

Operational review

Construction & engineering



Sean Flanagan, Peter Adams, Keith Smith, Edwin Hewitt, Malose Chaba

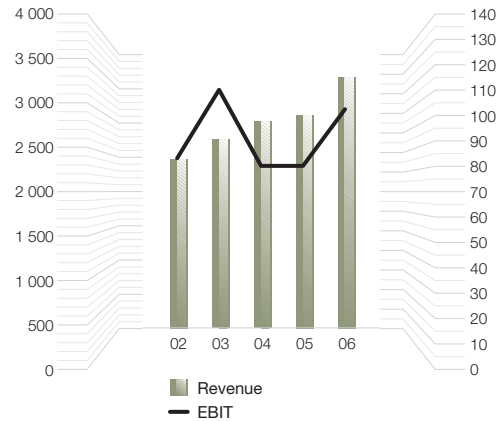
The anticipated upswing in infrastructure investment gained momentum during the year and Murray & Roberts has secured a leading implementation role in a number of major projects.

(R millions)	Revenue		EBIT before exceptional items	
	2006	2005	2006	2005
CONSTRUCTION & ENGINEERING	6 966	6 230	324	239
Construction	3 674	3 121	112	83
Mining	2 681	2 506	164	130
Engineering	611	603	48	26



Cobus Bester, Gordon Taylor, Jerome Govender

(R millions)



Target margin: 5,0%

Building & construction

In a year in which the Group has performed ahead of expectation, the SADC construction business has been a disappointment. This is the result of a combination of factors. There has been a delay in the market for major industrial projects; we have continued our involvement in low value residential building; there has been a delay in the implementation of Gautrain for which we allocated substantial resources during the year; and there are the problems encountered on some projects in the region.

These latter issues have been addressed during the second half year and where possible, recoveries have occurred. Further recoveries will be secured in the year ahead.

We have introduced a number of critical measures to ensure the capacity to deliver major new projects awarded in recent months and to develop the business into a sustainable leader in the engineering and construction sector.

Our construction activities in the Middle East achieved a substantial turnaround as a strengthened management team delivered a solid performance in a complex major projects environment.

We acquired Concor with effect from 14 June 2006 and have embarked on a strategy to position the business as a major player in the South African infrastructure sector. Concor will be managed as an independent business and will retain its own identity as the market segment it serves is different from that of

Murray & Roberts Construction. A number of specific plans have already been implemented. These include:

- relocation of the roads and earthworks business from Murray & Roberts Construction to Concor which has a reputable roads management team
- closure of Concor's marginal underground mining business and the relocation of its resource base to Murray & Roberts Cementation
- relocation of Toll Road Concessionaires (Tolcon) to Concor
- relocation of concession investments held by Concor to the Murray & Roberts concession investment portfolio

With its primary focus on public sector infrastructure, Concor complements the existing business of Murray & Roberts and offers considerable new capacity at a time of significant growth potential in infrastructure investment.

Performance

Construction and related operations in South Africa and SADC reported a decline in revenue to R2,1 billion (2005: R2,2 billion) and in operating profit to R35 million (2005: R124 million). This result includes a positive R68 million contribution arising from a fair value adjustment on concession investments (2005: R46 million) and a loss of approximately R100 million from problems experienced on the Sasakwa game lodge project in Tanzania, the Serowe hospital in Botswana, the Isibonelo bunker for Anglo Coal in Mpumalanga and the Soho-on-Strand inner city development project in Cape Town. The primary causes of these problems are poor contracting



Nigel Harvey, Piet Martins

terms; inadequate management attention; inadequate and changing construction details, quantities and variations; an inability to manage the complexity of changes; and client intransigence. We have mobilised a team to resolve these problems and we believe that much of the loss incurred is recoverable by our contractual arrangements and liability insurance.

Construction activities in the Middle East delivered a turnaround from an operating loss of R39 million in 2005 to an operating profit of R87 million on revenues of R1,6 billion (2005: R852 million), reflecting budgeted performances on projects and an improved final account on the Khalifa Stadium, which was settled during the year. The San Stefano project in Egypt is approaching completion, although we expect some challenge in reaching agreement on our final account.

Market

The anticipated upswing in infrastructure investment gained momentum during the year and Murray & Roberts has secured a leading implementation role in a number of major infrastructure projects. In partnership with Bouygues and SPG (representing a consortium of black empowerment enterprises), Murray & Roberts will design and build project infrastructure for the Gautrain Rapid Rail Link. We expect to achieve financial close this year and in the meantime have commenced implementation of various enabling works contracts.

A consortium with Murray & Roberts as lead partner, was awarded the R1,5 billion Vaal River Eastern Sub System Augmentation Project (VRESAP), an emergency water transfer

scheme from the Vaal Dam to Eskom and Sasol operations near Secunda.

The commercial and retail building market has been buoyant during the year and this trend is expected to continue into the new financial year. Our buildings operation based in Gauteng completed the R220 million Vaal Mall shopping centre and construction is underway on the R700 million Bedford Square project in Bedfordview, the R350 million Loch Logan resort in Bloemfontein and the R150 million Hillcrest shopping centre.

