

“Our commitment to sustainable earnings growth
and value creation is not negotiable.”

Murray & Roberts

Murray & Roberts Holdings Limited
(Registration number 1948/029826/06)
("Murray & Roberts" or "the Group")
Share Code: MUR ISIN code: ZAE00008983

INTERIM REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2004



ORDER BOOK UP 70% • REVENUE UP 29% • OPERATING PROFIT UP 9%
HEADLINE EARNINGS PER SHARE DOWN 10%
INTERIM DIVIDEND 15 CENTS PER SHARE

We are Murray & Roberts and we are South African

We strive for World Class Fulfilment in everything we do

We are primarily Engineers & Contractors

Our Core Competence is Industrial Design

SUMMARISED CONSOLIDATED INCOME STATEMENT

(R millions)	Unaudited 6 months to 31.12.04	Unaudited 6 months to 31.12.03	Audited 12 months to 30.06.04
Revenue	5 361	4 163	8 424
Earnings before interest, exceptional items, depreciation and amortisation (EBITDA)	329	281	615
Amortisation of goodwill (note 2)	–	(2)	(5)
Depreciation	(126)	(92)	(189)
Earnings before interest and exceptional items (EBIT)	203	187	421
Exceptional items	51	–	(9)
Headlease and other discontinued property activities	–	(2)	–
Other	51	2	(9)
Earnings before interest and taxation	254	187	412
Net interest (expense) income	(9)	15	10
Earnings before taxation	245	202	422
Taxation (note 3)	(60)	(30)	(27)
Earnings after taxation	185	172	395
Income from associates	68	59	114
Minority shareholders' interest	(9)	(2)	(25)
Earnings attributable to ordinary shareholders	244	229	484
Reconciliation of headline earnings			
Attributable earnings	244	229	484
Exceptional items as above	(51)	–	9
Taxation on exceptional items	17	–	–
Amortisation of goodwill	–	2	5
Non-headline portion of income from associate	–	3	5
Headline earnings	210	234	503
Reconciliation of weighted average number of shares in issue ('000)			
Weighted average number of ordinary shares in issue	331 893	331 893	331 893
Less weighted average number of shares held by The Murray & Roberts Trust	(13 640)	(13 818)	(13 788)
Weighted average number of shares in issue used in the determination of basic per share figures	318 253	318 075	318 105
Add: dilutive adjustment for share options	5 018	6 025	6 173
Weighted average number of shares in issue used in the determination of diluted per share figures	323 271	324 100	324 278
Earnings per share (cents)			
– Issued	74	69	146
– Diluted	75	71	149
– Basic	77	72	152
Headline earnings per share (cents)			
– Issued	63	71	152
– Diluted	65	72	155
– Basic	66	74	158
Dividend per ordinary share (cents)	15	15	45
Operating cash flow per share (cents)	(32)	28	87

SUMMARISED CONSOLIDATED BALANCE SHEET

(R millions)	Unaudited 31.12.04	Unaudited 31.12.03	Audited 30.06.04
ASSETS			
Non-current assets	2 112	2 110	2 355
Property, plant and equipment	1 175	945	1 099
Discontinued headlease investment properties	253	261	257
Associate company – Unitrans Limited	–	598	653
Associate company – Clough Limited	406	–	–
Other investments	278	306	346
Current assets	4 186	3 189	3 664
Accounts receivable and other	2 696	2 111	2 560
Amounts receivable from disposals	914	–	–
Bank balances and cash	576	1 078	1 104
Total tangible assets	6 298	5 299	6 019
Goodwill	56	8	5
Deferred taxation assets (note 3)	28	–	33
TOTAL ASSETS	6 382	5 307	6 057
EQUITY AND LIABILITIES			
Permanent capital	2 716	2 448	2 661
Ordinary shareholders' funds	2 676	2 438	2 607
Minority shareholders' interest	40	10	54
Non-current liabilities	564	604	580
Long-term provision	20	34	29
Discontinued finance headlease liabilities*	321	372	346
Other long-term liabilities*	134	141	139
Deferred taxation liabilities	89	57	66
Current liabilities	3 102	2 255	2 816
Accounts payable and other	2 420	2 110	2 533
Bank overdrafts and short-term loans*	682	145	283
TOTAL EQUITY AND LIABILITIES	6 382	5 307	6 057
Net asset value per share (cents)	806	735	785

* Interest-bearing borrowings

SUPPLEMENTARY INFORMATION

(R millions)	Unaudited 31.12.04	Unaudited 31.12.03	Audited 30.06.04
Commitments			
Capital expenditure			
– spent	151	108	353
– authorised but unspent	240	246	397
Operating lease commitments	40	146	55
Contingent liabilities	67	15	56

