

Operational review

CONSTRUCTION & ENGINEERING



Malose Chaba



Jerome Govender



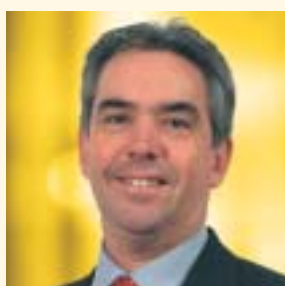
Nigel Harvey



Edwin Hewitt



Henry Laas



Simon Mordecai-Jones



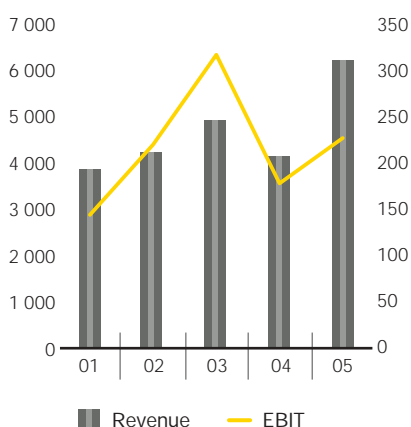
Stephen Pell



Roy Slack

R millions	Revenue		EBIT	
	2005	2004	2005	2004
CONSTRUCTION & ENGINEERING	6 237	4 153	226	177
Construction	3 128	3 022	89	83
Mining	2 506	480	111	13
Engineering	603	651	26	81

Construction & engineering Ongoing operations (R millions)



Building & construction

We have invested significant executive time and effort over the past two years consolidating our Southern Africa provincial and regional building and civil construction operations into a single business. Murray & Roberts Construction based in Johannesburg now incorporates the full range of general and specialist capability in its sector and has the critical mass to engage significant market development in the region as prime contractor.

For the task going forward, corporate responsibility for our construction activities in Middle East and North Africa was assumed by our newly established international coordinating office based in London with effect from July 2004. This has made a significant difference to our capability in these operations and we now source most of our resource requirements from the international market.

Performance

Revenues for construction and related operations, excluding concession operations, in South Africa and SADC increased marginally to R2,21 billion (2004: R2,13 billion) with operating profit up 55% to R90 million (2004: R58 million) at a margin of 4,1% (2004: 2,8%). This result was influenced positively by the settlement of an outstanding debt in Equatorial Guinea, which offset losses incurred in the Western Cape where the rapid development of a buoyant residential building market caused a shortage of resources, leading to performance reversals. We have stabilised our engagement of this market and there are indications that residential growth has now peaked and that commercial and retail opportunities are returning.

A fair value increase of R46 million (2004: R34 million) in our concession investments in South Africa delivered operating profits of R37 million in the year (2004: R35 million). This is an audited accounting valuation and we continue to be conservative in our economic modeling.

We spent the past year rebuilding our executive team in Middle East as we completed some difficult projects and reached finalisation on the settlement of a number of contracts. Revenues for the year increased to R914 million (2004: R889 million) at an operating loss of R38 million (2004: R10 million including San Stefano). The major contributor to the loss is Khalifa Sports Hall, and a further R10 million was provided against the ADNOC office project. No contribution has been recognised on the Dubai Airport contract, which is expected to exceed 10% of full value in October 2005.

Market

The general level of construction opportunity in South Africa has improved with larger projects being offered. During the year, we completed a number of commercial building projects in Gauteng and secured a new retail centre in Vanderbijlpark valued at more than R200 million. Since year-end, we have been awarded a R350 million project to upgrade and extend commercial facilities at the Loch Logan resort in Bloemfontein and we have received a letter of intent for the new R520 million Bedford Village project in Bedfordview. We have prequalified in joint venture to tender the multi-purpose head office complex for the Department of Foreign Affairs in Pretoria which will be let under a PPP concession contract.

We are experiencing improved conditions in the industrial civil engineering market, in spite of subdued mining sector investment and are working on major projects for Impala Platinum at the No 16 and No 20 shafts.

We completed the downsizing of our roads & earthworks operation in the year, which has returned to profitability. This operation has been positioned for the domestic road refurbishment and surfacing market, but maintains capability to undertake selected large earthmoving projects in the region.

The upswing in domestic construction activity is increasingly driven by renewed investment in infrastructure. We are well positioned with the most competitive joint venture tender for the R1,5 billion Vaal River Eastern Sub-system Augmentation Project (Vresap). Murray & Roberts, in partnership with Bouygues and SPG (representing a consortium of empowerment enterprises) will design and build project infrastructure for the Gautrain Rapid Rail Link. Some enabling work is likely to commence prior to project start-up later in the current year.

