

Chairman statement



2006 has been a watershed year for Murray & Roberts, confirming with certainty that we have created a new performance platform for the company as we enter an era of growth up to and beyond 2010.

The financial results for the year to 30 June 2006 reflect increased activity in all of the markets we serve and offer an early indication of significant opportunities in the domestic market in the period leading up to the 2010 Soccer World Cup.

Operating profits, calculated in terms of International Financial Reporting Standards, grew by 47% to R800 million, in spite of difficulties in our domestic and regional construction business. A turnaround in the performance of our business in the Middle East and another strong performance by the construction materials & services businesses contributed significantly to the overall improvement in operating profits. Earnings from associates were adversely affected by the disposal of Unitrans in the previous year and losses from two projects undertaken by Clough in India. Diluted headline earnings per share, excluding the broad based black economic empowerment (BBBEE) transaction, grew by 26% to 184 cents per share.

These results exceeded our forecasts in the 2005 annual report and the 2006 interim report to shareholders and are consistent with the advice offered to the market prior to the release of the preliminary results. I am pleased to report that the Board has declared a dividend of 60 cents for the full year, an increase of 33% over the 2005 dividend.

On 30 March 2006, the Bahrain dhow tragedy claimed the lives of 58 people (10 from Murray & Roberts) associated with our joint venture City Gardens project. We express our condolences to the families and colleagues of the people lost in this most unfortunate incident.

Business environment

The global economy remained strong during the year, recording growth of 5%, and our mining and minerals markets in Canada and Australia benefited as unabated demand for natural resources exceeded installed delivery capacity. High oil prices continued to drive growth in the Middle East, as growing fiscal surpluses created increased capacity for government spending. Plans to limit the reliance on oil by diversifying economic activity in the region, contributed to growth in commercial and infrastructure projects.

The domestic economy remained robust, recording GDP growth of 4.3%. The construction and materials markets

contributed significantly to this growth, while a moderate weakening of the SA Rand in the second half of the year prompted new investment in the mining and industrial markets.

Although many economists forecast a moderate downturn in the global and domestic economies during the year ahead, we anticipate further increases in investment in infrastructure projects as major capacity expansion programmes commence in the power, water and transportation sectors. In this regard, I am pleased to confirm that Murray & Roberts has secured a leading role in the implementation of major programmes such as Gautrain, Eskom's capacity expansion, the Pebble Bed Modular Reactor, the VRESAP emergency water transfer scheme and the CoalLink locomotives. These projects alone represent R100 billion of gross fixed capital formation over the years ahead and will contribute to the maintenance of a satisfactory order book.

Strategic positioning

The Group has achieved significant progress in the implementation of new strategies to focus on selected market segments and efficiently deploy capital and cash resources realised by the disposals of its interest in Unitrans in 2004 and other businesses.

We have identified our key future growth markets as the construction economies of Southern Africa, the Middle East and Southeast Asia and the specialist mining and energy natural resource markets of South Africa, Australia and Canada. While Globalising Murray & Roberts continues to benchmark our performance against best-in-class global engineering and construction companies, Murray & Roberts 2010 focuses on the delivery of sustainable value from increased opportunity in our targeted markets, and particularly in South Africa as our country prepares for the 2010 Soccer World Cup.

During the past two years, we have acquired significant capacity to position the Group for these opportunities. The acquisitions of Concor with effect from 14 June 2006 and 80% of Oconbrick with effect from 1 September 2005, have expanded our capacity in the domestic construction sector, while the earlier acquisition of Cementation and a strategic shareholding in Clough strengthened our position in the global mining and oil and gas markets. We increased our shareholding

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in Clough during the year in order to reinforce our original investment and we will participate in a further recapitalisation of the company to bring our shareholding close to 50%. Management is focusing on assisting Clough with its challenge to return to appropriate levels of profitability.

We have strengthened our operational leadership capacity considerably during the year and implemented measures to ensure that our human capital, operating and risk management systems are benchmarked against global best practice and capable of achieving our strategic objectives.

Black economic empowerment

Broad based empowerment is essential for the long term economic and social stability of South Africa as well as for the development of the construction, mining and engineering sectors.