SUMMARISED CONSOLIDATED CASH FLOW STATEMENT

(R millions)	Unaudited 6 months to 31.12.04	Unaudited 6 months to 31.12.03	Audited 12 months to 30.06.04
Cash generated by operations before working capital changes	301	274	533
Cash outflow from discontinued headlease property activities	(31)	(67)	(114)
Increase in working capital	(362)	(89)	(88)
Cash (utilised in) generated by operations	(92)	118	331
Interest and taxation	(14)	(24)	(43)
Operating cash flow	(106)	94	288
Dividends paid	(96)	(119)	(167)
Dividends paid to minority shareholders by subsidiaries	(17)	–	(1)
Cash (utilised) retained in operations	(219)	(25)	120
Net investment activities	(618)	(81)	(253)
Net funds flow	(837)	(106)	(133)

SUMMARISED STATEMENT OF CHANGES IN EQUITY

(R millions)	Unaudited 6 months to 31.12.04	Unaudited 6 months to 31.12.03	Audited 12 months to 30.06.04
Opening balance	2 607	2 484	2 484
Earnings attributable to ordinary shareholders	244	229	484
Movement in revaluation reserve	(1)	–	(2)
Movement in non-trading financial asset reserve	16	–	12
Movement in hedging reserve	–	–	2
Foreign currency translation movement on investments	(94)	(141)	(163)
Change in cost of shares held by The Murray & Roberts Trust	–	(15)	(43)
Dividend declared and paid	(96)	(119)	(167)
	2 676	2 438	2 607

SEGMENTAL ANALYSIS

(R millions)	Unaudited 31.12.04	Unaudited 31.12.03	Audited 30.06.04
REVENUE			
Construction & engineering	3 232	2 087	4 153
Construction materials & services	1 522	1 405	2 886
Fabrication & manufacture	425	314	763
Corporate	–	–	1
Ongoing operations	5 179	3 806	7 803
Discontinued operations	182	357	621
Revenue as reported	5 361	4 163	8 424
EBIT			
Construction & engineering	68	78	177
Construction materials & services	147	135	274
Fabrication & manufacture	43	29	80
Corporate	(50)	(47)	(100)
Ongoing operations	208	195	431
Discontinued operations	(5)	(8)	(10)
EBIT as reported	203	187	421

NOTES

1. These consolidated summarised interim financial statements are prepared in accordance with AC127: Interim Financial Reporting. The accounting policies and methods of computation for the financial statements for the six months ended 31 December 2004 are consistent with those applied in the year ended 30 June 2004 except as described in note 2 below and are in accordance with South African Statements of Generally Accepted Accounting Practice and the Companies Act in South Africa.

2. Change in accounting policy

IFRS3 (AC140): Business Combinations

The Group adopted IFRS3 (AC140): Business Combinations during the current period. The adoption of this statement resulted in a change in the accounting policy for goodwill. For all business combinations on or after 31 March 2004 goodwill is measured as the excess of the "cost of the acquisition" over the "interest in the fair value of the assets, liabilities and contingent liabilities acquired and recognised".

Until 30 June 2004, goodwill was:

– amortised on a straight line basis over its useful life with a maximum of ten years.

In accordance with the provisions of IFRS3 (AC140):

– the Group ceased amortisation of goodwill from 1 July 2004;

– accumulated amortisation as at 30 June 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and

– from 1 July 2004 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment.

3. Deferred taxation assets totaling R33 million were recognised during the prior year. It is the Group's policy to only recognise deferred taxation assets to the extent that it is probable that taxable profits within the Group's budgeting horizon will be available against which deductible temporary differences can be utilised.

4. Change in comparative information for the six months ended 31 December 2003

Comparative information for the six months ended 31 December 2003 has been adjusted to reflect the effect of accounting restatements made during the year ended 30 June 2004 in respect of:

– the recognition of the headlease properties and finance headlease liabilities;

– the reclassification of the concession investments as designated held-for-trade financial investments; and

– the consolidation of The Murray & Roberts Trust.

The table below provides a breakdown of the effect of the restatements referred to above on the financial statements for the six months ended 31 December 2003.