Although not at the same level as the previous year, our established operations in Botswana and Namibia performed well in commercial building, industrial civil engineering and roadworks. These operations have healthy order books and there are a number of significant opportunities in the pipeline.

During the year we mounted a significant challenge to tender for some of the world's largest construction projects in Dubai. The airport Concourse 3, Terminal 2 and Car Park finishing and commissioning project was awarded in December 2004 with a value to Murray & Roberts of R2,4 billion over three years. We have secured further work in Bahrain, where we are building the City Gardens twin tower project and Dubai, where we are well advanced with the 60-floor Goldcrest residential tower.

Our concession investments in N3 Toll Road Concessionaires, owner and operator of the N3 between Heidelberg and Cedara and in Bakwena Platinum Concession Company, operator of the N4 Platinum highway, exceeded expectations during the year. We continue to seek new investments in this area.

Leadership

During the year, Sean Flanagan was appointed group executive director responsible for domestic and regional construction and mining contracting. He has supported Murray & Roberts Construction managing director Stephen Pell through a complete overhaul of his operations leadership.

A number of new executive appointments and an active recruitment programme to attract expatriate South African construction executives from the United Kingdom are designed to build our domestic implementation capacity.

Peter Adams joined the Group in July 2004 as managing director of Murray & Roberts United Kingdom. He is a seasoned international construction executive and provides management and support services to our Middle East and North Africa construction operations as well as our mining contracting operations in Canada.

Nigel Harvey is an experienced Murray & Roberts building construction executive. He transferred to Middle East in January 2004 as general manager where he has rebuilt our regional leadership team, managed the tender process for major projects and engaged the start-up of the airport project.

During the year, Jerome Govender was appointed general manager of our concessions and development business.

Our safety record for the year has been disappointing and we blame a combination of management and worker complacency together with an attitudinal and skills deficit. In South Africa, we have renewed our training and development activities to address these deficiencies and the serious skills

shortages in the construction industry. Plans are well advanced to reopen in-house regional training centres for artisans and specialist labour.

Best-in-class systems capability is an essential requirement for modern global contracting. We have decided to improve our current capability in this respect and have embarked on an ERP system throughout our project businesses to strengthen our engagement and delivery of major project opportunities.

Prospects

Empowerment has become an important feature of our marketplace, particularly in the construction sector which is generally seen as a primary contributor to socio-economic development. Murray & Roberts Construction engages empowerment partners on a regional basis and has established successful partnerships in Gauteng and Western Cape. We have much to do as we seek to meet indigenisation demands and our own risk requirements for local partnership in the rest of SADC.

Our operating partnership with Al Habtoor Engineering in Middle East has changed over the years and is now largely concentrated on new mega projects in Dubai. We have a successful partnership with Abdullah Nass in Bahrain and are exploring the oil & gas markets of the Gulf region with the Al Rushaid Group of Saudi Arabia. With the Al Habtoor family as our sponsor in UAE, we are exploring our operating options in what we believe will be the new growth centre of Abu Dhabi.

The higher oil price and resource demand from Asia are driving new investment into marine infrastructure and gas extraction and processing facilities throughout the Gulf region in Middle East. We have assembled a leadership team to develop our strategy for this market together with Clough.

Murray & Roberts in SADC started the new year with its order book at R1,15 billion for the year ahead, which represents less than 50% of current revenues. Although this is down from R1,7 billion in the previous year, it is of a better quality and a number of new projects have been secured since year-end.

Murray & Roberts in Middle East started the new year with a record order book of R1,6 billion for the year ahead, compared to R700 million in the previous year. About 60% of this relates to Dubai Airport which has been ring-fenced as a separate business enterprise. About R25 million of residual break-even is carried into the new year.

We do not expect the award of Gautrain to impact the financial results for the year ahead, but Dubai Airport will deliver its first contribution at the half-year. Thereafter, projects secured and others in the pipeline will underpin the performance of this sector through to 2010 at least.



City Gardens twin tower project in Bahrain



Shaft sinking and equipping

Mining construction

We started the year with the acquisition of The Cementation Company (Africa) Limited and Cementation Canada Inc into our operations portfolio. Since then we have invested significant resources integrating capacity and organising operations in South Africa, Australia and Canada to offer an integrated mine construction and development service to clients in the global mining industry.

We merged the South African operations of Cementation with Murray & Roberts RUC to form Murray & Roberts Cementation, focused on the African mining market. Cementation Canada has been integrated within Murray & Roberts International, together with RUC in Australia.

South African empowerment investment company AKA Capital acquired a 26% equity stake in Murray & Roberts Cementation from 1 January 2005.

