

# Notes to the consolidated financial statements

## for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand

	Immovable property	Owner- occupied headlease property	Plant and machinery	Other	Total
<b>1. PROPERTY, PLANT AND EQUIPMENT</b>					
<b>Cost or valuation:</b>					
At 1 July 2003	188,9	50,4	1 756,7	371,2	2 367,2
Reclassification to investment property	(10,0)	–	–	–	(10,0)
Additions	9,7	0,8	203,9	137,3	351,7
Capitalisation of hedging reserve	–	–	1,9	–	1,9
Disposals	(8,8)	–	(73,1)	(18,0)	(99,9)
Disposals of businesses	(20,4)	–	(172,2)	(7,5)	(200,1)
Reclassification	19,2	–	(40,3)	21,1	–
Scrappings	–	–	(4,8)	(4,3)	(9,1)
Exchange rate adjustment	(1,7)	–	(33,8)	(9,8)	(45,3)
At 30 June 2004	176,9	51,2	1 638,3	490,0	2 356,4
Additions	28,8	–	185,7	88,7	303,2
Acquisition of businesses	11,0	–	388,2	32,0	431,2
Capitalisation of hedging reserve	–	–	3,0	–	3,0
Disposals	(5,6)	–	(130,8)	(17,1)	(153,5)
Disposals of businesses	(2,1)	(1,3)	(8,3)	(17,7)	(29,4)
Reclassification	5,8	–	143,5	(149,3)	–
Scrappings	–	–	(44,6)	(13,3)	(57,9)
Transfer to investment property	–	(3,7)	–	–	(3,7)
Transfer from investment property	–	11,0	–	–	11,0
Exchange rate adjustment	0,4	–	24,5	0,4	25,3
At 30 June 2005	215,2	57,2	2 199,5	413,7	2 885,6
<b>Accumulated depreciation and impairment:</b>					
At 1 July 2003	43,1	1,4	1 038,6	204,3	1 287,4
Restatement (note 34.3)	–	(1,1)	–	–	(1,1)
Reclassification to investment property	(0,2)	–	–	–	(0,2)
Charge for the year	3,2	0,3	155,3	29,9	188,7
Disposals	–	–	(50,0)	(16,2)	(66,2)
Disposals of businesses	(2,6)	–	(101,4)	(6,7)	(110,7)
Reclassification	3,7	–	4,4	(8,1)	–
Scrappings	–	–	(4,5)	(4,2)	(8,7)
Exchange rate adjustment	(0,9)	–	(14,5)	(8,0)	(23,4)
At 30 June 2004	46,3	0,6	1 027,9	191,0	1 265,8

# Notes to the consolidated financial statements

## for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand

	Immovable property	Owner- occupied headlease property	Plant and machinery	Other	Total
<b>1. PROPERTY, PLANT AND EQUIPMENT (continued)</b>					
<b>Accumulated depreciation and impairment:</b>					
At 30 June 2004	46,3	0,6	1 027,9	191,0	1 265,8
Charge for the year	3,6	0,3	212,1	33,7	249,7
Impairment loss	–	–	25,3	2,1	27,4
Acquisition of businesses	3,0	–	275,8	18,5	297,3
Disposals	(0,3)	–	(83,0)	(13,5)	(96,8)
Disposals of businesses	(0,5)	–	(6,6)	(14,2)	(21,3)
Reclassification	2,2	–	–	(2,2)	–
Scrappings	–	–	(32,6)	(13,1)	(45,7)
Transfer to investment property	–	(0,3)	–	–	(0,3)
Transfer from investment property	–	0,7	–	–	0,7
Exchange rate adjustment	0,3	–	13,8	0,4	14,5
At 30 June 2005	54,6	1,3	1 432,7	202,7	1 691,3
<b>Net book value:</b>					
At 30 June 2005	160,6	55,9	766,8	211,0	1 194,3
At 30 June 2004	130,6	50,6	610,4	299,0	1 090,6
<b>Net carrying value of capitalised leased assets included in the above is:</b>					
At 30 June 2005	3,5	55,9	29,2	14,6	103,2
At 30 June 2004	3,3	50,6	9,4	9,6	72,9

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

Freehold immovable properties were valued in October 2001. The valuation was carried out by Murray & Roberts Properties Group, a related party, and the fair value approximates the carrying value.

The Group has pledged certain plant and machinery as security for certain interest-bearing borrowings. (Refer note 11 Secured liabilities)

All monetary amounts are expressed in millions of rand	Headlease property	Other investment property	Total
<b>2. INVESTMENT PROPERTY</b>			
<b>Cost or valuation:</b>			
At 1 July 2003	284,7	–	284,7
Reclassification from property, plant and equipment	–	10,0	10,0
Additions	–	1,2	1,2
Disposals	–	(0,8)	(0,8)
Headleases settled	(13,5)	–	(13,5)
At 30 June 2004	271,2	10,4	281,6
Additions	–	0,4	0,4
Disposals	–	(0,5)	(0,5)
Transfer to owner-occupied	(11,0)	–	(11,0)
Transfer from owner-occupied	3,7	–	3,7
At 30 June 2005	263,9	10,3	274,2
<b>Accumulated depreciation:</b>			
At 1 July 2003	7,2	–	7,2
Restatement (note 34.3)	(2,3)	–	(2,3)
Reclassification from property, plant and equipment	–	0,2	0,2
Charge for the year	4,9	0,2	5,1
Disposals	–	(0,1)	(0,1)
At 30 June 2004	9,8	0,3	10,1
Charge for the year	4,9	0,3	5,2
Transfer to owner-occupied	(0,7)	–	(0,7)
Transfer from owner-occupied	0,3	–	0,3
At 30 June 2005	14,3	0,6	14,9
<b>Net book value:</b>			
<b>At 30 June 2005</b>	<b>249,6</b>	<b>9,7</b>	<b>259,3</b>
At 30 June 2004	261,4	10,1	271,5
<b>Fair value:</b>			
<b>At 30 June 2005</b>	<b>264,3</b>	<b>15,0</b>	<b>279,3</b>
At 30 June 2004	271,2	15,0	286,2

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

The fair value of the investment properties at 30 June 2005 has been arrived at on the basis of a valuation carried out by Murray & Roberts Properties Group, a related party, on an open market basis.

The headlease investment property forms part of the Group's headlease and other discontinued property activities. (Refer note 13 Obligations under finance headleases)

# Notes to the consolidated financial statements

## for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	2005	2004
<b>3. GOODWILL</b>		
Goodwill at beginning of year	4,7	10,2
Amortisation (note 34.1)	–	(5,5)
Acquisition of businesses	61,9	–
Disposal of equity interest	(14,3)	–
Impairment loss	(4,7)	–
Exchange rate adjustment	0,3	–
	<b>47,9</b>	<b>4,7</b>
Goodwill is allocated to the Group's cash-generating units identified according to the business segments that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:		
Engineering	–	4,7
Mining	47,9	–
	<b>47,9</b>	<b>4,7</b>
The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.		
The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond the three year period are extrapolated using an estimated growth rate of 2,0%. The growth rate does not exceed the long-term average growth rate for the relevant market. The discount rate used of 10,3% is pre-tax and reflects the Group's weighted average cost of capital.		
The current year impairment charge arose in the engineering business segment following the adoption of AC140: <i>Business Combinations</i> . The JCI Projects business acquired in 2000 was absorbed into the business of Murray & Roberts Engineering Solutions and as such no separate cash-generating unit was identified.		
<b>4. INVESTMENT IN ASSOCIATE COMPANIES</b>		
The Group's share of associate companies included in the consolidated balance sheet is as follows:		
At 1 July	652,8	570,9
Reclassification from other investments (note 5)	56,6	–
Additions – Clough Limited	394,2	–
Disposal – Unitrans Limited	(679,8)	–
Share of post-acquisition earnings, net of dividends received	43,3	81,9
Exchange rate adjustment	37,8	–
At 30 June	<b>504,9</b>	<b>652,8</b>
The carrying value of the investment can be analysed as follows:		
Net tangible assets acquired	231,1	279,7
Fair value adjustments	(66,8)	–
Goodwill	286,5	–
Share of post-acquisition earnings, net of dividends received	16,3	373,1
Exchange rate adjustments	37,8	–
	<b>504,9</b>	<b>652,8</b>

The acquisition accounting for Clough Limited is on a provisional basis.