A new management team in the Western Cape stabilised our operations there, but the hangover of historic residential projects continued to limit our performance. During the year, we completed the R175 million Mountain Mill shopping centre and the R94 million ACSA multi-storey Parkade at Cape Town International Airport. Construction is underway on the R175 million Mandela Rhodes Place inner city residential, retail and commercial development, a R110 million parkade at the V&A Waterfront and three projects valued at R200 million for the Oasis residential and healthcare development.

Civil engineering operations suffered reversals at the Isibonelo contract and the Bospoort Water Treatment plant. Work on the Kumba Resources R3,6 billion expansion project is progressing and a letter of intent has been received from Assmang for work valued at R300 million.

Murray & Roberts Namibia produced a solid performance during the year and all indications are that this trend will continue. For Murray & Roberts Botswana, problems encountered on the Serowe Hospital project were a setback but we expect a positive outcome on this project.

We are well positioned in a buoyant Middle East construction market where major clients are struggling to secure adequate project delivery capacity. This trend is facilitating a negotiated partnership with our clients, enabling us to become involved earlier in the project planning stage. The Dubai International Airport Concourse 3, Terminal 2 and Car Park project is progressing to plan and an extension to the contract has been secured. Murray & Roberts is project leader with a 40% share in a joint venture with local partner Habtoor Engineering and Takenaka of Japan. During the year, we completed the R1,4 billion Bur Jurman mixed use complex in Dubai and the R800 million Abu Dhabi National Oil Company Head Office, while construction is underway on the R500 million Goldcrest Views apartment block in Dubai. In Bahrain, we are involved in the construction of the R1,0 billion Bahrain World Trade Centre

and the R500 million Durrat al Bahrain bridges, both in partnership with local partner Nass.

Our concession investments performed well in the year. These include N3 Toll Road Concessionaires, owner and operator of the N3 between Heidelberg and Cedara, and Bakwena Platinum Concession Company, operator of the N4 Platinum highway. Traffic flows on the new N4 stabilised during the year. We also hold an investment in a maintenance contract for the Northern Toll Road Joint Venture. Murray & Roberts and Concor were separately shortlisted for the multi-purpose head office complex for the Department of Foreign Affairs which will be let under a PPP concession contract. Concor has subsequently been appointed preferred bidder.

Leadership

We strengthened our contracting leadership capacity considerably during the year. Keith Smith was appointed executive chairman of both Murray & Roberts Construction and Concor with effect from 1 July 2006 to ensure future value in this sector and that each business remains focused on its target markets with an integration of resources where necessary. Keith also has executive responsibility for our Namibia and Botswana businesses and is a director of Murray & Roberts Zimbabwe.

We have placed a special focus on the major projects associated with the 2010 Soccer World Cup with Sean Flanagan allocated executive responsibility for their implementation. This includes the Gautrain Rapid Rail Link project.

We appointed a new management team to lead Murray & Roberts Construction with effect from 1 April 2006. Gordon Taylor is managing director supported by Charles Henwood (financial director), David Monro (operations director, Civils), Dave Ashkar (operations director, Building North) and Andrew Fanton (operations director, Western Cape).

During the year, Piet Martins was appointed to lead our SADC operations. Cobus Bester entered the Group as managing director of Concor.

These changes have been informed to a large extent by the success of our arrangement in the Middle East and Canada, where Peter Adams, managing director of Murray & Roberts United Kingdom based at our international coordinating office in London, partners with Nigel Harvey in Dubai and Roy Slack in Canada, sharing responsibility for operational performance. During the year, we strengthened our financial, commercial and major project capacity in the Middle East.

Murray & Roberts Construction achieved a 31% improvement in its rolling 12 month lost time injury frequency rate (LTIFR) from 5,75 in 2005 to 3,94. The Stop.Think campaign to improve safety awareness and our striving for zero harm in the work place was launched in all South African operations. The business conducted two external certification audits and retained its ISO9001/14001 and OHSAS18001 certification.

In Middle East, the Bahrain ferry tragedy in March claimed the lives of ten members of our joint venture City Gardens project management team. We experienced no fatalities on site in the region and the LTIFR was reduced from 1,8 early in 2005 to 0,74 in June 2006. By year end, the Dubai International Airport project had achieved 12 million man-hours without a lost time injury (15 million through to September) – a record for contractors working on the airport expansion project.

Prospects

Murray & Roberts Construction started the new financial year with an order book of R1,6 billion (2005: R1,15 billion), from which 84% of the new year's planned revenue is secured. The improved size and quality of the order book reflects the growth trend in the domestic building and civil markets. Our new management team has implemented a strategy to ensure the delivery of tendered margins throughout the year.

Concor started the new financial year with an order book of R1,5 billion (2005: R1,04 billion), from which 85% of the new year's planned revenue is secured. The business offers good prospects in its building, civil engineering, opencast mining and roads markets with high quality margin contracts.