Performance

Murray & Roberts Cementation recorded revenues of R1,85 billion (2004: R400 million for RUC only) and an operating profit of R69 million (2004: R4 million for RUC only) at a margin of 3,7%. These results include rationalisation costs incurred during the year.

Revenues from mining contracting in Canada and Australia are R655 million with operating profits of R42 million at a margin of 6,4%. Cementation Canada performed well in an active market, exceeding its targets, while the completion of a successful contract bolstered performance in Australia.

Market

South Africa remains our primary mining contracting market. We experienced increased activity in the platinum and diamond mining sectors but SA Rand strength continued to limit investment decisions in the gold sector. We are pursuing opportunities in the revived copper industry in Zambia, the gold and nickel industries in Tanzania and the gold mines of Ghana.

Mine development contributes 45% of revenues in South Africa, with activities in various platinum projects in the Rustenburg area, including Impala No 20 shaft, Karee 4 twin shafts and the Turffontein subvertical decline shaft. Although gold projects are limited, we secured the Tautona decline shaft project. In the diamond sector, we are working on De Beers Finsch mine in the Northern Cape and the Cullinan mine near Pretoria.

We are exploring two large design-build opportunities, one at the De Beers Finsch mine and the other at the Konkola Copper Mine in Zambia.

Contract mining contributes 40% of revenues in South Africa and offers good future growth prospects, particularly in the platinum sector. Our work at the Kroondal platinum mine is proceeding well and the mine is currently the lowest cost producer in the industry. The Dwarsrivier chrome contract mining project in the Steelpoort area is also exceeding performance targets.

The remainder of the business in South Africa is focused on small specialised projects, which includes exploration drilling, raise drilling and cementation work.

Cementation Canada is constructing the world's deepest mine shaft outside South Africa at the Nickel Rim South project. This project recently came on line with the vent shaft delivered and the main shaft due for sinking during the year. Underpinning the global nature of this business, the Lupin contract mining project within the Arctic Circle met its performance objectives in difficult mining conditions and with an excellent safety record.

Another major project at Red Lake improved throughout the year after a difficult period in the first half of the year. Securing the Diavik project maintains Cementation Canada's presence in the Arctic where the company has partnered an indigenous community through its company, Kitikmeot.

The Australian underground mining market continued to benefit from strong demand for metals and minerals during the year. RUC Mining Contractors is currently the premier raise drilling company in Western Australia with 75% of its projects in gold and base metal mines. The company's joint venture contract for the construction of a 1 140 metre deep, seven metre diameter hoisting shaft at Telfer mine in Western Australia was completed in June 2005.

Leadership

Henry Laas, who previously led the Murray & Roberts RUC team, was appointed managing director of Murray & Roberts Cementation from 1 January 2005. Other key appointments are David van der Merwe as financial director, George Parker as commercial director, Tim Wakefield as technical director and more recently Alan Whidlake as business development director. Reuel Khoza, who is chairman of AKA Capital and former chairman of Eskom, was appointed chairman and Sam Nematswerani, who is chief executive of AKA Capital, was appointed a non-executive director. Sean Flanagan represents the Group on the Board following his appointment as group executive director responsible for domestic and regional mining and construction activities.

Roy Slack is president of Cementation Canada and Lawrence Newnham leads our operations management in Australia, supported by George Parker from South Africa.

Financial and project management systems are being upgraded in this sector as part of the group ERP system rollout. Further operational improvement is already evident due to greater focus by management on key performance areas, including project review, performance reporting and risk management.

Murray & Roberts Cementation achieved a lost time injury frequency rate (LTIFR) for the year of 5,43, compared with the

Ontario benchmark of 5,0. Unfortunately, we suffered three fatal incidents during the year. Significant leadership effort is being applied to improving safety performance. Cementation Canada implemented a number of important safety initiatives, including extensive supervisory training and common core certification for miners. The positive attitude safety programme was implemented at Diavik. There were no lost time injuries recorded in Australia during the year.

Prospects

Murray & Roberts Cementation started the new financial year with a strong order book of R2,6 billion from which 85% of the new year's revenue has been secured.

There are numerous new mining opportunities in our targeted African markets. The market for brownfield extension projects remains strong in South Africa and new growth is expected from various design-build and contract mining opportunities. AKA Capital plays an important role positioning the Group in Africa and with new entrants to the South African mining sector.

Cementation Canada is developing a large diameter raise boring presence in North America based on our global resource and aims to have equipment and contracts in place by early 2006.