	Unaudited Restated 31.12.03	Unaudited 31.12.03
Effect on the summarised consolidated income statement		
Earnings per share (cents)		
– Issued	69	69
– Diluted	71	69
– Basic	72	69
Headline earnings per share (cents)		
– Issued	71	71
– Diluted	72	71
– Basic	74	71
Effect on the summarised consolidated balance sheet (R millions)		
Property, plant and equipment	945	1 046
Discontinued headlease investment properties	261	–
Other investments	306	311
Accounts receivable and other	2 111	2 132
Ordinary shareholders' funds	2 438	2 513
Long-term provision	34	176
Discontinued finance headleases liabilities	372	–
Other long-term liabilities	141	162
Deferred taxation liabilities	57	54
Accounts payable and other	2 110	2 188
Bank overdrafts and short-term loans	145	70
Effect on the summarised consolidated cash flow statement (R millions)		
Dividends paid	(119)	(124)

COMMENTARY

Performance in this final year of Rebuilding Murray & Roberts is proving even more volatile than was anticipated in the prospects statement included in the 2004 annual report. Order book and revenue have improved significantly on the previous year, but the legacy of poor project performance and ongoing strengthening of the SA Rand continues to impact the Group.

The Group's construction operations in South Africa and Middle East will continue to be rationalised through to year-end. The decision to liquidate Consani Engineering brings finality to a business where sustainability is largely outside the control of the Group. The acquisition of Cementation Mining and a 29% strategic shareholding in Clough as well as the disposal of the Group's 44% shareholding in Unitrans have demanded significant executive time throughout the reporting period. These transactions have an impact on the income statement and balance sheet profile of the Group in the current financial year, which establishes a new framework for future development.

Regrettably, the Group suffered 6 fatalities during the period (2003: 8), one each in Egypt and Namibia and two each in mining and construction in South Africa. The Group has sharpened its focus on health, safety and environmental compliance and has qualified for the Socially Responsible Investment Index on the JSE Securities Exchange South Africa.

Revenue of R5,4 billion (2003: R4,2 billion) in the period are back to the levels recorded two years ago at December 2002. During this period the SA Rand exchange rate to the US Dollar has strengthened 34% and some operations have suffered the consequences of adverse market dynamics. The operating margin is disappointing at 3,8% (2003: 4,5%), reflecting the carry-over order book at breakeven margin notified in the annual report and other factors highlighted under operations.

Attributable earnings are up 7% at R244 million (2003: R229 million). This includes a profit on the disposal of Unitrans and an impairment against Consani Engineering. Net financing costs of R9 million (2003: income of R15 million) and an interim tax charge of R60 million (2003: R30 million) including capital gains tax of R17 million on the surplus from the Unitrans sale, have increased the charge against earnings compared with the previous corresponding period. This has resulted in a decline in fully diluted headline earnings to 65 cents per share (2003: 72 cents per share). It is anticipated that a normalised tax rate of 29% will apply for the second half of the year.

Operating cash outflow is R106 million compared to an inflow of R94 million in the previous corresponding period. Working capital increased by R362 million (2003: R89 million) of which R176 million was in the Steel Cluster, which is budgeted to be realised by year-end.

The directors have declared an interim ordinary dividend of 15 cents per share in respect of the half-year ended 31 December 2004. Following the disposal of Unitrans, dividend cover has been changed to three times earnings excluding associates. Attention is drawn to the formal dividend announcement contained herein.

Order Book

The Group's project order book stood at R8,5 billion at 31 December 2004, up 70% in the first six months of the year and 112% on the level at 31 December 2003. Of this order book R2,3 billion relates to the Group's 40% share of Dubai International Airport, more than 90% of which will be realised in the 2006 and 2007 financial years.

The order book comprises Construction Middle East at R3,2 billion (R750 million); Construction SADC at R1,75 billion (R1,55 billion); Mining Contracting at R3,1 billion (R2,4 billion); and Engineering at R450 million (R300 million). The amounts in brackets are the comparative levels at 30 June 2004.

The regional composition of the order book is SADC 53% (73%); Middle East 37% (15%); and Rest of World 10% (12%). More information on the Clough order book is given later in this report.

Quality construction opportunity in South Africa remains the Group's primary order book challenge. Building margins are too low relative to performance risk and there is currently insufficient higher margin engineering-related work.

Operations

Construction operations in South Africa and Middle East continue to struggle for performance in markets where abundant opportunity has not translated into profitable work. New entrants at all levels of client, developer, professional and contractor; the psychology of lowest price; and industry-wide deficits in leadership, management, supervision and skills have combined to make conventional construction ever more risky and volatile. The Group recently conducted an independent study to benchmark global best practice in the contracting sector, and is working to reframe its procurement philosophy and risk procedures accordingly.