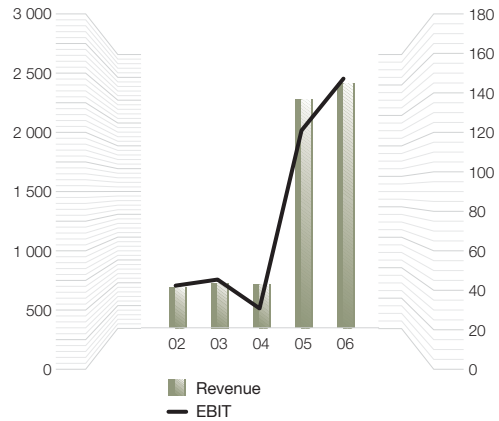
The National Treasury's Private Public Partnership (PPP) unit has approximately 17 construction related projects in the feasibility stage of its procurement cycle. This, together with the anticipated growth in infrastructure spending, will create significant future opportunities.

The Middle East started the new financial year with an order book of R2,3 billion, from which 80% of the new year's planned revenue is secured. The new environment of negotiated partnership with major clients bodes well for the future and negotiations and tenders are currently underway for a number of major opportunities, including two projects in Bahrain and Canal Point, a mixed use development in Dubai. A new partnership to create a joint construction company with a major local developer is well advanced. This will considerably increase our market share in the region.



Roy Slack, Barry Upton, Henry Laas

(R millions)



Target margin: 7,5%

Mining construction

Integration of the South African and Canadian activities of Cementation into our operations portfolio was finalised during the year and our mine construction and development operations in SADC, Canada and Australia are well positioned to benefit from growth opportunities in domestic and global mining markets. The demand for metals and minerals continued to exceed installed delivery capacity and resource prices have risen to record highs.

Performance

Reporting for its first full year as a single entity, South African based Murray & Roberts Cementation reported revenues of R1,88 billion (2005: R1,84 billion) and an operating profit of R100,3 million (2005: R92,6 million), at a margin of 5,3% (2005: 5,0%). These results reflect the efforts of an integrated management team to generate more value from projects and a reduction in the number of marginal projects, compared with the previous year. Problems encountered on the Lonmin Roland and Karee 3 decline projects will be settled by end September and end October respectively, and are fully provided.

Cementation Canada exceeded key financial targets in an active market, delivering revenues of R657,3 million (2005: R547,1 million) and an operating profit of R43,9 million (2005: R24,7 million), at an operating profit margin of 6,7%.

RUC Mining Contractors in Australia reaped the benefits of ongoing buoyancy in the highly mechanised Australian underground mining market, reporting revenues of R146,5 million (2005: R115,2 million) and operating profits of R20,1 million (2005: R11,7 million).

Market

South Africa remains our primary mining contracting market. We experienced increased activity in the base metals, precious metals and minerals markets. Platinum continued to offer most opportunity during the year as the world's two largest South African-based producers invested in expansion and replacement projects to meet global demand. Gold mining opportunities also started to come on stream, largely as a result of the stronger gold price and an element of acclimatisation to a stronger SA Rand environment. In Africa, Murray & Roberts Cementation targets established mining markets with multiple project opportunities, including Ghana, Tanzania, Zambia and Botswana, where demand for diamonds is generating renewed activity.

Mine development, which contributes 45% of revenues in South Africa, continued on the Impala Platinum No 20 shaft, Lonmin's Karee 4 twin shafts and the Anglo Platinum Turfontein decline shaft project in the Rustenburg area. A new R600 million contract was secured on the Paardekraal double shaft project for Anglo Platinum and a development contract was secured for the Barplats platinum mine near Brits.

The Kroondal platinum mine continues to be the mainstay of activity in contract mining, accounting for almost 40% of South African revenues. The development of a fourth shaft at Kroondal is currently under adjudication. Murray & Roberts Cementation is the preferred contractor to build and contract for the new Bluebridge platinum mine near Groblersdal.

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

The North American market was active with a steady flow of work from existing clients and projects. Cementation Canada maintained its position as the leading shaft sinking contractor and established itself as the market leader in large diameter raise boring during the year. The company operated the two largest raise bore machines in Canada and was responsible for the largest diameter raise borehole ever excavated in hard rock, at the Red Lake Mine. In a significant development, INCO selected Cementation as contractor of choice for its Sudbury based shaft sinking which could involve five major shaft sinking projects over the next five years. Cementation also established its position in the USA market with the award of the substantial Resolution shaft sinking project in Arizona.

Good safety records and high levels of productivity were maintained on the Nickel Rim South project, the Red Lake shaft and the Diavik diamond mine in the Arctic, while the Kidd project completed the No 4 shaft to a final depth of 3 013 metres below surface, making it the deepest underground excavation outside South Africa. Raise boring operations initiated during the year included joint venture work at the Ekati diamond mine.

Cementation Canada continues to build a strong engineering design group which provides services from feasibility stage through to detailed design and construction on major projects.

The Australian underground market benefited from strong global demand for metals and minerals during the year. RUC Mining Contractors is the premier raise drilling company in Western Australia, accounting for approximately 35% of the current niche A\$100 million market. The operation currently has 10 raise boring rigs operating in Australia and is involved in major deep hole, large diameter raise boring projects on the Telfer mine in Western Australia and Eloise mine in Queensland. A project for Ridgeway mine in New South Wales, the deepest large diameter raise bored shaft in the country, was completed during the year.

