natural resources and the construction economy. Our primary focus for value is world class fulfilment of projects.



Industrial design is our core competence. An example is the 10M metro train refurbishment contract for the South African Rail Commuter Corporation. Murray & Roberts' subsidiary, UCW, designed an innovative system to build coaches in a modular form which has proved to be highly productive and cost effective for the client. UCW designer, Raymond Roodt, and MD Louis Taljaard participated in the development of the modular system.

Group Directorate and Executive

Executive Directors



BRIAN CAMERON BRUCE (52)
PrEng, BSc Eng (Civil)
Group Chief Executive

Joined the group in 1967. Appointed to Murray & Roberts Holdings board in 2000. Appointed group chief executive in 2000. Chairperson of the Construction Industry Development board.



ANDRÉ DE NYSSCHEN (52)
PrEng, BSc Eng(Mech), MBL
Chief Operating Officer

Joined the group in 1983. Appointed to Murray & Roberts Holdings board in 2000. Appointed chief operating officer in 2000.



K J (JO) GROVÉ (52)
AMP (Oxford)
Managing Director, Unitrans

Joined the group as managing director of Unitrans in 1998. Appointed to Murray & Roberts Holdings board in 2000.



ROGER WILLIAM REES (48)
BSc(Econ) Hons, FCA
Chief Financial Officer

Joined the group in 2000. Appointed chief financial officer and a director of Murray & Roberts Holdings in 2000.



KEITH EDWARD SMITH (51)
BCom

Joined the group in 1980. Appointed to Murray & Roberts Holdings board in 2001.



JOHN SHAPTON STANBURY (56)
BSc Eng(Ind), B Proc LLB, MBA

Joined the group in 2001. Appointed to Murray & Roberts Holdings board in 2001.

Additional directors of Murray & Roberts Limited



SEAN JOSEPH FLANAGAN (41)
BSc (Building) (MSAIB)
Managing Director, Engineering Solutions

Joined the group in 1991. Appointed to Murray & Roberts Limited board in 2001.



LIONEL JOHN LINDSAY (56)
CA(SA)
Group Secretary

Joined the group in 1982. Appointed to Murray & Roberts Limited board in 1998.

Non-executive Directors



DAVID CHARLES BRINK (62)
MSc Eng(Mining), DCom (hc)
Chairman

Joined group in 1970. Appointed to Murray & Roberts Holdings board in 1984. A director of numerous companies including ABSA, BHP Billiton, Sanlam and Sappi. Co-chairman of the Business Trust.



BRIGALIA NTOMBEMHLOPE BAM (68)
MA (Sociology/Social Work)

Appointed to Murray & Roberts Holdings board in 1997. A director of ABSA. Chairperson of the Independent Electoral Commission. President of the Women's Development Foundation.



WILLEM PETRUS ESTERHUYSE (65)
DPhil (Stel)

Appointed to Murray & Roberts Holdings board in 1990. Professor in Business Ethics at the University of Stellenbosch Graduate School of Business. A director of companies including Metropolitan Life. A respected columnist and political commentator.



SONWABO EDWIN FUNDE (58)
MSc Eng(Elec)

Appointed to Murray & Roberts Holdings board in 2000. Chairman of Independent Development Trust board of trustees. Electricity Council member of Eskom.



PETER GOWAR JOUBERT (68)
BA DPWM AMP (Harvard)

Appointed to Murray & Roberts Holdings board in 1993. A director of numerous companies including Delta Motor Corporation, Nedcor and Old Mutual.



SAKUMZI JUSTICE (SAKI) MACOZOMA (44)
BA(Unisa)

Appointed to Murray & Roberts Holdings board in 2001. A director of numerous companies, including New Africa Investments, Liberty Group and Standard Bank.



ALLEN JOHN MORGAN (54)
PrEng, BScB Eng(Elec)

Appointed to Murray & Roberts Holdings board in 2000. Former chief executive of Eskom.



ANTHONY ADRIAN ROUTLEDGE (54)
BCom CA(SA)

Appointed to Murray & Roberts Holdings board in 1994. A director of Nedcor Bank and Nedcor Investment Bank.



JOHANNES JACOBUS MARTHINUS (BOETIE) VAN ZYL (62)
PrEng, BSc Eng(Mech)

Appointed to Murray & Roberts Holdings board in 1998. A director of Nasionale Pers and Sanlam.



Corporate Governance

Murray & Roberts is fully committed to and supports the principles of corporate governance and monitors local and international trends in this area.

Core Values

Murray & Roberts is committed to the core values detailed on page two of this report.

Chairman and Board of Directors

The board meets at least four times a year.

The board currently comprises nine non-executive directors and six executive directors and has a non-executive chairman.