We have a full order book for the new financial year in Australia and we have engaged discussions to strengthen our capacity in the region by acquisition and organically through new shaft sinking and decline shaft development opportunities.

The Australian underground mining market is forecast to grow at more than 6% per annum over the next three years, driven by ongoing demand for metals and minerals, commodity price increases and a structural shift towards underground production. The global underground mining contracting market is forecast to grow above 10% per annum through to the end of 2006. This offers attractive opportunities in the smaller specialised market sectors such as raise drilling and shaft sinking.

Engineering contracting & services

We have repositioned our overall engineering contracting & services capability during the year to offer better access to major new market opportunities arising from increased global demand for natural resources, industrial products and new sources of power and energy.

In anticipation of greater cooperation with Clough in the oil & gas sector, we have established our mechanical electrical and instrumentation (MEI) and marine engineering & construction as independent business units under new executive management.

It has been a challenging year for Murray & Roberts Engineering Solutions with only limited industrial and mining work available due mainly to a slowdown in new capacity investment. However, the company has been busy on a number of front-end engineering assignments and project feasibility studies. Although these indicate the potential for future investment, they do not adequately recover the overhead cost of the company.

Performance

Revenues in this difficult year reflect the low order book and an overhead under-recovery, and are down 8% to R603 million. Combined operating profits are down to R26 million compared to R81 million for 2004 at an operating margin of 4,3% (2004: 12,4%)

Market

Overall, the market for mining and industrial projects has been impacted by the strength of the SA Rand and a high level of investment uncertainty. We have started to experience an investment upturn which offers more promise for the year ahead.

New investment in gold and platinum mining has improved with a moderate weakening in the SA Rand exchange rate. Global demand for iron ore and steel has driven new investment capacity, with Murray & Roberts in joint venture selected as EPCM contractor for Kumba's R2,5 billion iron ore expansion contract at Sishen. Murray & Roberts and partners have also been awarded the contract to replace two Hot Blast Stoves for Mittal Steel at their Vanderbijlpark works.

The marine infrastructure market in Southeast Asia remains buoyant with our project on the Tanjung Bin power project in Malaysia largely completed in the year.

Feasibility studies include a mineral sands project in Mozambique, a major diamond mine and processing facility in South Africa, a copper/cobalt tailings processing plant in the Democratic Republic of Congo and two significant coal mining projects.

We have also commenced the feasibility study for Sappi's proposed R2 billion expansion of its Saiccor facility in KwaZulu-

Natal. During the year we successfully completed Mondi's RB720 brownfields expansion project in Richards Bay and won the contract to install a new paper machine for Mondi in Durban.

We have maintained a successful relationship with South African Breweries (SAB) over a long period of time and are participating in its R5 billion capacity expansion project in South Africa. During the year, we successfully relocated the old Vivo brewery from Centurion to Lubango in Angola for SAB.

Power offers significant new potential for growth in the Southern African region. The challenge is not only to meet demand but also to diversify away from coal-based technologies and fully explore the potential for nuclear, gas and hydro power plants. Power is one sector where we can truly leverage our integrated strengths and we are positioned for a leading role in feasibility studies, EPCM, EPC and IPP delivery models.

Leadership

With effect from 1 July 2005 Edwin Hewitt has been charged with responsibility to establish renewed capacity and integrity in our engineering construction capability. He has supported managing director Simon Mordecai-Jones to rebuild the leadership capacity of our MEI business and we have appointed Ian Dryden as managing director of our marine contracting operation.

Since the appointment of Malose Chaba as managing director of Murray & Roberts Engineering Solutions in May 2004, we have invested significant resource into strengthening our engineering and project management capacity and seeking greater leverage from our Group's inherent collective strength. As we gear up for major new market opportunities, we recognise that human resource and systems capacity pose a significant challenge.

The Group has strengthened its focus on employment equity and empowerment during the year and is recruiting in the international market to complement areas of limited skill in South Africa and SADC. Performance and systems continue to be benchmarked against global best practice to ensure that the business remains competitive.

Prospects

Growth prospects in our targeted market sectors are promising and Murray & Roberts is well positioned for new major project opportunities in the power, minerals, food & beverage and paper & pulp sectors.

The building and maintenance of strong relationships with major clients in these and other sectors continues to reap benefits.