Leadership

On 1 August 2006, Barry Upton was appointed managing director of RUC Mining Contractors. An Australian with a strong track record in underground mining, Barry will lead plans to expand our underground mining operations in Australia and Southeast Asia. John Cooper, newly appointed Murray & Roberts CE in Australia will soon become involved in the business.

Sean Flanagan holds group responsibility for domestic and regional mining with Henry Laas as managing director of Murray & Roberts Cementation. This company strengthened its leadership capacity in business and human capital development and became the first mining contractor to conclude an industry recognition agreement during the year.

Murray & Roberts Cementation reported a LTIFR of 7,52 compared to 5,16 in 2005. Unfortunately, the business suffered three fatalities during the year but recorded a significant decline in the total number of accidents during the second half of the year. On 12 August 2006, the company achieved two million fatality-free shifts – a record in South African mining contracting. The business is targeting a LTIFR of 2,5 this year and is developing a safety culture based on policies, procedures, training and a behaviour change programme which dovetails with the Stop.Think campaign.

Cementation Canada, led by Roy Slack, implemented a number of safety initiatives during the year, including a comprehensive review of safety systems which resulted in a renewed focus on positive recognition and incident reporting and review.

RUC Mining Contractors in Australia holds the proud record of not having experienced a lost time injury since January 2004.

Prospects

Murray & Roberts Cementation started the new financial year with an order book of R2,6 billion (2005: R2,6 billion), from which 70% of the new year's planned revenue is secured.

There are significant opportunities in our targeted markets in the SADC region. Major projects which we have tendered but not yet secured include the Styldrift shaft complex for Anglo Platinum, the Kloof and Driefontein expansion projects for Goldfields and the Dukwe copper mine in Botswana.

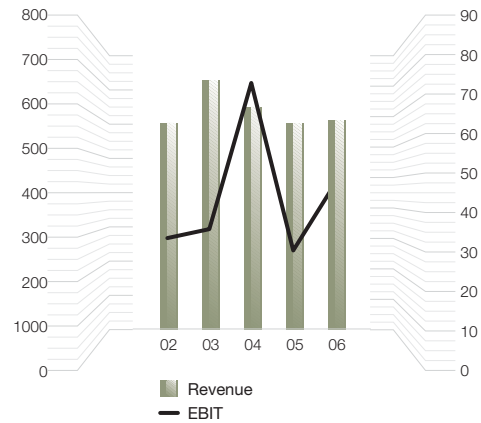
Cementation Canada has secured an ongoing flow of repeat work, in line with its strategy to develop long term relationships with key clients. The business plans to expand its activities in the USA from the base it has established there and will continue to explore opportunities in Mexico and Central America.

In Australia, we entered the new financial year with an order book of R148 million, 70% of which is for implementation in the current financial year. With the underground market forecast to grow by 10% this year, we plan to strengthen our underground mining capacity in the region, using our raise drilling operation as a base to expand into decline shaft sinking and mine development.



Simon Mordecai-Jones, Ian Dryden

(R millions)



Target margin: 10,0%

Engineering contracting & services

New market opportunities driven by increased global demand for natural resources, industrial products and energy contributed to an improvement in the performance of our engineering contracting & services operations during the year.

The mechanical electrical and instrumentation (MEI) and marine engineering & construction activities were established as independent business units under new executive management.

Performance

Buoyed by the long-awaited upturn in its targeted power and mineral markets, Murray & Roberts Engineering Solutions delivered a turnaround from an operating loss of R3,5 million in 2005 to an operating profit of R23,6 million, on revenues of R279,5 million (2005: R179,9 million).

Murray & Roberts MEI achieved an operating profit of R36,5 million (2005: R15 million) and revenues of R316,8 million as the business strengthened the quality of its order book. In contrast, Murray & Roberts Marine reported an operating loss of R12,3 million (2005: R14,4 million profit) on significantly lower revenues of R14,3 million (2005: R90,8 million), reflecting the difficulty faced securing work in a highly specialised and fragmented global market.

Market

An increase in investment in the domestic power sector generated some capacity expansion opportunity during the year. Murray & Roberts Engineering Solutions, with its partner

ESBi of Ireland, is one of three companies appointed to partner Eskom in the roll-out of the national power supplier's R93 billion five-year build programme. Two small projects were completed for Eskom during the year, a contract to provide project control services to the Komati Return-to-Service project is under negotiation, and we are pursuing construction, supply, fabrication and other opportunities.

Murray & Roberts is also positioning itself to participate in Independent Power Producer (IPP) opportunities in South Africa and design-build power projects in Botswana, Namibia and Mozambique.

In partnership with SNC Lavalin of Canada, Murray & Roberts was appointed EPCM contractor for the Pebble Bed Modular Reactor Demonstration Power Plant in 2005. The scoping phase will be completed in October 2006 and construction is scheduled to commence later in 2007.

Murray & Roberts has a major involvement in Kumba Resources' R3,6 billion Sishen Expansion Project which is designed to increase Sishen Iron Ore's current production by 36% to 38 million tons per annum. We are the EPCM contractor, in joint venture with Bateman, Concor is the earthworks contractor and Murray & Roberts Construction is undertaking two major civil packages in joint venture.