120 000 000 shares of the Group's investment in the shares of Clough Limited have been pledged as security for a bank loan. (Refer note 11 Secured liabilities)

All monetary amounts are expressed in millions of rand

2005

2004

**4. INVESTMENT IN ASSOCIATE COMPANIES** *(continued)*

Details of the associate companies are as follows:

Name of associate	Incorporation	Main activity	% of ownership	
Unitrans Limited	South Africa	Transport and motor	–	44,5
Clough Limited	Australia	Engineering	30,2	–

**Valuation of shares**

Market value of listed Unitrans Limited  
(2005: nil shares)  
(2004: 34 216 680 shares)

–

958,1

Market value of listed Clough Limited  
(2005: 144 983 161 shares)  
(2004: nil shares)

349,6

–

**Summarised financial information in respect of the Group's associates is set out below:**

	Clough 2005	Unitrans 2004
Non-current assets	701,9	1 351,9
Current assets	1 565,3	1 619,9
<b>Total assets</b>	<b>2 267,2</b>	<b>2 971,8</b>
Non-current liabilities	81,1	170,7
Current liabilities	1 246,3	1 414,4
<b>Total liabilities</b>	<b>1 327,4</b>	<b>1 585,1</b>
<b>Net assets</b>	<b>939,8</b>	<b>1 386,7</b>
Revenue	2 380,3	9 291,0
Attributable (loss) profit for the year	(276,2)	252,1

The Group's share of the attributable loss of Clough Limited is a post-acquisition income of R16,3 million. This is derived largely from Clough's 83% listed subsidiary PT Petrosea in Indonesia, oil & gas service projects and property development activity in Australia. Clough itself has recorded an attributable loss of AUD59,6 million for the year to 30 June 2005, the majority of which relates to pre-acquisition matters. These matters relate largely to an engineer, procure, install and commission (EPIC) oil & gas project off Melbourne in the Bass Straights.

Although the Group has significant influence over the financial and operating policies of Murray & Roberts (Zimbabwe) Limited, it is not equity accounted into the group financial statements as it operates under severe long-term restrictions that significantly impair its ability to transfer funds to the Group.

Although the Group holds more than 20% of the voting power in Borbet SA (Pty) Limited, the Group does not exercise significant influence over it as the Group's holding is intended to be temporary.

# Notes to the consolidated financial statements

## for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand			2005	2004
<b>5. OTHER INVESTMENTS</b>				
<b>DESIGNATED HELD-FOR-TRADE FINANCIAL ASSETS</b>				
Unlisted investments at beginning of year			108,2	106,0
Additions, disposals, repayments, investments and other movements			(19,7)	(4,8)
Fair value adjustment recognised in income statement			46,1	7,0
<b>Fair value of unlisted designated held-for-trade investments</b>			<b>134,6</b>	<b>108,2</b>
(Directors' valuation R134,6 million, 2004: R108,2 million)				
<b>NON-TRADING FINANCIAL ASSETS</b>				
Unlisted investments at beginning of year			1,9	13,8
Additions, disposals and other movements			(0,8)	(24,6)
Fair value adjustment recognised in equity			-	12,7
<b>Fair value of unlisted non-trading investments</b>			<b>1,1</b>	<b>1,9</b>
(Directors' valuation R1,1 million, 2004: R1,9 million)				
Listed investments at beginning of year			60,0	5,9
Reclassification to investment in associate companies (note 4)			(56,6)	-
Additions, disposals and other movements			(2,9)	54,8
Fair value adjustment recognised in equity			-	(0,7)
<b>Fair value of listed non-trading investments</b>			<b>0,5</b>	<b>60,0</b>
(Market value R0,5 million, 2004: R60,0 million)				
<b>LOANS AND RECEIVABLES</b>				
Unsecured loans			223,9	134,6
			<b>360,1</b>	<b>304,7</b>
<i>Designated held-for-trade financial assets comprise the Group's interest in the following toll road service concessions:</i>				
	% Interest	Remaining concession period		
N3 Toll Concessions (Pty) Limited	13,07	24 years	89,5	63,6
Bakwena Platinum Corridor Concessionaire (Pty) Limited	7,12	26 years	45,1	44,6
Details in respect of the other investments are set out in a register that may be inspected at the company's registered office. Details of loans to related parties are set out in note 33.				

All monetary amounts are expressed in millions of rand	2005	2004
<b>6. INVENTORIES</b>		
Raw materials	181,0	220,4
Work-in-progress	70,7	53,0
Finished goods and manufactured components	174,9	124,0
Consumable stores	114,7	65,9
Property	12,9	26,3
	554,2	489,6
Inventories with a carrying value of R1,7 million (2004: R1,9 million) have been pledged as security over long-term loans. (Refer note 11 Secured liabilities)		
<b>7. CONTRACTS-IN-PROGRESS AND CONTRACT RECEIVABLES</b>		
Costs incurred plus recognised profits, less recognised losses on contracts-in-progress at year-end	447,9	326,0
Amounts receivable on contracts	758,1	550,6
	1 206,0	876,6
Advances received in excess of work completed	(304,3)	(114,7)
Net amounts receivable from contracts	901,7	761,9
Retentions receivable	223,3	166,2
	1 125,0	928,1
<b>8. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	824,6	836,3
Provision for doubtful debts	(44,2)	(23,8)
Other receivables	265,8	264,9
	1 046,2	1 077,4
Details in respect of the Group's credit risk management policies are set out in note 31.		
<b>9. DERIVATIVE FINANCIAL INSTRUMENTS</b>		
<i>Assets</i>		
Forward foreign exchange contracts	33,6	67,0
Interest rate swap	0,2	0,4
	33,8	67,4
<i>Liabilities</i>		
Forward foreign exchange contracts	4,0	11,1
Interest rate swap	3,6	6,1
	7,6	17,2
Details in respect of the derivative financial instruments and the Group's financial risk management policies are set out in note 31.		