Operational review

CONSTRUCTION MATERIALS & SERVICES



Jerome Arendse



Louis Geldenhuys



Phillip Hechter



Rob Noonan



Gordon Taylor

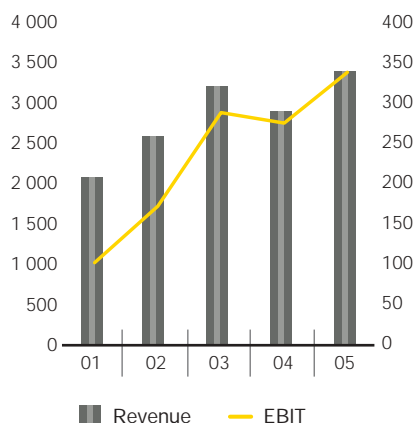


Gerald Topfer

R millions	Revenue		EBIT	
	2005	2004	2005	2004
CONSTRUCTION MATERIALS & SERVICES	3 432	3 011	340	274
Steel	2 268	1 956	156	113
Infrastructure	833	737	144	134
Services	331	318	40	27

Construction materials & services

Ongoing operations
(R millions)



The general level of construction investment has remained buoyant in Southern Africa and Middle East, offering stable market conditions for the supply of construction materials and services. These conditions have presented the opportunity to comprehensively restructure the Group's business operations in the construction materials & services sector. In so doing we have established a globally benchmarked and market leading group of business enterprises focused around three primary materials – concrete, steel and asphalt.

We created a separate steel fabrication focus with Genrec and Hall Longmore during the year and from 1 July 2005 we included UCW to form a significant business cluster. In addition, we have established Harvey Roofing Products as a self-standing business in preparation for the formation of a building materials sector serving the housing market.

Performance

Our steel products & services operations increased revenues to R1,64 billion at an operating profit of R95 million, up from R84 million in the previous year. The performance of our steel fabrication & manufacturing operations is more dependent on major project activity and recorded a revenue increase to R626 million from R428 million in 2004 at an operating profit of R61 million, up from R29 million.

Our infrastructure materials & services businesses continue to underpin this sector, with revenues of R833 million and operating profits of R144 million. This compares with R737 million and R134 million for the previous year.

Steel products

We invested R100 million in a new ladle furnace at the Cisco steel mill. Unfortunately, production was impacted for two months when a burn-through of molten steel damaged new control panels. Repair work has been completed and the mill is operating at full capacity once again. Performance targets aligned to best practice benchmarks will be achieved in the new financial year.

Murray & Roberts Steel delivered approximately 200 000 tons of value-added product to the SADC market and exported 150 000 tons of billet and other reinforcing steel products to the Far East, West Africa and Indian Ocean Islands during the year. This represented real growth in supply and helped to maintain higher-than-normal levels of capacity at most production facilities.

In the reinforcing steel products market, we supply 60% of requirements to smaller participants in the general construction market. In the past, the bulk of supply was through tendered work. This market shift has contributed to an improvement in performance during the year and has enabled the business to maintain market presence with potential further upside from major project awards.

We distribute reinforcing steel products to the domestic market through a combination of wholly owned branches, regional joint ventures and franchised partnerships. Many of the latter are empowered and operate successfully in various niche markets.

Steel fabrication & manufacturing

Having delivered a loss in the previous year, a new leadership team in Genrec has initiated a turnaround in operational efficiency and a return to profitability in spite of limited activity and poor pricing discipline in large structural steel projects in the domestic market.

The single largest project secured during the year for Sasol Polypropylene has grown in scope and appears to be on track for successful completion. A moderate weakening of the SA Rand has revived some mining projects in the platinum sector. Although conditions in the domestic structural steel market will remain difficult through the new financial year, preparations for the 2010 Soccer World Cup and other anticipated infrastructure projects are expected to support the market in the medium term.

Genrec will test the potential to participate in niche areas of the Middle East market and is also exploring other opportunities, including smaller structural steel projects, such as warehousing, in its domestic market.



Murray & Roberts invested R100 million in a new ladle furnace at the Cisco steel mill during the year

Demand for steel pipe in South Africa fell sharply from October 2004 as mining companies changed their spending patterns. These conditions stabilised by the end of the financial year but an upward trend in demand is not yet evident. Hall Longmore was able to offset the impact of this trend in its domestic market by exporting product to the USA and Nigeria. International sales accounted for 20% of revenue during the year and should show further growth in the year ahead, buoyed by ongoing strength in the international oil & gas market.

Hall Longmore successfully completed a contract to supply pipe to the Obajana Gas Pipeline in Nigeria during the year and is exploring other opportunities in West Africa. In South Africa, the business has tendered to supply pipe to the Vaal River Eastern Sub-system Augmentation Project (Vresap) as well as other water related pipeline projects.

Infrastructure materials & services

Much Asphalt performed well in a flat market, but maintained its strong position in a mature road construction and maintenance market.