Murray & Roberts MEI (Zambia) is working on the expansion of the Mfulira plant for Mopani Copper, and together with Murray & Roberts Engineering Solutions and Murray & Roberts Construction, has been appointed alliance partner to De Beers

for the proposed Voorspoed mine, which was recently awarded a mining licence.

Murray & Roberts Engineering Solutions is involved in two major greenfield coal projects: CVRD Moatize mine in Mozambique and Xstrata Coal South Africa's Goedgevonden project located near Witbank. The company recently completed the Goedgevonden Colliery feasibility study and is currently providing engineering, procurement and implementation readiness services in anticipation of project approval in the second half of 2006. In addition, the company is providing Xstrata with similar services on two additional coal projects in the Witbank area: the Southstock 5-Seam project (construction phase) and the Tweefontein Central Plant project (pre-feasibility study phase).

Cement producers are investing in major capacity expansion programmes to meet growing demand (forecast at 16 million tonnes per annum by 2010), creating new opportunities for Murray & Roberts to leverage its unique capabilities in the industry. We were awarded a contract to design and build a 1 500 tonnes per day new clinker plant for Natal Portland Cement, using FLSmidth technology. The plant is designed to accommodate capacity expansion to 3 000 tonnes per day.

Murray & Roberts Engineering Solutions and Murray & Roberts MEI are preferred suppliers to South Africa's premier paper & pulp companies. We have undertaken extensive work for Mondi in Richards Bay and Durban and have been awarded an EPCM contract for the R3,4 billion expansion of Sappi Saiccor, the world's largest chemical cellulose plant.

Murray & Roberts Marine (Malaysia) completed the Tanjung Bin power project in Malaysia early in the year and has formed new partnerships with John Holland of Australia (construction management) and Dredging International of Belgium (dredging). The company is pursuing opportunities with other Murray & Roberts companies on projects in selected regional and international markets.

Leadership

On 1 July 2005, Edwin Hewitt assumed executive responsibility for renewal of our engineering contracting capability. He has supported Murray & Roberts MEI managing director Simon Mordecai-Jones through the rebuilding of the business and its leadership team. Ian Dryden was appointed managing director of Murray & Roberts Marine during the year.

Murray & Roberts Engineering Solutions made a number of important appointments to its leadership team during the year, strengthening its engineering, commercial, business development and human resource capacity. The business has achieved significant efficiency improvements by streamlining functions in its corporate office and redeploying human resources to more productive roles. Performance and systems continue to be benchmarked against global best practice to ensure that the business remains competitive. Murray & Roberts Engineering Solutions and Murray & Roberts Marine are our first companies to implement the group enterprise resource planning system from July 2006. As we gear up for a period of unprecedented growth in our target markets, we are focusing strongly on our human capital, risk management and health, safety and environment requirements. Murray & Roberts Engineering Solutions achieved a LTIFR of 0,6 during the year, while Murray & Roberts Marine achieved a LTIFR of zero. Murray & Roberts MEI reported a LTIFR of 1,24.

Prospects

Murray & Roberts Engineering Solutions and Murray & Roberts MEI started the financial year with order books of R462 million and R202 million respectively. Plans are advanced to strengthen our capacity in these sectors through possible acquisition.

The sustainability of future prospects is significantly enhanced by the strategy of partnering clients in long term expansion programmes and engaging major projects on a unitary basis where the Group's collective strength is leveraged.

Operational review

Construction materials & services



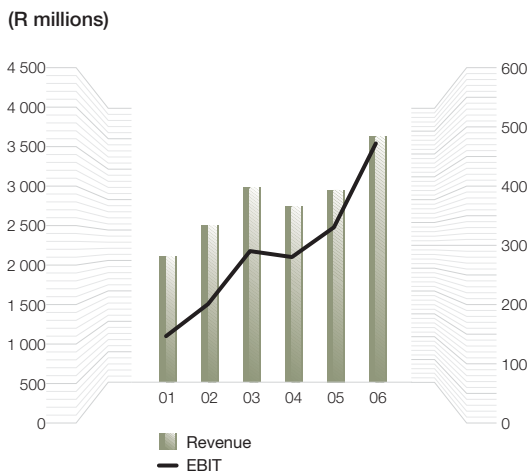
Keith Smith

The construction materials & services business will continue to benefit from general growth in infrastructure investment in the period leading up to 2010, particularly in the transport infrastructure, road refurbishment and power sectors.

(R millions)	Revenue		EBIT before exceptional items	
	2006	2005	2006	2005
CONSTRUCTION MATERIALS & SERVICES	3 986	3 172	537	345
Steel	2 447	2 085	185	147
Infrastructure	980	743	218	130
Building	324	174	63	11
Services	235	170	71	38



Jerome Arendse, Lee Cochrane, Schalk Burger, Phillip Hechter, Rob Noonan



Target margin: 15,0%

A comprehensive restructuring has positioned our business operations in the construction materials & services sector to benefit strongly from the rise in infrastructure investment in South Africa. This cluster represents a globally benchmarked and market leading group of business enterprises focused on four primary materials – concrete, steel, asphalt and clay.