# Notes to the consolidated financial statements

## for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	2005	2004
<b>10. SHARE CAPITAL AND PREMIUM</b>		
<i>Authorised</i>		
500 000 000 ordinary shares of 10 cents each (2004: 500 000 000 of 10 cents each)	50,0	50,0
<i>Issued and fully paid</i>		
331 892 619 ordinary shares of 10 cents each (2004: 331 892 619 of 10 cents each)	33,2	33,2
Less: Treasury shares held by The Murray & Roberts Trust at par value	(1,4)	(1,4)
Net share capital	31,8	31,8
Share premium	1 639,6	1 639,6
Less: Treasury shares held by The Murray & Roberts Trust at net cost	(246,2)	(226,3)
Net share premium	1 393,4	1 413,3
	1 425,2	1 445,1
<b>Share Trust</b>		
The shares held by The Murray & Roberts Trust had a market value at 30 June 2005 of 1 400 cents per share (2004: 1 295 cents per share) totalling R194,9 million (2004: R177,4 million).		
	<b>Number of shares</b>	<b>Number of shares</b>
<b>Unissued shares:</b>		
(i) Shares available for allotment by the directors in terms of the employee share purchase scheme	19 543 085	19 280 500
(ii) Shares which the directors may allot, grant options over or otherwise deal with at their own discretion	30 000 000	30 000 000
(iii) Other unissued shares	118 564 296	118 826 881
	168 107 381	168 107 381

## 10. SHARE CAPITAL AND PREMIUM (continued)

### Share incentive scheme

The Murray & Roberts Holdings Limited Employee Share Incentive Scheme (the Scheme) was approved by shareholders in October 1987 to operate through the means of The Murray & Roberts Trust. At 30 June 2005, the Trust held 13 924 893 (2004: 13 701 427) shares against the commitment of options granted by the trust totalling 12 222 315 (2004: 12 690 480) shares.

The details of the movement in the outstanding options granted by the Trust during the year ended 30 June 2005 are as follows:

Schemes implemented on:		Outstanding options at 30 June 2004	Granted during the year	Surrendered during the year	Exercised during the year	Outstanding options at 30 June 2005	Option price per share (cents)
30 June 1994		23 853		(23 853)		–	1 870
29 June 1995		132 240		(132 240)		–	2 150
27 June 1996		280 039		(56 500)		223 539	1 720
07 July 1997		126 840		(5 000)	(68 840)	53 000	913
09 March 1998		854 630		(149 500)	(231 630)	473 500	805
17 March 1999		1 606 838		(67 500)	(771 025)	768 313	233
25 August 1999		50 000		(18 000)	(15 000)	17 000	440
08 May 2000		971 440		(82 500)	(440 577)	448 363	316
15 June 2000		950 000			(100 000)	850 000	316
29 August 2000		1 000 000				1 000 000	325
14 March 2001	Standard	1 222 500		(47 500)	(515 000)	660 000	460
14 March 2001	Hurdle	725 000		(25 000)		700 000	460
19 October 2001		20 000				20 000	700
13 March 2002	Standard	802 550			(64 125)	738 425	693
13 March 2002	Hurdle	718 050			(45 625)	672 425	693
29 November 2002		40 000				40 000	1 225
06 March 2003	Standard	644 000		(30 000)	(18 750)	595 250	1 100
06 March 2003	Hurdle	732 500		(10 000)		722 500	1 100
15 March 2004	Standard	990 000		(15 000)		975 000	1 304
15 March 2004	Hurdle	800 000		(15 000)		785 000	1 304
07 September 2004	Standard	–	150 000			150 000	1 200
07 September 2004	Hurdle	–	100 000			100 000	1 200
28 June 2005	Standard	–	1 230 000			1 230 000	1 400
28 June 2005	Hurdle	–	1 000 000			1 000 000	1 400
		<b>12 690 480</b>	<b>2 480 000</b>	<b>(677 593)</b>	<b>(2 270 572)</b>	<b>12 222 315</b>	

#### Notes:

- For the 1998 and prior schemes, the options vest as to 50% at the fourth and 100% at the fifth anniversary of the grant.
- For the 1999 and later schemes, the options vest at 25% per annum in each of the second to fifth anniversaries of the grant.
- For the 2004 and prior schemes, termination occurs on the tenth anniversary of the grant and any unexercised options expire at that date.
- For the 2005 and later schemes, termination occurs on the sixth anniversary of the grant and any unexercised options expire at that date.
- For the 2001 to 2003 schemes hurdle rate is 25% per annum compound growth on option price.
- For the 2004 and 2005 schemes hurdle rate is CPI + 4% per annum compound growth on option price.

# Notes to the consolidated financial statements

## for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	2005	2004
<b>11. SECURED LIABILITIES</b>		
Liabilities of the Group are secured as follows:		
Loans secured by inventories with a book value of R1,7 million (2004: R1,9 million)	7,7	9,3
Loans secured over plant and machinery with a book value of R91,2 million (2004: R54,4 million)	33,1	46,7
Loans secured by investment in associate company with a book value of R412,7 million (2004: nil)	200,1	–
	<b>240,9</b>	<b>56,0</b>
Reflected in the balance sheet under:		
Long-term loans (note 12)	217,0	27,6
Bank overdrafts and short-term loans (note 18)	23,9	28,4
	<b>240,9</b>	<b>56,0</b>
<b>12. LONG-TERM LOANS</b>		
<b>Secured loans</b>		
Current year	23,9	28,4
Next five years excluding current	16,9	27,6
After five years	200,1	–
	<b>240,9</b>	<b>56,0</b>
<i>Less: Current portion (note 18)</i>	<i>(23,9)</i>	<i>(28,4)</i>
	<b>217,0</b>	<b>27,6</b>
<b>Unsecured loans</b>		
Current year	55,0	69,2
Next five years excluding current	96,2	102,3
After five years	1,2	–
	<b>152,4</b>	<b>171,5</b>
<i>Less: Current portion (note 18)</i>	<i>(55,0)</i>	<i>(69,2)</i>
	<b>97,4</b>	<b>102,3</b>
<b>Capitalised finance leases</b>		
Current year	28,0	11,6
Next five years excluding current	24,6	9,3
	<b>52,6</b>	<b>20,9</b>
<i>Less: Current portion (note 18)</i>	<i>(28,0)</i>	<i>(11,6)</i>
	<b>24,6</b>	<b>9,3</b>
	<b>339,0</b>	<b>139,2</b>

Details of the repayment terms of loans and the related interest rates are set out in Annexure 2. The assets encumbered to secure the loans are detailed in note 11.

All monetary amounts are expressed in millions of rand	2005	2004
<b>13. OBLIGATIONS UNDER FINANCE HEADLEASES</b>		
Current year	79,2	55,2
Next five years excluding current	274,2	332,1
After five years	–	14,0
	353,4	401,3
<i>Less: Current portion (note 18)</i>	<i>(79,2)</i>	<i>(55,2)</i>
	274,2	346,1
Details of the repayment terms of the obligations and the related interest rates are set out in Annexure 2. The assets encumbered to secure the loans are detailed in notes 1 and 2.		
<b>14. LONG-TERM PROVISION</b>		
<b>Headleases and other discontinued property activities</b>		
At beginning of year	48,4	78,5
Provision released to the income statement	(15,7)	(10,1)
Trading losses	(7,6)	(20,0)
At end of year	25,1	48,4
<i>Less: Current portion included in trade and other payables (note 16)</i>	<i>(20,6)</i>	<i>(19,1)</i>
	4,5	29,3