Murray & Roberts has made important progress in the implementation of a comprehensive strategy to address the full range of empowerment requirements across its diverse operations serving the domestic construction economy. We have contributed to the development of the Construction Charter, which has now been adopted by industry role players, and engaged in many initiatives to meet the requirements of the Mining Charter.

The Murray & Roberts Letsema BBBEE initiative represents one of the most important ownership changes in the history of our Group and contributes substantially to the strategic target of empowerment compliance over the years ahead.

An external review conducted during the year shows that Murray & Roberts meets current criteria for the procurement of goods and services in South Africa, and sets an agenda for BEE development in the future.

Sustainability

Murray & Roberts is committed to enhancing the growth of its business and adding value in a responsible and sustainable manner. We recognise that we have a duty to create value for our current stakeholders and future generations.

Murray & Roberts has adopted the Global Reporting Initiative (GRI) guidelines to measure and report performance against economic, environmental and social parameters.

The Board has noted with regret and concern the fatalities of 10 employees and subcontractors on Murray & Roberts work sites in South Africa during the year and we express our condolences to their families.

With the guidance of the health, safety & environment committee and management, the Board is committing additional resources to ensure that our operations are safe and, to the fullest extent possible, injury-free. A key initiative in this regard is the Stop.Think campaign which is being implemented in all South African operations to improve safety awareness and strive for zero harm.

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

More than 90% of our employees reside in the SADC region and are impacted in various ways by HIV/Aids. Our fixed location manufacturing operations have introduced a high level of awareness training and a variety of treatment programmes. We work with our clients on project operations to create greater health and safety awareness through training and development initiatives.

Corporate governance

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

An internal review of the effectiveness of the Board, the directors and the chairman was completed in November 2005. The review, which was benchmarked against the strategic requirements of our business, addressed issues raised in the independent review completed in 2004. The outcome of the internal review was favourable.

Risk management oversight has become an important priority for the Board. During the year, the Board oversight of audit and risk was separated and a risk committee was established in February 2006 to strengthen the focus on risk.

At the annual general meeting on 26 October 2005, shareholders approved amendments to the company's articles of association which were updated to take into account changes to the Companies Act, the JSE Listings Requirements and the requirements of King II, as well as the Electronic Communications Act.

Board of directors

Saki Macozoma has informed the Board that he will not be available for re-election at the annual general meeting on 25 October 2006. Saki was appointed to the Board in 2001 and has served as a member of the remuneration & human resources committee and a trustee of The Murray & Roberts Trust. I wish to thank Saki for the valuable experience and insight he has brought to the Board, particularly with regard to South Africa's social, economic and political development.

International advisory board

The international advisory board (IAB) was established in 2005 to advise the Board on its oversight responsibilities for the development of the Group's international activities. The IAB's mandate is to advise the Board on:

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

The IAB met twice during the year to comment on and contribute to the international strategies approved by the Board.

Appreciation

I wish to thank my colleagues on the Board for their dedication and support during a challenging year in which we formally convened five meetings. I would also like to thank the boards of the subsidiary and associate companies for their untiring efforts.

I record my appreciation for the performance achieved by Brian Bruce, his executives and staff. Their commitment to the ongoing development of our Group remains exemplary and I am confident that we have the strength and depth of leadership required for the significant opportunities that lie ahead.

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

Annual general meeting

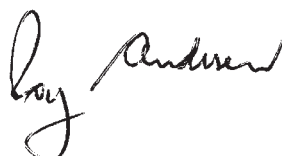
Shareholders are reminded that the annual general meeting of the company will be held on 25 October 2006. The order of business is set out on pages 172 to 173 of this report.

Prospects

Conditions in our key regional and sectoral markets in Southern Africa, Middle East, Canada and Australia show signs of ongoing growth, with significant increases in infrastructure investment in South Africa forecast for the period leading up to 2010. Acceptable levels of performance from our SADC construction activities and Clough will contribute significantly to an improvement in financial results.

The directors remain of the view that the next few years will be positive for the Group and that including the consolidation of its acquisitions, revenues could be at substantially higher levels by 2010 at the target operating margin of between 5,0% and 7,5%.

The overall positive performance of Murray & Roberts is expected to continue in the year ahead.



Roy Andersen

Chairman