We acquired an initial 80% shareholding in leading brickmaker, Oconbrick Manufacturing, for a consideration of R96 million with effect from 1 September 2005. Oconbrick is the third largest supplier in its market and, together with Harvey Roofing, forms the core of our strategy to serve the strong building materials market in South Africa.

During the year, executive responsibility for our steel fabrication and manufacturing operations comprising Hall Longmore, Genrec Engineering and Union Carriage & Wagon (UCW) was consolidated under the leadership of Edwin Hewitt.

We sold equipment company Criterion to Jay & Jayendra Group in an empowerment transaction with effect from 1 October 2005.

Performance

Our steel products & trading operations increased revenues to R1,67 billion (2005: R1,65 billion) at an operating profit of R127 million, up from R86 million in the previous year.

Steel fabrication and manufacturing achieved an increase in revenues to R785 million (2005: R629 million) and a marginal decline in operating profits to R58 million (2005: R60 million).

The infrastructure materials businesses continued to underpin the profitability of this cluster, with operating profits of R217 million (2005: R130 million) and revenues of R979 million (2005: R743 million).

Our building materials businesses delivered revenues of R325 million and operating profits of R63 million.

The services businesses, which comprise Johnson Arabia in the UAE and Tolcon, delivered operating profits of R71 million (2005: R39 million) on lower revenues of R281 million, reflecting the sale of Criterion.



Willem Pienaar, Jim Wood, Jaco van den Berg

Market

Steel products

Murray & Roberts Steel exceeded performance expectations during the year, largely as a result of a market surge in the final quarter.

The supply of steel from the Cisco mill was impacted by power outages in the Western Cape. The situation was resolved during the year and the business has returned to full production. The new ladle furnace installed at Cisco in the previous year is achieving performance targets aligned with best practice benchmarks.

Buoyancy in the domestic market for steel reinforcing kept our yards operating at near capacity and we exceeded our margin expectations. This historically finite market grew by up to 25% in the second half of the year and we expect to see ongoing growth in demand for rebar.

We imported 35 000 tons of rebar for delivery to our mill in the new financial year to alleviate shortages experienced in the local market. While we do not expect this trend to continue, we will import more steel from quality mills in Brazil and China if there is value in the supply chain.

On the international front, we expect to conclude a partnership in Mauritius during the first half of the new financial year to gain access to production capacity on the island and entrench our position in the Indian Ocean Islands where we have traded for the past 15 years.

Plans are well advanced for a substantial increase in capacity in the United Arab Emirates, particularly Dubai, where we will invest in new property and equipment with a local partner. This will triple the volume of rebar and mesh we supply to the market to between 230 000 and 270 000 tons per annum, positioning our business as one of the larger suppliers to the Middle East.

In anticipation of the growth in infrastructure investment, we have modernised our yards and placed orders for state-of-the-art equipment. New equipment will also be installed in the yards of our associates and franchisees over the next five years to increase the automation and precision of our business.

Steel fabrication & manufacturing

Genrec completed the Sasol Polypropylene project during the year and experienced difficulty securing additional work in various industrial projects in an over-traded domestic structural steel market. A margin and cost-drive focus was reflected in a marginal increase in Genrec's operating profit.

Jaco van den Berg was appointed general manager on 1 May 2006 and is building the operational, technical and project capacity of the business.

Hall Longmore maintained its leading position in a buoyant domestic steel pipe market and was awarded major contracts to supply steel piping for the Temane gas pipeline extension and the Vaal River Eastern Sub System project (VRESAP), the latter as part of the Vulindlela joint venture.

Hall Longmore strengthened its operational and business development capacity during the year and efforts are underway to unlock significant additional value from improved operational efficiency and unitary steel procurement arrangements with other group companies.

Infrastructure materials & services

Rocla maintained its trend of solid earnings growth in a mature concrete piping and culvert market for the fifth consecutive year, largely as a result of ongoing operational improvements. While domestic and cross border operations in Botswana and Namibia performed to expectation, the Mozambique operation experienced difficult trading conditions throughout the financial year.

The Mwanza road contract in Tanzania was completed during the year and work on major sewer projects in the Western Cape continued. Future prospects are substantially improved by Gautrain which presents opportunities for the business to broaden its product base in the Gauteng region.

The increase in infrastructure spending on roads and rehabilitation contributed to another good performance by Much Asphalt. Much also reaped the benefits of globally benchmarked technology improvements in its plants as clients demonstrated increased confidence in the capacity of the business to deliver sustainable quality to major projects.

Much maintained its strong position in a mature road construction and maintenance market, completing rehabilitation work on the EB Cloete highway in Durban and progressing with work on the N1 in Cape Town and the N3 at Marianhill in KwaZulu Natal. Upgrade and expansion work at Johannesburg International Airport increased substantially during the year.

The company will continue to benefit from increased investment in road and infrastructure projects and will maintain its strong focus on world class performance in an active domestic market that is experiencing the entry of smaller competitors.

Building materials

In spite of inclement weather conditions early in 2006 which impacted the curing of bricks and mining of clay, Oconbrick delivered good results during the year.

A new production line is being installed at Oconbrick's plant in Gauteng to expand capacity to 400 million bricks per annum. The business entered the new financial year with a sound order book.