Approved levels of delegated authority ensure that decisions on strategic and material operational matters are made by the board.

All directors have access to the advice and services of the group secretary and are authorised to seek independent professional advice on the affairs of the group.

There are no onerous or long term service contracts relating to the position of any director.

Board Committees

Remuneration Committee The remuneration committee meets at least three times a year. During the year its membership comprised Messrs DC Brink (Chairman), PG Joubert, JJM van Zyl and BC Bruce.

During the year, this committee approved the remuneration of the non-executive and executive directors, including the basis of and final calculation of performance based bonuses and the grant of share options. It received reports on the remuneration of the operating entities' senior executives and approved group policy on remuneration matters and major aspects of retirement funding and other benefit schemes.

Audit Committee The audit committee meets at least twice a year. During the year its membership

comprised Messrs PG Joubert (Chairman), AA Routledge and AJ Morgan.

The committee's mandate includes the monitoring and recommendation of group accounting policies. It receives and considers the group audit report. The group auditors have unrestricted access to this committee.

The committee reviews and recommends to the board, approval of the group's annual financial statements and the group's results as published in its interim and preliminary reports.

Risk Management and Internal Audit

Internal audit procedures have been implemented in Murray & Roberts Limited during the year, under chairmanship of the group chief financial officer.

A risk management committee has been instituted in Murray & Roberts Limited under the chairmanship of the group chief operating officer. The committee reports regularly to the Murray & Roberts Holdings Limited board.

Employment Equity and Development

Murray & Roberts is committed to the development of all employees and the principles of employment equity. Details of the group's actions in this regard are contained in the Chairman's Statement on page eight of this report.

Executive Remuneration

A comprehensive review of executive remuneration during the year has aligned remuneration with business strategy. A profiled salary framework and incentive structure is benchmarked against industry best practice with sustainable growth and value creation as the principle performance measure.

Key performance areas supporting the Rebuilding Murray & Roberts strategy are the final determinant of executive incentive remuneration.



Risk Management

Murray & Roberts is implementing an enterprise wide risk management protocol.

The protocol aims to ensure that risk management takes place on a continuous basis enabling the group executive to have proper visibility of all areas of business risk. It allows appropriate review and decision-making within a pre-agreed authority framework.

The protocol comprises three main elements:

- A management and review structure including a risk management committee and internal audit function and incorporating the group audit committee.
- Risk classification and standardised policies, procedures or guidelines to ensure risk exploitation, mitigation or avoidance.
- An authority framework to ensure that decisions and reviews occur at the appropriate level of responsibility and accountability.

Risks are classified into four main categories and common language and definitions are used throughout the group to ensure consistency of actions. The categories are:

- Strategic risks reserved for group executive attention and decision-making. Mitigation of these risks normally cannot be dealt with by means of policies and procedures but requires extensive research and analysis. The group knowledge executives provide leadership in the identification and management of these risks in their areas of specialisation such as IT, Technology, Tax, Finance and Communications.
- Operational risks which arise largely from the activities and the products and services delivered by the group's operations. These are dealt with by means of implementation and maintenance of world class 'loss

control' systems such as ISO 9000 and QS 9000 in all of the group's operations. The management of these risks is the responsibility of operating company managing directors and their executive teams.

The business model for executing major projects has been standardised with a unique but tried and tested Murray & Roberts format. This includes a project steering committee and corporate executive chairmanship.

- Compliance risks arising from the requirements of the numerous laws and regulations applicable to the group's operations, such as the management of environmental impacts, health and safety. Implementation of systems such as ISO 14000 and NOSA are currently underway in order to ensure a high standard of compliance and the avoidance of serious loss.
- Governance risks which relate mainly to financial and personnel management. These risks are mitigated by the employment of competent people and by the use of standardised policies and procedures.

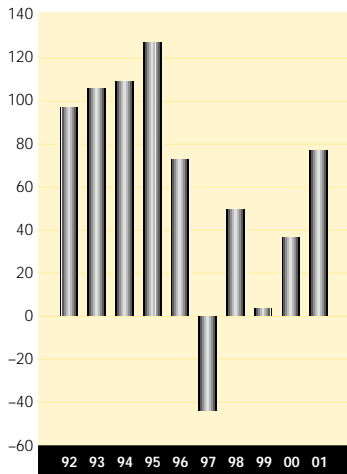
Forensic review and investigation forms an important element of risk management and recovery.

An anonymous 'whistle blowing' system facilitates disclosure of governance lapses throughout the group.