Road rehabilitation projects undertaken during the year included the EB Cloete highway in Durban, which is again on schedule after the resolution of design and start-up problems. Ongoing work at Johannesburg International Airport, the Wilderness section of the N2 highway and the N1 in Cape Town ensured a solid baseline of activity. An upturn is expected

in line with rising public sector investment in infrastructure but the entry of smaller competitors into the domestic market is likely to place some pressure on margins.

Much also focused on technology improvements in all its plants during the year and is benchmarked against international best practice. Partnership opportunities in KwaZulu-Natal are being explored with empowerment company Lehumo Women's Investment Holdings.

Rocla maintained its trend of solid earnings growth in a mature concrete piping and culvert market for the fourth consecutive year. This is largely as a result of ongoing operational improvements. Sluggishness in the Gauteng and KwaZulu-Natal markets was offset largely by a buoyant Eastern Cape, where infrastructure development at Ncgura port was the main contributor. In the SADC region, Rocla's established operations in Botswana and Namibia performed well in strong markets.

Future prospects include ongoing work on a road project in Tanzania, phase two of a road project in southern Namibia and major sewer projects in the Western Cape and Transkei.

Toll Road Concessionaires (Tolcon) experienced another good year in its toll road operations off the back of strong economic growth. The new N1/N2 Winelands toll road and the R300 Penway toll roads in the Western Cape continue to be delayed.



Temane Gas Pipeline

Tolcon currently operates the entire N3 route and the N2 North Coast toll road and has a 33,3% shareholding in Pt Operational Services which operates the N1/N4 Bakwena Platinum highway. During the year, traffic volumes exceeded forecasts on the N2 and N3 contracts. Apart from the two toll roads in the Western Cape, future prospects include the renewal of the existing toll contracts on the N2 South Coast and the Tsitsikama toll road.

Empowerment company Lehumo Women's Investment Holdings has a 26% shareholding in subsidiary company Tolcon-Lehumo and is an active, value-adding partner in the business.

Tolcon is a fixed income business and profitability is determined largely by operational efficiency. During the year, Tolcon focused on optimisation of operational processes and benchmarked itself against international best practice.

Harvey Roofing Products suffered the impact of strong competition in the steel tile market during the year. Management changes and realignment stabilised the business, which has been separated from the steel grouping to partner Oconbrick Manufacturing in a new housing initiative.

Leadership

Keith Smith is the Murray & Roberts executive director responsible for construction materials & services. During the past two years, we appointed a number of new executives who

have brought significant leadership capability to the ongoing success of this area of our business. Gordon Taylor was appointed managing director of Genrec and Hall Longmore in April 2004 and assumed executive responsibility for UCW with effect from 1 July 2005. Palello Lebaka was appointed managing director of UCW with effect from 1 July 2005 following the retirement of Louis Taljaard. Louis Geldenhuys was appointed managing director of Rocla in July 2004 and Lee Cochrane was appointed general manager of Harvey Roofing at the helm of a substantially changed management team.

Prospects

Our construction materials & services operations are expected to benefit from the anticipated rise in infrastructure spending in South Africa, particularly in the transport infrastructure, road refurbishment and power sectors.

We achieved moderate success in the asphalt surfacing and pre-cast product manufacturing sectors in the SADC region during the year and will pursue further growth opportunities.

Plans to enter the affordable housing sector as a supplier of construction materials are well advanced and will be strengthened by the acquisition of Concor and Oconbrick and the repositioning of Harvey Roofing Products. Other opportunities in this sector are being reviewed.

INDUSTRIAL MANUFACTURE



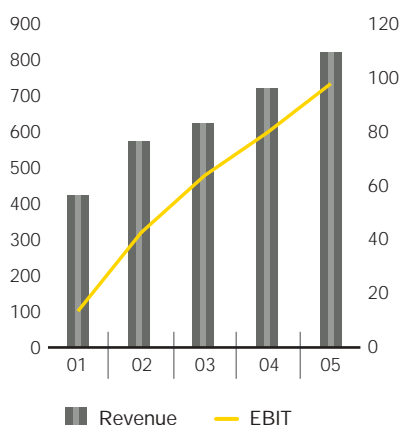
Edwin Hewitt



Palelo Lebaka

R millions	Revenue		EBIT	
	2005	2004	2005	2004
INDUSTRIAL MANUFACTURE	1 024	1 259	92	70
Manufacture	610	501	66	39
Fabrication	363	572	24	28
Services	51	186	2	3

Industrial manufacture Ongoing operations (R millions)



We have invested significant management and cash resources into our industrial manufacturing & services businesses in recent years. Although they represent an important anchor for us in the South African economy, it is appropriate that these businesses are not seen as core to Murray & Roberts in the long-term. However, we value their contribution to Rebuilding Murray & Roberts and will seek to resolve their future in our best interests, in partnership with the operating company in question.