# Notes to the consolidated financial statements

## for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand

	2005	2004
<b>15. DEFERRED TAXATION</b>		
<b>Deferred taxation assets</b>		
The movement on the deferred taxation asset account is as follows:		
At beginning of year	32,8	–
Acquisition of businesses	0,5	–
Income statement credit	4,4	32,8
Exchange rate adjustment	0,1	–
At end of year	37,8	32,8
<i>Comprising:</i>		
Plant	(9,9)	(10,2)
Work-in-progress	2,0	11,8
Assessable loss	34,6	31,2
Other	11,1	–
	37,8	32,8
<b>Deferred taxation liabilities</b>		
The movement on the deferred taxation liability account is as follows:		
At beginning of year	117,9	109,0
Acquisition of businesses	20,2	–
Income statement charge	65,4	8,9
Exchange rate adjustment	(1,4)	–
At end of year	202,1	117,9
<i>Comprising:</i>		
Inventory	(4,7)	–
Uncertified work and other construction temporary differences	72,5	17,3
Plant	87,9	16,3
Financial leases	56,9	60,0
Tax losses	(7,7)	–
Provision for doubtful debts	2,0	4,2
Prepayments	5,4	–
Advance payments received	(6,1)	–
Fair value adjustments	13,5	–
Other	(17,6)	20,1
	202,1	117,9

All monetary amounts are expressed in millions of rand

	2005	2004
<b>16. TRADE AND OTHER PAYABLES</b>		
Trade and other payables	2 046,7	1 801,7
Payroll accruals	93,6	64,0
Short-term portion of long-term provision (note 14)	20,6	19,1
	<b>2 160,9</b>	<b>1 884,8</b>
<b>17. SUBCONTRACTOR LIABILITIES</b>		
Contracts-in-progress and contract receivables include claims against clients in respect of subcontractor liabilities. These liabilities are only settled when payment has been received from clients.		
<b>18. BANK OVERDRAFTS AND SHORT-TERM LOANS</b>		
Bank overdrafts	194,7	118,7
Current portion of long-term loans (note 12)		
– secured	23,9	28,4
– unsecured	55,0	69,2
Current portion of capitalised finance leases (note 12)	28,0	11,6
Current portion of obligations under finance headleases (note 13)	79,2	55,2
	<b>380,8</b>	<b>283,1</b>
<b>19. REVENUE</b>		
<b>Continuing operations</b>		
Contracting revenue	6 582,4	4 445,7
Sale of goods	3 640,9	3 146,0
Rendering of services	173,3	190,3
Other	91,8	21,4
	<b>10 488,4</b>	<b>7 803,4</b>
<b>Discontinued operations</b>	<b>205,4</b>	<b>620,6</b>
	<b>10 693,8</b>	<b>8 424,0</b>
<b>20. EXCEPTIONAL ITEMS</b>		
Headlease and other discontinued property activities (notes 1, 2, 13, 14)	11,2	(7,1)
Provision released to income statement	15,7	10,1
Net lease income from discontinued headlease property	65,7	49,7
Depreciation of discontinued headlease property	(5,2)	(5,2)
Interest expense on obligations under finance headleases	(57,2)	(61,7)
Additional liability raised	(7,8)	–
Net profit (loss) on disposals and closures	189,2	(9,0)
Impairment loss recognised on unlisted loan investments	(159,2)	–
Impairment loss recognised on goodwill	(4,7)	–
Impairment loss recognised on property, plant and equipment	(23,1)	–
	<b>13,4</b>	<b>(16,1)</b>

# Notes to the consolidated financial statements

## for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand

	2005	2004
<b>21. EARNINGS BEFORE INTEREST AND TAXATION</b>		
Earnings before interest and taxation is arrived at after taking into account:		
Amortisation of goodwill	–	5,5
Auditors' remuneration:		
Fees for audits	14,5	12,5
Other services	2,0	2,0
Expenses	0,4	0,2
Compensation from insurance claims	(22,8)	–
Dividends received	(0,7)	(10,2)
Depreciation:		
Immovable property	3,6	3,2
Plant and machinery	212,1	155,3
Other property, plant and equipment	33,7	29,9
Other investment property	0,3	0,2
Fees paid for:		
Managerial services	14,2	18,1
Technical services	2,9	6,6
Administrative services	9,9	11,5
Secretarial services	0,7	0,7
Impairment loss recognised on property, plant and equipment	4,3	–
Impairment losses:		
Trade receivables	31,9	12,7
Contract receivables	13,1	0,5
Other receivables	10,2	1,4
Payroll cost	2 713,4	1 817,5
Profit on disposal of investments	–	(37,8)
Profit on disposal of property, plant and equipment	(25,9)	(37,5)
Loss on disposal of property, plant and equipment	0,4	0,4
Net foreign exchange gains	(7,7)	(25,9)
Net fair value gains of financial instruments	(40,0)	(3,6)
Operating lease costs:		
Immovable property	20,3	27,0
Plant and machinery	0,3	0,2
Other	12,9	18,7
Research and development costs	1,4	2,4
<b>Operating expenses by function</b>		
Cost of sales	9 143,6	7 187,7
Distribution and marketing costs	138,7	129,2
Administration costs	1 102,6	1 010,3
Other operating income	(234,3)	(324,1)

All monetary amounts are expressed in millions of rand

	2005	2004
<b>22. NET INTEREST (EXPENSE) INCOME</b>		
Interest expense:		
Bank overdrafts	(16,9)	(11,2)
Capitalised finance leases	(5,2)	(4,1)
Present value expense	(12,9)	(3,9)
Loans and other liabilities	(19,5)	(15,1)
	(54,5)	(34,3)
Interest income:		
Bank balances and cash	33,6	25,3
Present value income	2,1	3,2
Unlisted loan investments and other receivables	13,5	15,9
	49,2	44,4
Net interest (expense) income	(5,3)	10,1
<b>23. TAXATION</b>		
South African normal taxation:		
Current year	62,4	0,9
Prior year	1,0	(0,2)
Secondary taxation on companies	0,3	3,1
Foreign taxation:		
Current year	25,7	46,9
Deferred taxation:		
Current year	61,0	(23,9)
	150,4	26,8
	%	%
<b>Reconciliation of effective rate of taxation to the standard rate of taxation</b>		
Effective rate of taxation	27,3	6,5
Reduction in rate of taxation due to:		
Capital and non-taxable items	23,1	3,4
Taxation losses utilised	0,2	30,5
Deferred taxation assets	2,4	7,8
Prior year adjustments	0,4	0,1
	53,4	48,3
Increase in rate of taxation due to:		
Non-deductible expenditure	(21,5)	(2,8)
Current year's losses not recognised	(0,4)	(3,7)
Taxation on foreign companies	(1,1)	(7,5)
Foreign withholding taxation	(0,3)	(1,7)
Imputed foreign income	(0,7)	(1,8)
Change in rate of taxation	(0,3)	-
Secondary taxation on companies	(0,1)	(0,8)
South African standard rate of taxation	29,0	30,0