Harvey Roofing achieved a significant improvement in operating profits after repositioning its business during the year. Productivity improvements and a lowering of the cost base strengthened its focus on profitability. Harvey Roofing has limited the number of its export markets and is concentrating on niche markets that deliver value.

In anticipation of future growth in the affordable housing market, Harvey Roofing expects production in its South African factory to grow to full capacity within 18 months. Plans are underway to establish a plant in Botswana capable of producing up to two million units per annum for the SADC region.

Services

Johnson Arabia continues to provide the UAE market with unequalled service delivery and the expansion of its fleet into the access platform market has enhanced its growth profile in line with development in the region.

Toll Road Concessionaires (Tolcon) delivered another solid performance in its toll road operations in an environment of

strong economic growth. Tolcon currently operates the entire N3 route, the N2 North Coast toll road, the N2 South Coast toll road and has a 33% shareholding in Pt Operational Services which operates the N1/N4 Bakwena Platinum highway. During the year, traffic volumes exceeded forecasts.

With effect from 1 July 2006, Tolcon was relocated to Concor, where Tolcon MD Jerome Arendse and his team are involved in the management of Concor's facilities.

The anticipated N1/N2 Winelands toll road, for which Concor is a scheme developer, and the R300 Penway toll roads in the Western Cape continue to be delayed.

Tolcon is a fixed income business and its profitability is determined largely by operational efficiency. During the year, Tolcon maintained its global best practice benchmark and focused on the improvement of customer services.

Tolcon has registered a new company, Tolrail, which will be involved in the operations and maintenance of Gautrain, generating significant future growth.

Prospects

The construction materials & services business will continue to benefit from general growth in infrastructure investment in the period leading up to 2010, particularly in the transport infrastructure, road refurbishment and power sectors. Gautrain will have a significant impact on the future prospects of Murray & Roberts Steel, Rocla and Tolrail.

A number of our businesses plan to implement capacity expansion programmes to accommodate new growth prospects. Our steel business is expected to generate significant additional growth from its expansion plans in the Middle East and Indian Ocean Islands. Harvey Roofing anticipates future growth in the SADC region and both Harvey Roofing and Oconbrick are responding to growing opportunities in the domestic housing sector.

Genrec offers significant upside potential as growth prospects in its targeted mining and power markets improve. The business accounted for 3% of the domestic structural steel market during the year but has the capacity to supply 7,5% of the market. Hall Longmore has a strong order book focused on major projects, domestic market demand and exports. Future prospects include major domestic pipeline projects and export opportunities as new capacity is sought with reputable international mills fully booked for 2006.

Operational review

Industrial manufacturing



Edwin Hewitt

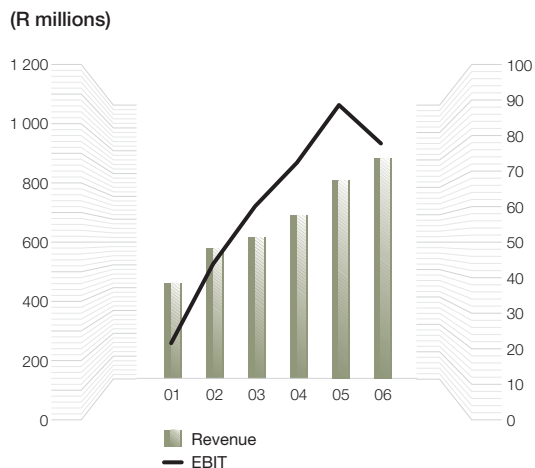
Foundries has a stable long term order book and UCW is well positioned to benefit significantly from Gautrain and government's locomotive and rolling stock refurbishment programme.

(R millions)	Revenue		EBIT before exceptional items	
	2006	2005	2006	2005
INDUSTRIAL MANUFACTURING	968	869	86	101
Automotive	822	660	82	70
Transport	146	209	4	31

Industrial manufacturing



Pallelo Lebaka



Target margin: 12,5%

In line with our strategy to dispose of non-core businesses, we sold equipment company Criterion to Jay & Jayendra Group in an empowerment transaction with effect from 1 October 2005.

We have employed the services of an investment bank to advise us on the disposal of Murray & Roberts Foundries.

Performance

Foundries reported growth in revenues to R822 million (2005: R660 million) and operating profits to R81,8 million (2005: R69,4 million), reflecting a strong order book and ongoing efficiency improvements.

Union Carriage & Wagon (UCW) reported a substantial decline in revenues to R146 million (2005: R209 million) resulting in a reduced operating profit of R4,2 million (2005: R31,1 million), due to ongoing delays in the award of new capital expenditure projects in the Government's locomotive and rolling stock refurbishment programme.

Market

In spite of a softening in production volumes consistent with the trend in European vehicle sales, Foundries performed well during the year. The business maintained its position as a leading supplier of sophisticated engine systems to the South African automotive market and plays a key role in two of the largest engine export programmes from South Africa.

Foundries conducts all tooling and manufacturing development for Ford's 1,6 litre RoCam cylinder head and commenced production of RoCam engines for export to South America during the year. The business also commenced production for the Volkswagen LT3 project comprising engine blocks, cylinder heads and intake manifolds.