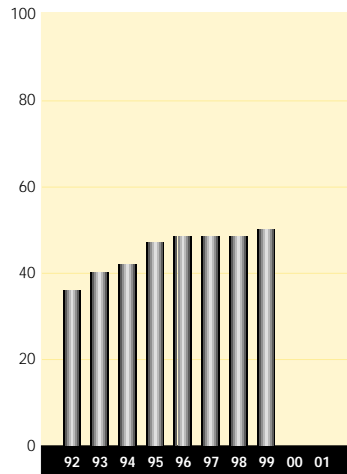
Share Performance

Headline Earnings per Share (cents)



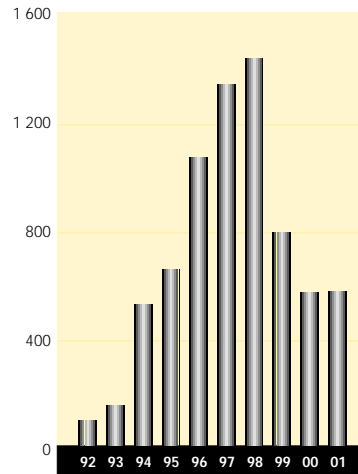
Significantly improved operating performance with headline earnings of 76 cents per share. (2000: 36 cents)

Dividend per Share (cents)



The board determined that no dividend will be paid in respect of the year ended 30 June 2001. The achievement of the group's growth and performance objectives will enable the resumption of dividend payments in 2002.

Value of Shares Traded (R millions)



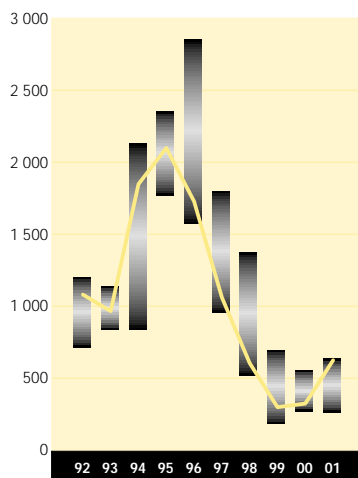
The value of shares traded during the year ended 30 June 2001 was R571 million – an average of R47,6 million per month.

The total number of shares traded was 150 million – an increase of 8% on last year.

The volume of shares traded during the year expressed as a percentage of the average number of shares in issue was 44%, which compares with 40% last year.

The total number of transactions recorded on the JSE Securities Exchange South Africa during the year was 6 622 (2000: 10 761).

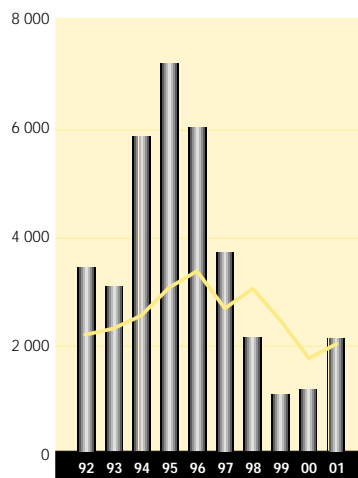
Share Price Movement (cents)



■ High
■ Low
— Closing

The year-end price of the Murray & Roberts share was 630 cents as compared to the price of 330 cents on 30 June 2000.

Market Capitalisation (R millions)



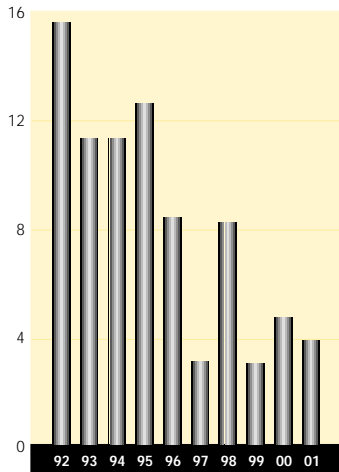
■ Market capitalisation
— Ordinary shareholders' funds

The higher share price resulted in Murray & Roberts' market capitalisation rising to R2 091 million at 30 June 2001.



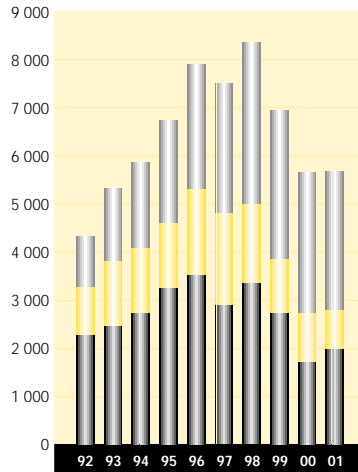
Financial Performance

Return on Average Total Assets (%)



The EBIT return on average total assets was 3,9% as a result of low EBIT margins and an inadequate return on the group's assets.