Compared with the corresponding period in the previous year, a reduction in operating profit of R28 million in the Middle East (primarily a project in Qatar)

and R28 million in South Africa (primarily roads and MEI) reflect the extent of problems experienced in these construction markets. Settlement of claims and a fair value increase of concession investments of R29 million enabled construction operations to deliver a combined operating profit of R20 million (2003: R9 million) on revenue of R1,65 billion (2003: R1,45 billion) at a margin of 1,2% (2003: 0,6%).

In contrast, continued buoyancy in the domestic general construction economy allowed the construction services & material supplies sector to maintain operating profits of R132 million (2003: R126 million) on revenue of R1,4 billion (2003: R1,3 billion) at a margin of 9,4% (2003: 9,7%). Demand for all categories of construction product has been steady, and it is pleasing to report a return to performance in structural steel.

With no major industrial projects in hand, the engineering contracting & services sector disappointed with an operating loss of R2 million (2003: profit of R45 million) on revenue of R302 million (2003: R338 million). This sector has experienced a welcome upturn in order intake during the review period.

The acquisition of Cementation has boosted performance of the mining sector with a first half operating profit of R45 million (2003: R6 million) on revenue of R1,3 billion (2003: R302 million) at a margin of 3,5% (2003: 2,0%). The integration of Cementation and consolidation with RUC is progressing well with a new executive leadership team appointed to lead the process.

Revenue from the manufacture and supply of automotive and transport products, excluding Consani, are effectively hedged and operating profits of R42 million were recorded (2003: R29 million) on higher revenue of R397 million (2003: R294 million) at a margin of 10,6% (2003: 9,9%).

Industrial services companies in the Group delivered operating profits of R21 million (2003: R14 million) on revenue of R180 million (2003: R264 million).

Corporate costs for the period increased to R50 million (2003: R47 million) and include costs associated with the enhanced international office. This office oversees northern hemisphere operations in Canada, Middle East and North Africa.

Cash of R576 million was enhanced by R901 million post balance sheet through the disposal of the Group's Unitrans shares. Approximately a third of cash resources is denominated in offshore currencies. The acquisitions of Cementation and a strategic shareholding in Clough totalling R550 million were funded primarily from existing cash resources.

Associates

The Group acquired on 10 November 2004 a 29,3% shareholding in Clough Limited based in Perth, Australia, but holds a shared economic interest in 64% of the company in terms of a shareholder agreement with McRae (Pty) Limited representing the Clough Family interests. Due diligence identified a potential liability on a project in the Bass Straights, the effects of which are pre-acquisition.

This project is largely complete and Clough is off site, but the resolution of disputes remains a priority. Murray & Roberts executives are actively supporting the resolution process and closely monitor progress.

Clough is on track under a new board and executive leadership team. The order book stood at R4,5 billion at 31 December 2004, up from R1,5 billion at 30 June 2004 with new work secured in Australia, India, Indonesia and Saudi Arabia.

Clough presented associate earnings of R4 million for the two months in the period under review. Unitrans was effectively sold on 31 December 2004 and its final contribution to the Group is associate earnings of R64 million (2003: R59 million).

Exceptional Items

Improved conditions in the domestic economy have ensured that trading in the property headlease portfolio has been held within budget through the current period and no additional provision is necessary at this stage.

A profit of R211 million on the disposal of the Group's 44% shareholding in Unitrans is offset by an impairment of R127 million against Consani, a loss of R28 million on the sale of Booker Tate and an impairment of R5 million on residual goodwill.

Acquisitions, Disposals & Empowerment

The Group seeks to secure its future growth partly through acquisition of leading businesses and partnerships serving its core business sector. This is defined as the construction economies of Southern Africa, the gulf states of Middle East, Australasia and Southeast Asia. This includes both empowerment and indigenisation and will over time facilitate the disposal of remaining businesses no longer strategic to the Group.

In support of the Mining Charter and broad-based black economic empowerment in South Africa, AKA Capital will acquire 26% of Murray & Roberts Cementation, which includes the assets of Murray & Roberts RUC focused on the local market. The transaction is effective 1 January 2005.

A consortium comprising our existing empowerment partners and others will be formed to partner the concession, development and property business of Murray & Roberts. It is envisaged that this operating partnership will facilitate a new model for engaging the changing circumstances in the domestic and regional construction sector.

Directorate

A number of director appointments have been announced over the past six months following the evaluation process designed to strengthen the Board in the context of improved corporate governance and Globalising Murray & Roberts.

