

## Chairman Statement



### Dear Shareholder,

It is a pleasure for me to present an overview of Murray & Roberts in my first report to shareholders as chairman of the Group. As I reflect over the past year, the last half of which has been as chairman, I am struck by the resilience Murray & Roberts has demonstrated in difficult market conditions and by the opportunities that lie ahead.

A steady level of domestic economic activity has ensured some stability in the Group's annuity type operations. These include construction materials and services and the contract freight operations of Unitrans. Indirectly, Murray & Roberts has benefited from the strong performance of the domestic consumer retail sector through its investment in Unitrans and its motor retailing business.

However, in its core construction markets, particularly in the international arena, Murray & Roberts has struggled to deliver the correct balance between risk and reward. The group chief executive has devoted most of his time during the year to this sector, working to stabilise the impact of mainly historic project problems in Africa and the Middle East. He has installed fresh operations leadership where necessary and imposed greater discipline into the early risk-related activities of work identification and project procurement.

The audit and risk management committee has reviewed all problem operations and projects and has endorsed the conservative project revenue recognition policy continued by management at this year-end.

For the first time in many years the domestic and regional construction markets offered consistent opportunity and the Group was able to secure and implement a number of successful building projects. There has been a significant decline in the level of investment in mining and industrial expansion during the year which is reflected in the reduced order book and the decline in construction operating margins.

Once a board decision had been reached on the principles of the future strategic direction of the Group, it became imperative to bring finalisation to the problems impacting on our international operations. In his report to stakeholders, the group chief executive has detailed the actions he and his executives have engaged in evaluating international markets and projects and the extent to which the forward risk profile of underperforming projects has been reduced.

### Strategy

In accepting chairmanship of Murray & Roberts I endorse the turnaround and transformation of the Group as a strategic imperative. Rebuilding Murray & Roberts was introduced in July 2000 as the framework for this process over the five years to June 2005.

Although there is disappointment with the performance of the Group in the year to 30 June 2004, the Board considers the financial result as a prudent reflection of the Group's turnaround status in this fourth year of Rebuilding Murray & Roberts.

Our strategic focus has shifted gear in the year with the introduction and approval of Globalising Murray & Roberts as the growth strategy to re-energise our non-negotiable commitment to sustainable earnings growth and value creation. Building on the fundamental principles of Rebuilding Murray & Roberts, this strategy will extend the solid performance platform established over the past four years.

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## Business Environment

Business conditions are somewhat mixed in the various markets served by the Group. In South Africa, the business environment is characterised by an improvement in economic growth but we are experiencing a disappointing decline in the construction component of gross fixed capital formation. This is mainly due to lower investment into the mining and industrial sectors, which are currently impacting the potential of our domestic construction and materials businesses.

The rest of sub-Saharan Africa offers selected opportunity in the extraction of natural resources but infrastructure projects with public sector involvement present a considerable business challenge. We are hopeful that Nepad will, in time, contribute to a normalisation of operating conditions in the region.

The global economy has shown signs of a moderate slowdown in recent months. This can be partly attributed to the impact of higher oil prices. The Middle East, which represents a significant concentration of our global project activities, offers increasing opportunity in spite of ongoing turmoil in some areas. International competition in the region is increasing as a result. China continues to record the highest levels of economic growth in the world, in spite of recent measures to subdue inflation. Japan is also showing signs of a turnaround.

Our acquisition of Cementation and a strategic shareholding in Clough take effect subsequent to the financial year-end and are designed to position our Group to benefit from buoyancy in the mining and minerals markets in Canada, Australia and Southeast Asia, stimulated by increased demand for commodities, largely from China. Disposal of the Group's interest in Unitrans will in addition provide more focus.

## Corporate Governance

Our Board has placed a high priority on compliance with the recommendations of the King Report on Corporate Governance for South Africa 2002. The policy documents and committee terms of reference mentioned in this report have been developed or reviewed

during the past year. An important development has been the finalisation of a charter and code of conduct for the Board and directors.

I commissioned an independent evaluation of the performance and effectiveness of the Board and directors, which was benchmarked against the requirements for effective leadership of the Globalising Murray & Roberts strategy. The outcome of the evaluation was generally favourable and it has guided the nominations of a number of new director appointments.

These appointments follow the retirement of Dave Brink, Peter Joubert and Brigalia Bam during the year and the later resignation of Allen Morgan.