Foundries achieved development supplier status with Audi as a result of its strong engineering capability and secured an order to export 200 000 Audi engine blocks to Europe.

Foundries also achieved Q1 status, the elite quality, cost and delivery ranking that Ford applies to its international suppliers, and is rated VDA6A by Volkswagen's globally recognised quality system.

The UCW Partnership (UCWP) was awarded the five year CoalLink locomotive project in partnership with Mitsui as the main contractor and Toshiba as systems supplier. The project, which is part of the Spoornet Main Line Locomotive Investment Programme, had progressed to concept review stage at year end. UCWP is also well positioned for the Ore Line locomotive project which was under negotiation at year end. The business strengthened its major project management capacity during the year.

Delays in the South African Rail Commuter Corporation's (SARCC) coach refurbishment project were exacerbated during the year by the integration of SARCC and Metrorail. This was only partially offset by other orders for locomotive upgrades and refurbishment work from clients in Namibia and Mozambique.

Prospects

Foundries has a stable long term order book, the bulk of which is repeat business with existing clients. Having secured CoalLink, UCWP is also preferred bidder for Ore Line and is well positioned to benefit significantly from Gautrain and government's long overdue locomotive and rolling stock refurbishment programme.

Operational review

Corporate



Millard Arnold, Norbert Jorek, Cheryl van Bosch, Craig Lawrence, Ian Appleton, Sandi Linford, Terry Rensen, Roger Mower*
 *International

Corporate intervention has played a major role in the transformation of Murray & Roberts. Our corporate office provides leadership, strategic direction, support and performance targeting to group companies in terms of our philosophy of a Unitary Murray & Roberts.

(R millions)	Revenue		EBIT before exceptional items	
	2006	2005	2006	2005
CORPORATE	-	1	(147)	(122)



Peter Young, Tyron Botha, Greg Ker-Fox, Frank Kruger, Bal Panicker*, Richard Pope*, Andrew Skudder

*International

Corporate overheads for the year increased 20% to R147 million, and include new costs associated with share based expenses required under IFRS, the Stop.Think initiative, the Letsema BBBEE transaction, the international advisory board and further development of the risk management opportunity management system.

Leadership

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

We have strengthened our corporate leadership capacity at a time of immense opportunity. Group executive director Sean Flanagan has assumed corporate responsibility for the delivery of designated major construction projects, particularly those associated with the 2010 Soccer World Cup. This includes the infrastructure delivery and systems integration of the Gautrain project. Sean maintains his responsibility for corporate oversight of regional mining contracting. Group executive director Keith Smith has been appointed chairman of all SADC building and construction companies. He will relinquish his current responsibility for construction materials during the new financial year. Edwin Hewitt, a director of Murray & Roberts Limited, assumes full executive responsibility for engineering companies, Murray & Roberts MEI, Murray & Roberts Marine, Hall Longmore, Genrec and The UCW Partnership. Edwin remains MD of Foundries Group pending its disposal.

Our international corporate capability was enhanced in the new financial year with the appointment of John Cooper to lead our growing involvement in Australia. John was appointed a director and deputy chairman of Clough with effect from 24 August 2006 and will work with the Clough board and management to ensure a return to performance in the year.

Risk management

Terry Rensen is corporate services executive responsible for all aspects of risk management and mitigation in the Group. He is supported by Greg Ker-Fox who is responsible for implementation and management of the group risk framework. The framework is designed to manage rather than eliminate the risk inherent in our business activities.

An operational risk management 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.

Details of our risk framework and policies are published in the sustainability report on page 57.

Governance

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

A full corporate governance report is published in the sustainability report on pages 53 to 55.

Finance

We have a strong corporate finance team which ensures reporting compliance and delivers taxation, treasury, reporting and technical accounting leadership to the Group.

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.

Commercial

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

Communication

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

This annual report is an important reporting medium that satisfies the Listings Requirements of the JSE and reports our progress in complying with the recommendations of King II.

We offer a range of other communication platforms, including:

- the Murray & Roberts website www.murrob.com
- an interactive CE forum on the web site
- financial results presentations and trading updates
- a quarterly house journal Robust
- the Murray & Roberts interchange
- various interventions for employees

Corporate Social Involvement

The Murray & Roberts corporate social involvement (CSI) programme demonstrates our 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.

Our key focus areas and investments are outlined in the sustainability report on page 51.

Health, safety & the environment

Integrated within the risk management framework, 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 HSE management in all aspects of its business activities.

This is the responsibility of Tyron Botha as champion of our risk-based approach to HSE. Tyron is also responsible for driving and co-ordinating the implementation of the Stop.Think campaign.

Details of our HSE framework and policies are published in the sustainability report on pages 61 to 63.

Human capital development

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

Group human capital executive Craig Lawrence manages the human capital strategic framework that defines global best practice and focuses on issues that have the greatest impact on our ability to achieve our strategic objectives. A human capital forum meets regularly to provide HR executives from across the Group with an opportunity to share information, develop as professionals and discuss HR issues.

Andrew Skudder was appointed as a dedicated resource in the office of the group chief executive to focus on empowerment and leadership development.

Details of our HR framework and practices are outlined in the sustainability report on page 60.