

Report of the directors

This report presented by the directors is a constituent document of the group financial statements at 30 June 2005.

GROUP FINANCIAL RESULTS

Group attributable earnings for the year ended 30 June 2005 was R448,1 million (2004: R477,0 million), representing diluted earnings per share of 139 cents (2004: 147 cents). Diluted headline earnings per share was 140 cents (2004: 155 cents).

Full details of the financial position and results of the Group are set out in these financial statements.

SHARE CAPITAL

Full details of the authorised and issued capital of the company at 30 June 2005 are contained in note 10 of the financial statements. There were no changes to the authorised and issued share capital during the year under review.

Share scheme

Particulars relating to The Murray & Roberts Trust (the Trust) are set out in note 10 of the financial statements. During the year, the Trust granted an aggregate total of 2 480 000 ordinary shares (2004: 1 790 000 ordinary shares) to senior executives, including executive directors.

At June 2005, the Trust held 13 924 893 ordinary shares (2004: 13 701 427 ordinary shares) against the commitment of 12 222 315 ordinary shares (2004: 12 690 480 ordinary shares).

The total number of ordinary shares that may be utilised for purposes of the share scheme is limited to 10% of the total issued share capital of the company from time to time, currently 33 189 262 ordinary shares (2004: 33 189 262 ordinary shares).

30 000 000 unissued ordinary shares are the subject of a general authority granted to directors, in terms of section 221 of the Companies Act, 1973, as amended, which authority remains valid until the next annual general meeting to be held on 26 October 2005. At that meeting, shareholders will be asked to place 30 000 000 unissued ordinary shares under the control of the directors.

Purchase of own shares

In terms of the general authority obtained at the last annual general meeting, the company or its subsidiaries may repurchase ordinary shares in the company to a maximum of 20% of the issued ordinary shares. No shares were repurchased during the year. Approval will be sought at the forthcoming annual general meeting on 26 October 2005 to renew this general authority.

DIVIDEND

The following dividends were declared in respect of the year ended 30 June 2005:

- Interim dividend number 106 of 15 cents per ordinary share (2003: 15 cents)
- Final dividend number 107 of 30 cents per ordinary share (2004: 30 cents)

SUBSIDIARIES AND ASSOCIATE COMPANIES

Particulars of the major operating subsidiaries and associate companies of the Group are given in Annexure 1 on page 116.

Acquisition of The Cementation Company (Africa) Limited (Cementation)

It was announced on 22 July 2004 that the Group had acquired Skanska Cementation International Holdings Limited's entire interest in Cementation's issued ordinary (79,13%) and preference share (57,44%) capital for a consideration of R114 million. In terms of the Securities Regulation Code on Takeovers and Mergers, a mandatory offer was extended to the minority shareholders of Cementation for a cash consideration of 865 cents per Cementation share. To date, a further 17,1% of the issued ordinary shares and a further 6,0% of the preference share capital of Cementation have been acquired.

Acquisition of a strategic interest in Clough Limited (Clough)

Shareholders were advised on 26 August 2004 that an agreement had been concluded with McRae Investments Pty Limited to increase the Group's interest in Clough from 4,9% to 29,28%. The value of this transaction was some R380 million and the regulatory conditions were fulfilled giving effect to this transaction from 1 November 2004. A further 0,9% was acquired in June 2005, taking the shareholding on 30 June 2005 to 30,19%.

Disposal of investment in Unitrans Limited (Unitrans)

Shareholders were advised on 6 September 2004 that the Group had accepted an offer from Steinhoff International Holdings Limited (Steinhoff) for its 45% holding in Unitrans. Approval from the Competition Tribunal was obtained in January 2005 and the total consideration received from Steinhoff was R935 million.

Special resolutions

Only special resolutions relating to name changes were passed by subsidiary companies during the year under review, to reflect "Murray & Roberts" as a prefix in the name of the subsidiary company concerned.

DIRECTORATE AND SECRETARY

During the period under review the following changes took place:

As reported in last year's annual report, AJ Morgan, an independent non-executive director, resigned on 26 July 2004 to avoid a conflict of interest. Dr NM Magau and JM McMahon were appointed as independent non-executive directors and N Jorek as an executive director on 8 September 2004. SJ Flanagan was appointed as an executive director on 1 November 2004 while IN Mkhize and RT Vice were appointed as independent non-executive directors on 1 January 2005. Prof WP Esterhuysen retired as an independent non-executive director on 28 February 2005.

SF Linford was appointed as company secretary with effect from 1 November 2004.

At the date of this report, the directors of the company were:

Independent non-executive

RC Andersen (chairman), SE Funde, SJ Macozoma, Dr NM Magau, JM McMahon, IN Mkhize, AA Routledge, MJ Shaw, JJM van Zyl and RT Vice.

Executive

BC Bruce (group chief executive), SJ Flanagan (group executive director), N Jorek (group executive director), RW Rees (group financial director) and KE Smith (group executive director).

The company secretary's business and postal addresses appear on page 128 of the annual report.

Interests of directors

At 30 June 2005, the present directors of the company held direct and indirect beneficial and non-beneficial interests in 1 235 787 of the company's issued ordinary shares (2004: 1 235 787 ordinary shares). Details of these ordinary shareholdings are listed below. A total of 6 621 000 share options are allocated to directors in terms of the company's share scheme. Further details are set out in note 33 on page 110.

	Beneficial	
	Direct	Indirect
BC Bruce	256 079	-
KE Smith	22 555	-
JJM van Zyl	-	763 928
	Non-beneficial	
	Direct	Indirect
RW Rees	-	193 225

ACCOUNTING POLICIES

The accounting policies of the Group as set out on pages 77 to 82 of this report comply with South African Statements of Generally Accepted Accounting Practice (SA GAAP).

These accounting policies are consistent with those of the prior year except for the change in the accounting treatment of business combinations, goodwill arising on acquisition, the recognition of operating lease costs and income with fixed escalations and depreciation on the capitalised headlease properties. These restatements have resulted in modifications to the financial statement presentation. Details of the restatements are set out in note 34 on page 111.

International Financial Reporting Standards (IFRS)

In terms of the revised JSE Listings Requirements, the Group is required to prepare its annual financial statements in accordance with IFRS from 1 July 2005. The adoption of IFRS will therefore be reflected in the consolidated financial statements for the six months to 31 December 2005 and the year ending 30 June 2006. SA GAAP differs in some areas from IFRS. The Group's IFRS transition date is 1 July 2004 with an adoption date of 1 July 2005.

Entities complying with IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to the IFRS transition date. Most adjustments required on transition to IFRS will be made, retrospectively, against opening accumulated profit as at 1 July 2004. In some cases choices of accounting policies are available, including elective exceptions under IFRS 1: *First-time Adoption of IFRS*. These choices have been analysed to determine the most appropriate accounting policy for the Group.

The Group is still in the process of quantifying all the impacts of the adoption of IFRS on the financial statements. This process is continuing and will be completed during the period ending 31 December 2005.

POST-BALANCE SHEET EVENTS

Details of post-balance sheet events are set out in note 36.