## Empowerment

As a South African business enterprise, Murray & Roberts is committed to meeting the objectives of broad-based black economic empowerment. Our Group was ranked 82nd in the 2004 EmpowerDEX Empowerment Index, making it the most empowered in the construction sector and amongst the top three in the basic industries sector.

Many empowerment partnerships were engaged during the year as group operations met the disparate requirements of regional, discipline and client requirements. In addition, management has advanced discussions with selected strategic candidates for a higher level of empowerment partnership for the Group. It is not yet certain that such a partnership will be effected through a shareholding structure.

## HIV/Aids

More than 67% of the Group's people live in the SADC region and are affected in various ways by the scourge of HIV/Aids. The Group's fixed location manufacturing operations have all introduced a high level of awareness training and a variety of treatment programmes.

Project operations present a more unique challenge in this respect, with the majority of employees working on a contract basis. Together with our clients, where possible, we have attempted to create greater awareness through linked health and safety training programmes.

## Board and Directors

David Brink retired as chairman on 31 December 2003 following 20 years as a director of the Group. He was appointed chief executive in 1985 and chairman in 1994. He returned as executive chairman and managing director in 1998 and became non-executive chairman on the appointment of Brian Bruce as group chief executive in July 2000. David's tenure at Murray & Roberts saw the Group through the best and worst of times. He continues to contribute to the broader South African business community.

Independent directors Peter Joubert and Brigalia Bam both retired on 30 June 2004, having passed the mandatory retirement age. Peter was appointed a non-executive director in 1993 and served for many years as chairman of the audit and risk management committee and on other committees. We thank him for the valuable experience and wise counsel he brought to Murray & Roberts over the past decade.

Brigalia joined the board as a non-executive director in 1997 and always brought a fresh and different insight into board deliberations. We are very grateful for her contribution to the debate, ensuring that social issues were always considered.

Allen Morgan resigned as an independent director in July 2004 to avoid a potential conflict of interest. Allen joined the Board in June 2000 and served as first chairman of the health, safety, environment and corporate social involvement committee. We thank Allen for his contribution over the past four years.

## New Appointments

It is a pleasure to welcome the following new members to the Board with effect from 8 September 2004:

Dr Namane Magau, currently director of group human capital services at the SABC, has joined us as a non-executive director. Namane was previously executive vice-president of human resources at the Council for Scientific & Industrial Research. She serves as president of the Businesswomen's Association of South Africa and is a non-executive director of Santam Bank and Thebe Investments.

Michael McMahon has been appointed as a non-executive director. Michael was previously chairman of Impala Platinum, executive chairman of Gencor and a director of Goldfields. He currently serves as a non-executive director of Goldfields and Impala Platinum.

Norbert Jorek, a former AT Kearney partner and a strategic consultant to Murray & Roberts in recent years, has been appointed as an executive director. Norbert joined the Group in March 2004 as a director of Murray & Roberts Limited responsible for corporate strategy.

We are fortunate to have attracted such talented individuals to contribute to our board deliberations.

## Appreciation

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

I record my appreciation for the single-minded commitment that Brian Bruce, the management and staff have applied to the turnaround and ongoing development of our Group. I am confident that Brian and his team have the depth of management and the talent to deliver the value proposition contained in our new strategy. I am also confident that the strategic developments underway at Murray & Roberts are well entrenched throughout the Group and that the "Murray & Roberts Way" is understood and implemented at all levels.

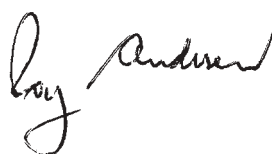
## Annual General Meeting

Shareholders are reminded that the annual general meeting of the company will be held on 27 October 2004. The order of business is set out on pages 87 to 91 of this report.

## Prospects

The Group has agreed to sell its 44% shareholding in Unitrans Limited and subject to the fulfilment of conditions, it is expected that a transaction will be finalised in due course. It is therefore expected that Unitrans will contribute associate earnings only for the first six months of next year and that earnings for the second half of the year may not be fully compensated for by the combination of interest on the transaction proceeds and after-tax contributions from new acquisitions.

The directors expect that earnings for the year to 30 June 2005 will not show a material change while the Group reorganises itself to meet the objectives of Globalising Murray & Roberts.



Roy Andersen  
Chairman