# Notes to the consolidated financial statements

## for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	2005	2004
<b>24. EARNINGS AND HEADLINE EARNINGS PER SHARE</b>		
<b>Reconciliation of headline earnings</b>		
Earnings attributable to ordinary shareholders	448,1	477,0
Adjustments:		
Exceptional items (note 20), all non-headline	(13,4)	16,1
Taxation on exceptional items	16,1	–
Goodwill amortisation	–	5,5
Non-headline portion of income from associate	2,4	4,8
Headline earnings	453,2	503,4
<b>Reconciliation of weighted average number of shares in issue (000)</b>		
Weighted average number of ordinary shares in issue	331 893	331 893
Less: Weighted average number of shares held by The Murray & Roberts Trust	(13 664)	(13 788)
Weighted average number of shares in issue used in the determination of basic per share figures	318 229	318 105
Add: Dilutive adjustment for share options	4 611	6 173
Weighted average number of shares in issue used in the determination of diluted per share figures	322 840	324 278
<b>Earnings per share (cents)</b>		
– Diluted	139	147
– Basic	141	150
<b>Headline earnings per share (cents)</b>		
– Diluted	140	155
– Basic	142	158
<b>25. ORDINARY DIVIDENDS</b>		
Interim dividend No 106 of 15,0 cents declared on 26 February 2005	47,7	
Final dividend No 107 of 30,0 cents declared on 31 August 2005	95,5	
Interim dividend No 104 of 15,0 cents declared on 26 February 2004		47,7
Final dividend No 105 of 30,0 cents declared on 25 August 2004		95,5
Add: Dividends relating to treasury shares	6,2	6,2
	149,4	149,4
Dividends are accounted for on the date of declaration in accordance with AC107 and are not accrued as a liability in the financial statements until declared.		
<b>26. PROFIT AND LOSSES OF SUBSIDIARIES</b>		
Aggregate profits	973,8	458,2
Aggregate losses	(144,9)	(110,5)

All monetary amounts are expressed in millions of rand

2005

2004

## 27. JOINT VENTURES

A proportion of the Group's operations are performed through joint ventures.

The Group operates through two types of joint ventures:

### *Joint venture entities*

Incorporated arrangements such as jointly controlled companies.

### *Joint venture operations*

Unincorporated arrangements such as partnerships and contracts.

*The Group's aggregate proportionate share of joint ventures included in the consolidated balance sheet is as follows:*

Non-current assets	23,0	4,9
Current assets	669,9	604,6
<b>Total assets</b>	<b>692,9</b>	<b>609,5</b>
Non-current liabilities	15,7	1,9
Current liabilities	521,6	473,0
<b>Total liabilities</b>	<b>537,3</b>	<b>474,9</b>
<b>Net assets</b>	<b>155,6</b>	<b>134,6</b>
<i>The Group's aggregate proportionate share of joint ventures included in the consolidated income statement is as follows:</i>		
Revenue	1 097,6	1 125,3
Earnings after taxation	50,6	20,8

Business segment

% ownership

*The Group has the following significant joint venture entities:*

SNC Lavalin-Murray & Roberts (Pty) Limited	Construction & Engineering	50,0	50,0
Alert Steel Polokwane (Pty) Limited	Construction Materials & Services	50,0	50,0
Freyssinet Posten (Pty) Limited	Construction Materials & Services	50,0	50,0
Precast Reinforcing Steel (Pty) Limited	Construction Materials & Services	50,0	50,0
Reinforcing Steel Contractors East			
London (Pty) Limited	Construction Materials & Services	50,0	50,0
Shisane Reinforcing Steel (Pty) Limited	Construction Materials & Services	40,0	40,0
National Metal Cape Town (Pty) Limited	Construction Materials & Services	40,0	40,0
Flaming Silver 163 (Pty) Limited	Fabrication & Manufacture	50,0	–
Falcon Aluminium Alloys (Pty) Limited	Fabrication & Manufacture	33,3	–

# Notes to the consolidated financial statements

## for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand	Business segment	% ownership	
		2005	2004
<b>27. JOINT VENTURES (continued)</b>			
<i>The Group has the following significant joint venture operations:</i>			
Al Habtoor – Murray & Roberts – Takenaka Joint Venture	Construction & Engineering	40,0	–
Al Habtoor – Murray & Roberts Joint Venture	Construction & Engineering	50,0	50,0
Cemdelsam Joint Venture	Construction & Engineering	50,0	–
Murray & Roberts BBMM Joint Venture	Construction & Engineering	50,0	50,0
Murray & Roberts Jolinde Joint Venture	Construction & Engineering	85,0	85,0
Nass – Murray & Roberts Joint Venture	Construction & Engineering	50,0	50,0
Platinum Joint Venture	Construction & Engineering	26,6	26,6
Rand Roads/Murray & Roberts 12/15 Joint Venture	Construction & Engineering	33,3	33,3
NTRV (Maintenance Phase) Joint Venture	Construction & Engineering	50,0	50,0
		<b>2005</b>	<b>2004</b>
<b>28. CONTINGENT LIABILITIES</b>			
The Group is from time to time involved in various disputes, claims and legal proceedings arising in the ordinary course of business. The Board does not believe that adverse decisions in any pending proceedings or claims against the Group will have a material adverse effect on the financial condition or future of the Group.			
The ascertainable contingent liabilities at 30 June being		147,9	56,4
Total financial institution guarantees given to third parties on behalf of group companies amounted to		1 787,5	1 351,7
The directors do not believe any exposure to loss is likely.			
<b>29. CAPITAL COMMITMENTS</b>			
Approved by the directors, contracted and not provided in the balance sheet		59,9	97,7
Approved by the directors, not yet contracted for		336,3	298,9
		<b>396,2</b>	<b>396,6</b>
Capital expenditure will be financed from internal resources and existing facilities.			

All monetary amounts are expressed in millions of rand

2005

2004

### 30. OPERATING LEASE ARRANGEMENTS

#### General operating leases

Operating lease payments represent rentals payable by the Group for certain of its office properties and certain items of plant and machinery, and furniture and fittings. These leases have varying terms, escalation clauses and renewal periods.

#### Operating lease cost

Operating lease costs recognised in the income statement are set out in note 21.

#### Operating lease commitments

The future minimum lease payments under non-cancelable operating leases are as follows:

Due within one year	22,8	30,5
Due between two and five years	49,5	22,7
Due thereafter	0,3	1,7

72,6

54,9

#### Operating headleases

Operating headlease payments represent rentals payable by the Group for the headlease property in which the Group does not have a controlling interest at the end of the lease and consist of leases over commercial, industrial and retail properties. These leases have varying terms, escalation clauses and renewal periods.

#### Operating headlease cost and income

Operating lease costs and income are recognised in the income statement as exceptional items (note 20).

The future minimum sublease payments expected to be received for the next three years under the subleases are R267,4 million (2004: R478,4 million).

#### Operating headlease commitments

The future minimum lease payments under non-cancelable operating headleases are as follows:

Due within one year	30,5	42,3
Due between two and five years	99,2	131,3
Due thereafter	33,9	33,9

163,6

207,5

# Notes to the consolidated financial statements

## for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand

### 31. FINANCIAL RISK MANAGEMENT

The Group does not trade in financial instruments other than designated held-for-trade financial assets but, in the normal course of operations, is exposed to currency, credit, interest and liquidity risk. In order to manage these risks, the Group may enter into transactions that make use of derivative financial instruments. The Group's financial instruments consist mainly of deposits with banks, local money market instruments, equity investments, derivatives, accounts receivable and payable and interest-bearing borrowings.

#### Treasury risk management

The Group's treasury operations provide the Group with access to local and foreign money markets and provide group subsidiaries with the benefits of bulk financing and depositing.

#### Foreign currency management

##### Loans

All material foreign loans are covered, in terms of group policy, by forward foreign exchange contracts except where a natural hedge against the underlying assets exists.

##### Trade exposure

The Group's policy is to cover forward all trade commitments. Each division manages its own trade exposure. In this regard the Group has entered into certain forward foreign exchange contracts. All such contracts are supported by underlying commitments, receivables or payables. The risk of having to close out these contracts is considered to be low.