We faced such a decision with Consani Engineering (Pty) Limited in January 2005 when its directors were required to place the company into liquidation following a decision by the Group to suspend further funding.

In line with the above we have sold equipment company Criterion to J&J Group with effect from 1 September 2005 in an empowerment transaction.

Performance

Murray & Roberts Foundries Group and our other industrial investments including Consani and UCW generated lower revenues of R1,02 billion in the year compared with R1,26 billion in the previous year. With Consani excluded, revenue remained constant in the period.

These companies generated operating profits of R92 million compared with R70 million for the previous year, at an improved operating margin of 9,0% and a return of 25% on capital employed, which is acceptable for non-core investments.

Market

Through our foundry operations we have become a leading supplier of sophisticated engine systems to the South African

automotive market. We have invested R300 million over four years in a capital investment programme that has upgraded our manufacturing facilities in Brits and Port Elizabeth to world class status. This has made it possible for us to play a key role in the two largest engine export programmes from South Africa.

Many of our new projects secured during the year are repeat orders from existing clients. Ford has commissioned us to conduct all tooling and manufacturing development for its 1,6 litre RoCam cylinder head and extended the RoCam engine programme with exports to South America. We have been awarded the LT3 project by Volkswagen, comprising engine blocks, cylinder heads and intake manifolds. Other projects include the supply of components for Toyota vehicles and exhaust components for Arvin Meritor.

We continue to develop value-added capabilities such as machining, tooling and component design. Our Foundries Engineering Centre has become a world class facility and develops in-house design and tooling development capabilities.

UCW met its financial targets in the year despite further delay in the allocation by the South African Rail Commuter Corporation (SARCC) of the 5M2A metro coach refurbishment project. An initial allocation of work was received in August 2004, whereafter the UCW Partnership was awarded an additional allocation of the same quantity in September 2004.

The Spoornet Main Line Locomotive Investment Programme, which had been anticipated during the year, did not materialise. The UCW Partnership, with Mitsui and Toshiba, is currently the preferred bidder for the R1 billion five year Coalink locomotive project which is a part of this programme. A decision by Transnet to proceed with the project is still awaited.

The UCW Partnership has submitted a tender for the Orex Line locomotive project, which is of similar magnitude to Coalink, and another project to build and lease diesel locomotives to Spoornet. The business has been approached by SNCC in the Democratic Republic of Congo to consider opportunities to refurbish old Spoornet passenger coaches and has also received an enquiry from Benin to build new locomotives and wagons.

Prospects

The liquidation of Consani has narrowed our investment profile in this sector. Our Foundries Group has a stable long-term order book which bodes well for the medium term, whereas UCW is forced to continue with the uncertainty of ongoing delays in the award of new capital expenditure projects in the Government's locomotive and rolling stock refurbishment programme.

Operational review

CORPORATE



Peter Adams



Millard Arnold



Brian Bruce



Sean Flanagan



Charles Henwood



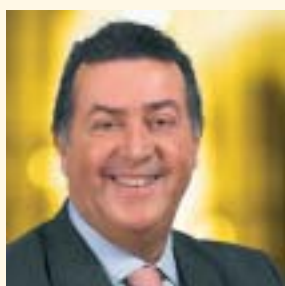
Norbert Jorek



Craig Lawrence



Sandi Linford



Roger Rees



Terry Rensen



Keith Smith

R millions	Revenue		EBIT	
	2005	2004	2005	2004
CORPORATE	1	1	(115)	(100)

Corporate activity has played a major role in the transformation of the Group over the past year, building on the work of Rebuilding Murray & Roberts. Our corporate office provides leadership, strategic direction, support and performance targeting to group companies based on our philosophy of high levels of connectivity and common purpose between all elements of the Group.

Corporate overheads for the year increased 15% to R115 million, due largely to major project development costs and enhanced executive leadership to ensure capacity for growth and risk management across our diverse domestic and international activities.

Leadership

The directors of Murray & Roberts Limited form the group executive committee which meets monthly and is responsible for reviewing the management and operations of the Group. The chief executive forum meets quarterly and brings together operational and corporate leadership to discuss matters of importance to the Group.

Our corporate leadership capacity was strengthened during the year with the appointment of Sean Flanagan as group executive director, domestic and regional construction and mining and Norbert Jorek as group executive director, business strategy. Craig Lawrence was appointed executive director, human capital and Terry Rensen executive director, corporate services, including risk management. Charles Henwood was appointed as group financial manager, Greg Ker-Fox as group risk manager and Sandi Linford as company secretary.