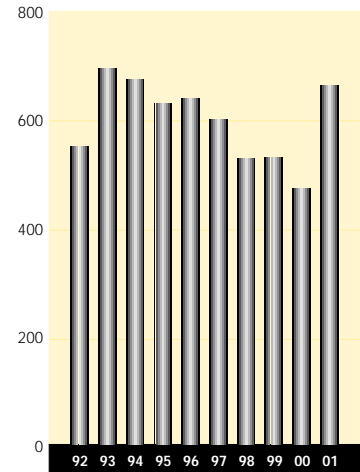
Funding of Assets (R millions)



■ Non-interest bearing debt
■ Borrowings
■ Permanent capital

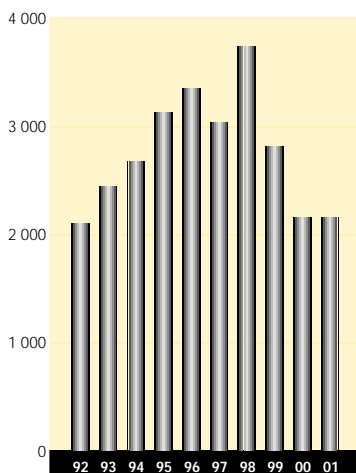
The improved trading performance for the year has resulted in an increase in both permanent capital and cash on hand, as well as a reduction in borrowings. This will provide adequate financial buffers to meet all obligations and to ensure the availability of finance for expansion.

Productivity of Assets (assets per R1 000 turnover)



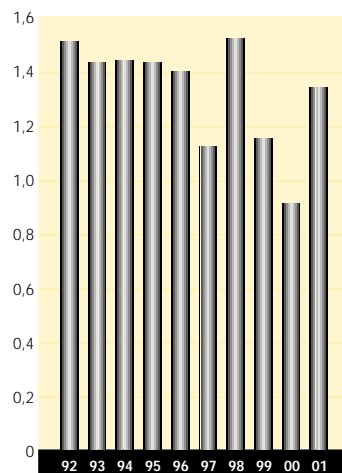
The productivity of assets has decreased in the current year mainly as a result of Unitrans no longer being consolidated. The transformation of our reliance on the mobilisation of assets and resources to the leveraging of knowledge and solutions will substantially improve the productivity of our assets in the future.

Creation of Value (R'000)



The creation of sustainable value into the future is a non-negotiable and the current year's results represent the first rewards of the Rebuilding Murray & Roberts strategy.

People Productivity Value Ratio



The creation of value as a multiple of payroll costs is an important measure of the group's progress in achieving increased productivity, with an improvement of almost 50% in the current year.

Analysis of Shareholders

1. Shareholder Profile

Number of shareholders	Group of shares	% of holders	Holdings	% of issued share capital
1 706	1 – 2 500	69,9	1 262 324	0,4
288	2 501 – 5 000	11,8	1 079 250	0,3
304	5 001 – 25 000	12,5	3 430 474	1,0
53	25 001 – 50 000	2,2	1 867 119	0,6
58	50 001 – 250 000	2,4	5 839 663	1,8
8	250 001 – 500 000	0,3	2 965 946	0,9
22	500 000 and over	0,9	315 447 843	95,0
2 439		100,0	331 892 619	100,0
2 183	Individuals		9 598 804	2,9
11	Limited companies		152 352	0,1
86	Nominee companies or trusts		293 559 972	88,4
5	Pension and provident funds		498 713	0,1
2	Insurance companies		227 818	0,1
16	Growth funds/unit trusts		2 376 048	0,7
43	Private companies		8 653 570	2,6
25	Close Corporations		339 384	0,1
3	Murray & Roberts Share Trust		14 943 219	4,5
48	Trustee of a trust		341 425	0,1
17	Investment companies		1 201 314	0,4
2 439			331 892 619	100,0

2. Major Shareholders

The shareholders registered as holding 5% or more of the share capital of the company at 30 June 2001 were:

Shareholder	Number of shares held	% of total
1 Standard Bank Nominees (Tvl) (Pty) Ltd	110 650 673	33,3
2 Nedcor Bank Nominees Ltd	71 896 502	21,7
3 Old Mutual Nominees (Pty) Ltd	34 454 439	10,4
4 Absa Nominees (Pty) Ltd	30 861 300	9,3
5 First National Nominees (Pty) Ltd	23 221 665	7,0
	271 084 579	81,7
Total	331 892 619	100,0

According to information available to the directors on enquiry to registered nominee shareholders, the only shareholder who beneficially held, directly or indirectly, in excess of 5% of the share capital of the company at 30 June 2001 was Old Mutual Life Assurance Company (South Africa) Limited which held 10,4%.

3. Shareholder Spread

To the best knowledge of the directors and after reasonable enquiry, the spread of shareholders at 30 June 2001, as defined in the listings requirements of the JSE Securities Exchange South Africa, was as follows:

Public shareholders	82%
Non-public shareholders	18%



Annual Financial Statements

30 June 2001

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