The amounts below represent the net Rand equivalents of commitments to purchase and sell foreign currencies. The majority of the contracts will be utilised during the next 12 months. (Refer note 9)

Details of these contracts are as follows:

	2005 Foreign amount	2005 Rand amount	2004 Foreign amount	2004 Rand amount
<b>Related to specific balance sheet items</b>				
<b>Bought</b>				
United States Dollars	17,9	117,7	4,8	33,6
Euros	5,4	45,0	5,6	43,4
British Pounds	1,0	16,0	11,9	94,0
Other	-	-	1,1	6,6
Total		178,7		177,6
<b>Sold</b>				
United States Dollars	5,6	35,4	30,0	189,9
Euros	8,4	68,7	13,0	99,0
British Pounds	8,5	74,9	6,2	56,3
Other	0,2	1,2	-	-
Total		180,2		345,2
<b>Related to future commitments</b>				
<b>Bought</b>				
United States Dollars	-	-	1,2	11,4
Euros	0,2	1,5	-	-
Japanese Yen	589,5	36,6	466,9	30,7
Total		38,1		42,1

All monetary amounts are expressed in millions of rand

### 31. FINANCIAL RISK MANAGEMENT *(continued)*

#### Foreign currency management *(continued)*

The carrying amount of the Group's significant financial assets is denominated in the following currencies:

	Bank balances and cash	Trade and contract receivables
Australian Dollar	13,9	19,7
Bahraini Dinar	26,3	21,4
Botswana Pula	28,1	47,0
British Pound	2,6	7,8
Canadian Dollar	41,8	110,7
Egyptian Pound	0,2	4,6
Euro	18,2	1,0
Malaysian Ringgit	23,4	8,7
Qatari Rial	29,3	85,1
South African Rand	1 328,0	1 183,5
United Arab Emirates Dirham	172,5	253,3
United States Dollar	231,7	62,2
Other	16,8	20,8
Gross receivables	1 932,8	1 825,8
Present value and other adjustments	–	(19,8)
	<b>1 932,8</b>	<b>1 806,0</b>

The carrying amount of the Group's significant financial liabilities is denominated in the following currencies:

	Bank overdrafts	Trade payables and subcontractor liabilities	Interest-bearing borrowings
Australian Dollar	–	8,5	0,9
Bahraini Dinar	–	15,1	–
Botswana Pula	–	61,4	4,1
British Pound	0,3	0,9	78,8
Canadian Dollar	–	29,9	–
Egyptian Pound	61,3	3,0	–
Euro	–	0,6	–
Malaysian Ringgit	–	10,2	–
Qatari Rial	–	77,6	–
South African Rand	27,9	740,1	483,2
United Arab Emirates Dirham	50,7	288,5	32,2
United States Dollar	54,4	14,0	200,1
Other	0,1	38,5	–
Gross liabilities	194,7	1 288,3	799,3
Present value and other adjustments	–	(4,1)	–
	<b>194,7</b>	<b>1 284,2</b>	<b>799,3</b>

# Notes to the consolidated financial statements

## for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand

### 31. FINANCIAL RISK MANAGEMENT *(continued)*

#### Interest rate risk management

The Group is exposed to interest rate risk through its bank overdrafts and other interest-bearing borrowings. The Group does not normally hedge its exposure. Group companies generally adopt a policy of ensuring that their borrowings are at market related rates to address their interest rate risk. The directors are of the opinion that the current process works effectively and is therefore sufficient.

Details of the financial liabilities and related interest rates are set out in Annexure 2.

As at 30 June 2005 the Group had two interest rate swap agreements outstanding as detailed below. (Refer note 9)

	Currency	Interest rate (%)	Maturity date	Fair value of asset (liability)
Pay floating rate, receive fixed rate	ZAR	13,4	02 January 2007	0,2
Pay fixed rate, receive floating rate	GBP	8,0	20 February 2007	(3,6)

#### Maturity profile of financial instruments

The maturity profiles of the recognised financial instruments are summarised as follows:

	<1 year	1 – 6 years	Total
<b>Financial assets</b>			
Bank balances and cash	1 932,8	–	1 932,8
Contract receivables	981,4	–	981,4
Trade and other receivables	1 046,2	–	1 046,2
Derivative financial instruments	33,8	–	33,8
Other investments	–	360,1	360,1
<b>Financial liabilities</b>			
Bank overdrafts	194,7	–	194,7
Interest-bearing borrowings	186,1	613,2	799,3
Trade and other payables	2 046,7	–	2 046,7
Derivative financial instruments	7,6	–	7,6
Subcontractor liabilities	575,1	–	575,1

#### Fair value of financial assets and liabilities

The book value of the above financial assets and liabilities approximates fair value.

#### Credit risk management

Potential areas of credit risk consist of trade receivables and short-term cash investments.

Trade receivables consist mainly of a large widespread customer base. Group companies monitor the financial position of their customers on an ongoing basis. Where considered appropriate, use is made of credit guarantee insurance. The granting of credit is controlled by application processes and enforcement of account limits. Provision is made for specific bad debts and at year-end management believed that any material credit risk exposure was covered by credit guarantee or a bad debt provision.

Group policy is to deposit short-term cash investments with major financial institutions.

All monetary amounts are expressed in millions of rand

2005

2004

### 31. FINANCIAL RISK MANAGEMENT *(continued)*

#### Liquidity risk management

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

#### *Borrowing capacity*

The company's borrowings and guarantees are limited by its articles of association to

Total borrowings and guarantees, excluding performance guarantees

4 451,0

3 904,7

(1 208,8)

(1 042,0)

Unutilised borrowing capacity

3 242,2

2 862,7

### 32. RETIREMENT AND OTHER BENEFIT FUNDS

The retirement funds operated by the Group in the Republic of South Africa are registered as provident or pension funds and are accordingly governed by the Pension Funds Act No 24 of 1956 (as amended).

#### Defined contribution plans – pension funds

In South Africa, the Group operates the privately administered defined contribution pension plans listed below:

Murray & Roberts Retirement Fund

Investment Solutions Pension Fund

Membership comprises mainly salaried employees. The assets of the funds are independently controlled by a board of trustees which includes representatives elected by the members. The funds vest in the members who on exit, are entitled to the funds which have accrued to them. The funds were actuarially valued on the following dates and declared to be in a sound financial position:

Murray & Roberts Retirement Fund

31 December 2004

Investment Solutions Pension Fund

31 December 2003

The total cost to the Group in respect of the above funds for the year ended 30 June 2005 was R32,8 million (2004: R44,4 million).

#### Defined contribution plans – provident funds

In South Africa, the Group operates the privately administered defined contribution provident plans listed below:

Murray & Roberts Provident Fund

The Cementation Company Provident Fund

Membership of the Murray & Roberts Provident Fund comprises mainly salaried employees. The assets of the fund are independently controlled by a board of trustees which includes representatives elected by the members. The fund was actuarially valued on 28 February 2005 and declared to be in a sound financial position.

Membership of The Cementation Company Provident Fund comprises mainly hourly paid employees. The fund was actuarially valued on 31 December 2004 and declared to be in a sound financial position.

The funds vest in the members who on exit, are entitled to the funds which have accrued to them.

The total cost to the Group in respect of the above funds for the year ended 30 June 2005 was R16,6 million (2004: R0,8 million).