Our international corporate capability was enhanced with the appointment of Peter Adams as managing director Murray & Roberts United Kingdom and Richard Pope as finance director.

Commercial

We have established legal counsel in the office of the group chief executive responsible for administration and consistency of contracts and legal services to the executive leadership team. Executive director Millard Arnold also engages in legal due diligence and is involved in the management of reputational issues. A free flow of information concerning legal matters in the Group is maintained to ensure that we learn from the experiences of others.

Communication

We have committed ourselves to open and honest communication with all our stakeholders, including customers, employees, communities, business associates and society at large.

This annual report is our primary reporting document. It satisfies the Listings Requirements of the JSE and reports our progress in complying with the recommendations of the King Report on Corporate Governance for South Africa 2002.

We offer a range of other platforms for communication with our stakeholders, including:

- the Murray & Roberts web site www.murrob.com, which provides investors and other stakeholders with immediate and equal access to information about our Group
- the CE Forum on the web site, which encourages interactive engagement on all aspects of Murray & Roberts
- our client services centre, which offers a point of focus for communication with and information on the Group and will play an increasing role in internal communication
- financial results presentations and trading updates for investors
- a quarterly journal Robust, which provides news and analysis of developments in our Group
- the Murray & Roberts Interchange, which provides updated information for employees

Corporate social involvement

The Murray & Roberts corporate social involvement (CSI) programme is a demonstrable commitment to sustainable social development. We appreciate that our business activities have an impact on the communities in which we operate and we are committed to managing this impact responsibly.

The key focus areas of our CSI programme are mathematics, science and technology education, numerical education in early childhood development and environmental education.

Finance

We have a strong corporate finance team which ensures compliance and delivers taxation, treasury, reporting and technical accounting leadership to the Group. Charles Henwood was appointed group financial manager in August 2004. He was previously managing director of our concessions business.



Greg Ker-Fox



Frank Kruger



Bal Panicker



Peter Young

We initiated an International Financial Reporting Standards (IFRS) conversion project in January 2005. This process is on schedule to deliver the Group's first JSE compliant IFRS financial reporting for the interim period ending 31 December 2005.

Our treasury provides the Group with access to local and foreign funding markets. We implemented a new treasury software system during the year that operates within a framework of approved authority levels, products and counter parties.

We operate within a number of complex tax jurisdictions. Income tax, secondary tax on companies, capital gains tax and others are planned in the context of our growth profile. It is important that Murray & Roberts is treated fairly as a corporate citizen and conducts its business within the ambit of appropriate tax legislation.

Governance

Our corporate governance framework was established in 2003 and is constantly reviewed to ensure compliance with latest international and domestic practice.

We introduced a charter and code of conduct for the Board and directors in the year and undertook a further independent evaluation of the performance and effectiveness of the Board and directors.

We reviewed and enhanced our induction programme for directors during the year, which has effectively facilitated the introduction of new non-executive directors and will also be available to the boards of our business operations.

Sandi Linford was appointed company secretary in November 2004.

Health, safety & environment

We have established health, safety and environmental (HSE) management as an integral component of our leadership strategy. The primary role of our corporate HSE capacity is to oversee and lead the Group's commitment to sound health,

safety and environmental management throughout all aspects of its business activities.

We have established a set of HSE targets that are outlined in the HSE committee report.

Human capital development

As we gear up for Globalising Murray & Roberts, a key strategic imperative is to ensure that our human capital is a competitive advantage.

A human capital strategic framework defines global best practice and focuses on issues that have the greatest impact on the Group's ability to achieve its strategic objectives. These issues are diversity, capacity, performance, reward and risk & relations.

The diverse nature of our Group requires that individual business operations tailor their human capital plans to meet specific market and performance needs. In this context, a human capital forum meets regularly under leadership of Craig Lawrence, providing HR executives from across the Group with an opportunity to share information, develop as professionals and discuss HR issues.

Risk management

Group risk, under leadership of Terry Rensen supported by Greg Ker-Fox, is responsible for implementation and management of the group risk framework approved by the Board in February 2005. The framework is designed to manage rather than eliminate the risk inherent in our business activities.

The framework comprises an opportunity management system developed during the year to improve decision-making in the pursuit of project opportunities. An operational risk committee has been constituted to act as the custodian of the Group's risk appetite and will interrogate risks associated with key decisions.

Group risk also provides valuable leadership in acquisition due diligence reviews, major bid development, project audits and strategic and project risk assessments.