

Chairman statement



Chairman, Roy Andersen

"The next few years will be **positive** for the Group and there will be **real growth** in headline earnings in the year to 30 June 2006."

Dear Shareholder,

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

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

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

Strategies

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

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

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

Business environment

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

Growth in the domestic construction economy during the year ahead is likely to be driven by rising public sector facilitation and investment in infrastructure projects. Early manifestation of

this is government's decision to proceed with both the Gautrain Rapid Rail Link and the PBMR Nuclear Power Programme. I am pleased to report that your Group has secured a key position in the engineering and implementation of these major projects.

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

Empowerment

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

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

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

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

Employees

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

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

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

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

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

Corporate governance

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

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

Health, safety and environmental oversight has become a central focus for the Board. Following appointment of a new

committee chairman, the terms of reference were revised to strengthen the committee's focus, removing corporate social involvement from the agenda.

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

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

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

Board of directors

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

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

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

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

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

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

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

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

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

International advisory board

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

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

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

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

Appreciation

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

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

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

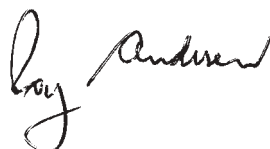
Annual general meeting

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

Prospects

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

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



Roy Andersen

Chairman