# Notes to the consolidated financial statements

## for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand

### 32. RETIREMENT AND OTHER BENEFIT FUNDS *(continued)*

#### Surplus legislation

Each of the above funds needs to comply with the process as prescribed in the Pension Funds Second Amendment Act 2001. The envisaged date of finalisation of the process for each fund is set out below. These are estimates as revised dates may be arranged by each fund in consultation with the Financial Services Board.

Murray & Roberts Retirement Fund	Completed
Investment Solutions Pension Fund	31 August 2005
Murray & Roberts Provident Fund	31 August 2005
The Cementation Company Provident Fund	31 December 2005

Although investigations still need to be finalised, indications are that this legislation will not have a significant financial impact on the Group.

#### Defined benefit plan – pension fund

During the current year the Group disposed of its subsidiary company in the United Kingdom (Booker Tate Limited) which operates two defined benefit pension schemes for its employees. At 30 June 2004 the net unfunded position was 6,6 million sterling, determined in accordance with FRS17.

	2005	2004
Present value of funded liability	–	393,1
Fair value of fund assets	–	(318,6)
	–	74,5
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	–	5,8%
Expected return on plan assets		
– Equities	–	8,0%
– Bonds	–	5,0%
– Cash	–	4,5%
Pension increases	–	3,0%
Salary growth	–	3,0%
<b>Defined benefit plan – post-retirement medical aid</b>		
Employees who joined the Group prior to 1 July 1996, and who satisfy certain qualifying criteria, may have an entitlement in terms of this plan.		
Present value of funded liability	58,3	70,8
Fair value of plan assets	(82,9)	(70,8)
	(24,6)	–

The fair value of the funded liability has been calculated in accordance with the provisions of AC116: *Employee Benefits* which makes provision for calculating the liability on accrued service. The current fair value of the plan assets is sufficient to cover the total liability of the Group, including future service.

All monetary amounts are expressed in millions of rand

	2005	2004
<b>32. RETIREMENT AND OTHER BENEFIT FUNDS</b> <i>(continued)</i>		
<b>Defined benefit plan – post-retirement medical aid</b> <i>(continued)</i>		
Costs for the year included in payroll cost in the income statement (note 21):		
Current service cost	13,6	15,0
Interest cost	6,8	6,7
Expected return on plan assets	(4,9)	(3,1)
Net actuarial loss recognised	–	2,7
Contributions paid	9,3	–
	<b>24,8</b>	<b>21,3</b>
Movements in the net asset were as follows:		
Present value at beginning of year	–	25,3
Amounts recognised in the income statement	24,8	21,3
Contributions paid	(24,8)	(46,6)
At 30 June	–	–
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	10,0%	10,0%
Expected return on plan assets	5,1%	6,5%
Long-term increase in medical subsidies	5,8%	5,8%
The plan assets do not directly include any significant group financial instruments, nor any property occupied by, or other assets used by, the Group.		
<b>Defined benefit plan – disability benefits</b>		
Disability benefits for mainly salaried employees are provided via the Murray & Roberts Group Employee Benefits Policy No 107385. The defined benefit entitlement is equal to 75% of pensionable salary, potentially payable up to the normal retirement age of 63. When an employee is entitled to benefits in terms of the policy, the benefits may be reviewed annually and increases are discretionary and not guaranteed.		
Present value of funded liability	44,0	41,4
Fair value of plan assets	(47,4)	(43,6)
	<b>(3,4)</b>	<b>(2,2)</b>
Costs for the year included in payroll cost in the income statement (note 21):		
Current service cost	7,8	5,3
Interest cost	3,9	4,2
Expected return on plan assets	(4,0)	(4,0)
Net actuarial loss recognised	–	0,1
	<b>7,7</b>	<b>5,6</b>
Movements in the net asset were as follows:		
Present value at beginning of year	–	(4,7)
Amounts recognised in the income statement	7,7	5,6
Contributions paid	(7,7)	(0,9)
At 30 June	–	–

# Notes to the consolidated financial statements

## for the year ended 30 June 2005

All monetary amounts are expressed in millions of rand

2005

2004

### 32. RETIREMENT AND OTHER BENEFIT FUNDS *(continued)*

#### Defined benefit plan – disability benefits *(continued)*

The principal actuarial assumptions used for accounting purposes were:

Discount rate	8,3%	10,0%
Expected return on plan assets	7,5%	9,7%
Long-term increase in disability benefits	4,8%	5,8%

The plan assets do not directly include any significant group financial instruments, nor any property occupied by, or other assets used by, the Group.

### 33. RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTERESTS

Transactions and balances between the company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions and balances with other related parties are disclosed below.

#### Related party transactions

During the year the company and its subsidiaries, in the ordinary course of business, entered into various inter-group sale and purchase transactions. These transactions are no less favourable than those arranged with third parties. No other material related party transactions have occurred during the year.

#### Amounts owed by related parties

The following unsecured loan balances are included in the unlisted loan investments in note 5:

Loan to Borbet SA (Pty) Limited, net of impairment provision	72,7	90,9
Loan to Consani Engineering (Pty) Limited*, net of impairment provision	40,9	–
Loan to Flaming Silver 163 (Pty) Limited	1,7	–
Loan to Resteel Trading Limited	1,4	1,3
Loan to Falcon Aluminium Alloys (Pty) Limited	1,2	–
Loan to Freyssinet Posten (Pty) Limited	–	2,5
Loan to Alert Steel Polokwane (Pty) Limited	–	0,7
Loan to Shisane Reinforcing Steel (Pty) Limited	–	0,7
	<b>117,9</b>	<b>96,1</b>

\* Consani Engineering (Pty) Limited was placed into liquidation in the current year. In the prior year, the loan was eliminated on consolidation.

#### Related party guarantees

A subsidiary company has provided a suretyship to a third party on behalf of Borbet SA (Pty) Limited. The contingent liability is limited to a maximum amount of R8,5 million.

#### Subsidiary companies

Details of the Group's major operating subsidiary companies are disclosed in Annexure 1.

#### Joint ventures

Details of the Group's major operating joint ventures are disclosed in note 27.

#### Associate companies

Details of the associate companies are disclosed in note 4.

All monetary amounts are expressed in thousands of rand

### 33. RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTERESTS (continued)

#### Directors' emoluments

##### Executive directors

The remuneration of executive directors for the year ended 30 June 2005 was as follows:

	Directors' fees	Salary	Retirement fund contributions	Allowances	Other benefits	Total guaranteed remuneration	Gain on exercise of share options	Performance related*	Total 2005	Total 2004
BC Bruce	49	2 349	280	–	295	2 973	–	2 300	5 273	6 986
SJ Flanagan **	37	815	115	133	22	1 122	–	1 100	2 222	–
N Jorek **	49	1 122	–	–	92	1 263	–	800	2 063	–
RW Rees	49	1 427	181	–	215	1 872	3 620	1 650	7 142	4 567
KE Smith	49	1 271	180	380	32	1 912	3 184	1 650	6 746	2 953
	233	6 984	756	513	656	9 142	6 804	7 500	23 446	14 506

\* Performance bonuses are accounted for on an accrual basis, to match the amount payable to the applicable financial year-end.

\*\* Remuneration other than performance related reflects the period since appointment during the year.

##### Non-executive directors

The level of fees for service as a director, additional fees for service on the board committees and the chairman's fee are reviewed annually.

