

# Report of the directors

This report represented by the directors is a constituent document of the group financial statements at 30 June 2006. Except where otherwise stated, all amounts set out in tabular form are expressed in millions of Rand.

## **NATURE OF BUSINESS**

Murray & Roberts Holdings Limited is an investment holdings company with interests in the construction & engineering, construction services & materials and fabrication & manufacture sectors. The company does not trade and all of its activities are undertaken through a number of subsidiaries, joint ventures and associates. Details of the major operating subsidiaries and associate companies are disclosed in Annexure 1 to the annual financial statements.

## **GROUP FINANCIAL RESULTS**

Group earnings for the year ended 30 June 2006 were R561,3 million (2005: R492,6 million), representing diluted earnings per share of 165 cents (2005: 143 cents). Diluted headline earnings per share were 162 cents (2005: 146 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 2006 are contained in note 11 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 11 of the financial statements. During the year, the Trust granted an aggregate total of 2 135 000 ordinary shares (2005: 2 480 000 ordinary shares) to senior executives, including executive directors.

At June 2006, the Trust held 9 965 386 ordinary shares (2005: 13 924 893 ordinary shares) against the commitment of 11 074 000 ordinary shares (2005: 12 222 315 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 (2005: 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 25 October 2006. 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 to a maximum of 20% of the issued ordinary shares. 675 644 ordinary shares were repurchased during the year in terms of this general authority. Approval will be sought at the forthcoming annual general meeting on 25 October 2006 to renew this general authority.

A further 33 189 403 ordinary shares were repurchased during the year pursuant to the Group's broad based black economic empowerment transaction which was effected by way of a scheme of arrangement which is more fully reported below.

## **DIVIDEND**

The following dividends were declared in respect of the year ended 30 June 2006:

Interim dividend number 108 of 20 cents per ordinary share (2005: 15 cents)

Final dividend number 109 of 40 cents per ordinary shares (2005: 30 cents)

## **SUBSIDIARIES**

### **Acquisition of a further interest in Clough Limited (Clough)**

The Group increased its shareholding in Clough from 30,3% to 46,1% in November 2005. This represented 90 million Clough shares at a cost of A\$45 million. The Group has secured the rights to a further 30 million Clough shares to be issued by Clough within two years in return for a convertible loan credit facility of A\$15 million which was also granted in November 2005.

### **Acquisition of 100% of Concor Limited**

Shareholders are referred to the announcement published on 26 April 2005 where the Group announced its firm intention to make an offer for the entire issued share capital in Concor Limited, excluding those shares already held by Mexican Wave Investments (Pty) Limited (Mexican Wave), a subsidiary of Murray & Roberts. The Group's firm intention to make an offer was subject to a due diligence investigation and approval by the regulatory authorities including the Competition authorities.

On 14 October 2005 Murray & Roberts Limited proposed a scheme of arrangement in terms of Section 311 of the Companies Act, 1973, as amended, between Concor and its shareholders other than Mexican Wave in terms of which Murray & Roberts would acquire all the issued share capital of Concor other than those shares held by Mexican Wave. In terms of the scheme, Hochtief Aktiengesellschaft (Hochtief) would receive a consideration of 1 977 cents per Concor share

plus interest at prime on 5 November 2005 while all other shareholders would receive a consideration of 2 230 cents per Concor share. The offer to all other shareholders was revised to 2 800 cents per Concor share on 30 November 2005. The scheme was conditionally sanctioned by the High Court on 24 January 2006. The only outstanding condition precedent was Competition Tribunal approval which was obtained on 14 June 2006. Payment of the scheme consideration of R333 million was made on 3 July 2006.

#### Acquisition of Oconbrick Manufacturing (Proprietary) Limited

The Group acquired 80% of the issued share capital of the Oconbrick Manufacturing (Proprietary) Limited group on 1 September 2005 for R98,4 million.

#### Broad based black economic empowerment (BBBEE) transaction

Shareholders are referred to the circular dated 21 October 2005 which outlined details of the Group's BBBEE transaction. This was pursuant to a scheme of arrangement in terms of Section 311 of the Companies Act, 1973, as amended, and involved the repurchase of 33 189 403 (10%) of the company's shares for a consideration of R14,87 per share. The total scheme consideration to be paid was R493,5 million. The scheme was approved by shareholders in general meeting on 21 November 2005 and sanctioned by the High Court on 29 November 2005. The shares so repurchased were then allocated as follows on 19 December 2005, the operative date, of the scheme:

	Number of shares	% of shares
Murray & Roberts Letsema Sizwe (Proprietary) Limited	11 616 331	3,5
Letsema Vulindlela Black Executives Trust	9 956 779	3,0
Murray & Roberts Letsema Khanyisa (Proprietary) Limited	6 637 904	2,0
Letsema Bokamoso General Staff Trust	4 978 389	1,5

#### SPECIAL RESOLUTIONS

Only special resolutions relating to name changes and conversions of public companies into private companies were passed by subsidiary companies during the year under review.

#### CAPITAL COMMITMENTS

Details of capital commitments are set out in note 42 to the annual financial statements.

#### POST BALANCE SHEET EVENTS

The Group has fully underwritten a capital raising convertible note of A\$40 million by Clough Limited. The offer will be open to all shareholders of Clough Limited. The terms of the convertible note are presently being finalised by Clough Limited. This will end the shareholders' agreement between the Group and McRae Investments Proprietary Limited. Key aspects of the note issue are disclosed in note 48 to the annual financial statements.

#### DIRECTORATE AND SECRETARY

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

##### Independent non-executive

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

##### Executive

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

The secretary's business and postal addresses are

Douglas Roberts Centre	PO Box 1000
22 Skeen Boulevard	Bedfordview
Bedfordview	2008
2007	

##### Interests of directors:

At 30 June 2006, the present directors of the company held direct and indirect beneficial and non-beneficial interest in 1 159 909 of the company's issued ordinary shares (2005: 1 235 787 ordinary shares). Details of ordinary shares held per individual director are listed below. A total of 6 108 750 share options are allocated to directors in terms of the company's share scheme, further details are set out in note 46.4 on page 141.

	Beneficial	
	Direct	Indirect
BC Bruce	298 471	
JJM van Zyl		687 535
Non-beneficial		
	Direct	Indirect
RW Rees		173 903

At date of this report, these interests remained unchanged

#### AUDITORS

Deloitte & Touche will continue in office in accordance with section 270 (2) of the Companies Act.