The appointment in September 2004 of Mr Michael McMahon and Dr Namane Magau as independent directors was confirmed at the annual general meeting. Mr McMahon has been appointed chairman of the Health, Safety, Environment & Corporate Social Involvement Committee and Dr Magau to the Remuneration & Human Resources Committee. Ms Imogen Mkhize and Mr Royden Vice were appointed independent directors in January 2005. Ms Mkhize has been appointed to the Audit & Risk Management Committee.

Mr Norbert Jorek and Mr Sean Flanagan were appointed executive directors. The appointment of Mr Jorek was confirmed at the annual general meeting. Mr Flanagan has taken responsibility for the Southern Africa mining contracting, construction and development business. He and Mr Keith Smith together have responsibility for 80% of the Group's construction-related operations.

Professor Willie Esterhuysen retired from the Board with effect from 28 February 2005. Appointed to the Board in 1990, Professor Esterhuysen has served the Group with distinction over the past 15 years.

The International Advisory Board mandated to assist the Board with strategic guidance in respect of the growing international activities of the Group is being formulated.

Mr Malose Chaba and Mr Craig Lawrence were appointed to the Murray & Roberts executive committee and directors of Murray & Roberts Limited during the period.

Ms Sandi Linford joined the Group as Company Secretary in November 2004.

Prospects

Finalisation of Rebuilding Murray & Roberts remains an absolute focus for the Board and executive management of the Group over the months ahead. The improved order book, a more focused management structure, the series of acquisitions and disposals and in particular the planned empowerment of the Group's domestic construction-related businesses, offers the potential for meaningful growth in the years ahead.

However, the prospects statement in the annual report and the business update at the annual general meeting cautioned investors of the challenges faced in the current year. Taking into account the liquidation of Consani, the unexpected reversal on the project in Qatar, the restructuring of aspects of the business in terms of the Group's empowerment initiatives, the dilutive impact of the Unitrans disposal and an increase in the effective taxation rate, the directors have concluded that it is prudent to expect headline earnings in the second half of the year to be similar to those recorded in the first half.

On behalf of the directors

Roy Andersen

Chairman of the Board

Brian Bruce

Group Chief Executive

Roger Rees

Group Financial Director

Bedfordview

28 February 2005

NOTICE TO SHAREHOLDERS

Declaration of interim ordinary dividend (No 106)

Notice is hereby given that an interim ordinary dividend No 106 of 15 cents per share (2004: 15 cents), in respect of the financial year ending 30 June 2005 has been declared payable to shareholders recorded in the register on Friday 15 April 2005.

Salient dates

2005

Last day to trade <i>cum</i> dividend	Friday 8 April
Trading <i>ex</i> dividend commences	Monday 11 April
Record date	Friday 15 April
Payment date	Monday 18 April

Share certificates may not be dematerialised or re-materialised between Monday 11 April 2005 and Friday 15 April 2005, both days inclusive.

On Monday 18 April 2005 the interim dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. Where electronic funds transfer is not available or desired, cheques dated 18 April 2005 will be posted on that date.

Shareholders who have dematerialised their share certificates will have their accounts at their CSDP or broker credited on Monday 18 April 2005.

By order of the Board

Sandi Linford

Company Secretary

Bedfordview

28 February 2005

Tax implication of interim dividend – corporate shareholders only

Shareholders are advised that at the annual general meeting of the company held on 25 October 2000, the following special resolution was passed:

“RESOLVED THAT in terms of Article 42(f) of the company's Articles of Association, the company's share premium account be reduced from R1 995.0 million to R1 681.4 million by the transfer of an amount of R273.6 million from the share premium account to the company's distributable reserves.”

Corporate shareholders are advised that a portion of the interim dividend (35.85%) will be payable from the company's distributable reserves that were transferred from the share premium account in 2000. The implication of this will be that companies/corporates receiving this interim dividend will not be entitled to a secondary tax on companies credit to the extent of 35.85% of the interim dividend so received.

MURRAY & ROBERTS HOLDINGS LIMITED

(Registration number 1948/029826/06)

Directors:

RC Andersen* (*Chairman*)

BC Bruce (*Managing and Group Chief Executive*)

WP Esterhuysen*

SJ Flanagan

SE Funde*

N Jorek³

SJ Macozoma*

Dr NM Magau*

JM McMahon^{1*}

IN Mkhize*

RW Rees¹

AA Routledge*

MJ Shaw*

KE Smith²

JJM van Zyl*

RT Vice*

¹British ²Irish ³German *Non-executive

Company Secretary:

SF Linford

Website:

www.murrob.com

Registered office:

Douglas Roberts Centre,

22 Skeen Boulevard, Bedfordview

Registrar:

Computershare Investor Services 2004 (Pty) Limited

70 Marshall Street, Johannesburg 2001