The remuneration of non-executive directors for the year ended 30 June 2005 was as follows:

	Directors Fees	Committee Fees	Chairman's Fees	Total 2005	Total 2004
RC Andersen	8	–	717	725	398
SE Funde	96	67	–	163	110
SJ Macozoma	58	–	–	58	95
NM Magau	74	21	–	95	–
JM McMahon	83	44	–	127	–
IN Mkhize	46	21	–	67	–
AA Routledge	104	62	–	166	121
MJ Shaw	80	73	–	153	151
JJM van Zyl	89	87	–	176	153
RT Vice	46	–	–	46	–
Other**	120	–	–	120	762
	804	375	717	1 896	1 790

\*\* Past director emoluments: BN Bam (15), WP Esterhuyse (65), PG Joubert (15), AJ Morgan (25).

Details of service on board committees are set out on page 53.

# Notes to the consolidated financial statements

## for the year ended 30 June 2005

### 33. RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTERESTS *(continued)*

#### Interest of directors in share capital of the company

Interest of the directors in the share capital of the company is set out in the directors' report.

#### Subsequent changes in directors' shareholdings

At the date of signature of the group annual financial statements there had been no changes to the above shareholdings.

#### Interest of directors in share options

The directors of the company held in aggregate, directly or indirectly, grants of option from The Murray & Roberts Trust in respect of 2.0% (2004: 1.8%) of the ordinary shares of the company. These options are subject to the terms and conditions of the employee share scheme.

The movements in share options of directors during the year ended 30 June 2005 are as follows:

	Conditions	Outstanding	Granted	Forfeited	Exercised	Exercise			Outstanding	
		options at				during	during	during		Exercise
		30 June	the year	the year	the year	date	(cents)	(R'000)	at 30 June	
		2004							2005	
BC Bruce	Standard	2 555 463	90 000	15 463					2 630 000	
	Hurdle	650 000	90 000						740 000	
SJ Flanagan	Standard	259 881	100 000	4 631					355 250	
	Hurdle	253 750	100 000						353 750	
N Jorek	Standard	150 000	80 000						230 000	
	Hurdle	100 000	70 000						170 000	
RW Rees	Standard	980 000	15 000						570 000	
					100 000	12 October 2004	316	890		
					200 000	12 October 2004	460	1 492		
					125 000	11 May 2005	460	1 238		
	Hurdle	500 000	-						500 000	
KE Smith	Standard	851 000	100 000	4 000					577 000	
						150 000	19 October 2004	233	1 476	
						30 000	19 October 2004	316	270	
						190 000	19 October 2004	460	1 438	
	Hurdle	455 000	40 000						495 000	

#### Interest of directors in contracts

A register detailing directors' interests in the company is available for inspection at the company's registered office.

#### Directors' service contracts

Details regarding directors' service contracts are set out on page 54.

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## 34. RESTATEMENTS, CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES

### 34.1 Business combinations (AC140)

The Group adopted AC140: *Business Combinations* during the current year. The adoption of this statement resulted in a change in the accounting policy for goodwill. For all business combinations on or after 31 March 2004 goodwill is measured as the excess of the "cost of the acquisition" over the "interest in the fair value of the assets, liabilities and contingent liabilities acquired and recognised".

Until 30 June 2004, goodwill was:

- amortised on a straight line basis over its useful life with a maximum of ten years.

In accordance with the provisions of AC140:

- the Group ceased amortisation of goodwill from 1 July 2004;
- accumulated amortisation as at 30 June 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and
- from 1 July 2004 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment.

Adoption of this accounting policy resulted in goodwill amortisation amounting to R4,7 million being ceased and a goodwill impairment charge of R4,7 million. The impact of the restatement on earnings and headline earnings per share is set out below.

### 34.2 Operating lease costs and income (AC105)

In prior years, operating lease payments were recognised in the income statement in the year incurred. Interpretative guidance by the South African Institute of Chartered Accountants, Circular 7/2005 issued in August 2005, requires minimum lease payments that are subject to fixed escalations to be spread over the life of the lease instead of as incurred.

R millions

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The adjustments resulting from the restatement can be summarised as follows:

Increase of 2003 accumulated profit opening balance	–
Recognition of deferred operating lease income accrual	108,3
Recognition of deferred operating lease cost accrual	(118,8)
<hr/>	
Decrease of 2004 net profit	(10,5)
Increase of 2005 net profit	12,7

The impact of the restatement on earnings and headline earnings per share is set out below.

### 34.3 Depreciation of headlease property

In prior years, the land element of the capitalised headlease property was incorrectly depreciated together with the building element. This has been corrected by a reversal of R6,8 million in prior year accumulated depreciation.

R millions

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The adjustments resulting from the restatement can be summarised as follows:

Increase of 2003 accumulated profit opening balance	3,4
Increase of 2004 net profit	3,4
Increase of 2005 net profit	3,4

# Notes to the consolidated financial statements

## for the year ended 30 June 2005

### 34. RESTATEMENTS, CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES *(continued)*

#### 34.4 Impact on earnings and headline earnings per share

The impact of the restatements on earnings and headline earnings per share is set out below.

	Increase (decrease) in basic and diluted earnings per share	
	2005 Cents	2004 Cents
Non-amortisation of goodwill	2	–
Impairment of goodwill	(2)	–
Recognition of operating lease payments and income on a straight line basis*	4	(3)
Adjustments to the depreciation of headlease property*	1	1
<b>Total impact</b>	<b>5</b>	<b>(2)</b>

These adjustments had no impact on basic and diluted headline earnings per share.

\* Relates to the headlease and other discontinued property activities.

#### 34.5 Comparatives

The comparative information presented has been restated for the following:

- reclassification of investment property from property, plant and equipment to investment property;
- reclassification of an impairment provision from other accruals to other investments;
- separate disclosure of derivative financial instruments on the balance sheet;
- restatement of operating lease costs and income on a straight line basis; and
- restatement of the depreciation on headlease property.

### 35. SUBSIDIARY COMPANIES

Although the Group does not own more than half of the equity shares of the following companies, it has the power to govern the financial and operating policies via *inter alia* shareholder agreements and therefore has control. Consequently these companies are consolidated as subsidiaries.

	% direct ownership	
	2005	2004
Murray & Roberts Abu Dhabi LLC	49	49
Murray & Roberts Contractors (Middle East) LLC	49	49
Johnson Arabia LLC	49	49

The financial year-end of Johnson Arabia LLC is 31 December each year. For the purpose of consolidation, financial statements are prepared for the 12 months ended 30 June each year.

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### 36. POST-BALANCE SHEET EVENTS

The following significant events have occurred subsequent to 30 June 2005:

#### **Empowerment**

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

#### **Business combinations – Clough**

The Group has reached agreement with McRae Investments and the Board of Clough, subject to regulatory approvals, to increase its shareholding in Clough through an issue of new shares and options by the company and an equivalent sell-down by McRae. Murray & Roberts will thereafter hold the right to 49% of Clough.

#### **Business combinations – Oconbrick**

The Group has acquired an initial 80% shareholding in Oconbrick (Pty) Limited for a consideration of approximately R96 million.

#### **Disposals – Criterion Equipment**

The sale of Criterion Equipment to J&J Group from 1 September 2005 has been approved.

#### **Other**

No other events have occurred between the year-end and the date of the approval of the financial statements that would materially affect the disclosure of the financial statements.

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