ENGINEERED EXCELLENCE

ANNUAL FINANCIAL STATEMENTS 2017

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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RESPONSIBILITIES OF DIRECTORS FOR ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

The directors of Murray & Roberts Holdings Limited ("Company") and Murray & Roberts Holdings Limited and its subsidiaries ("Group") are responsible for the preparation of the annual financial statements that fairly present the state of affairs of the Company and the Group at the end of the financial year and of the profit or loss and cash flows for that year in accordance with International Financial Reporting Standards ("IFRS") and per the requirements of the Companies Act 71 of 2008 ("Companies Act"). The directors of the Company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information.

To enable directors to meet these responsibilities:

a) The Board and management set standards and management implement systems of internal controls, accounting and information systems; and

b) The Audit & Sustainability Committee recommends Group accounting policies and monitors these accounting policies.

The directors are responsible for the systems of internal control. These are designed to provide reasonable, but not absolute assurance as to the reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatements and loss. The systems are implemented and monitored by suitably trained personnel with appropriate segregation of authority and duties.

The internal audit function is led by the Group internal audit executive and comprises both internal employees and resources from KPMG. It serves management and the Board by performing an independent evaluation of the adequacy and effectiveness of risk management, internal controls, financial reporting mechanisms and records, information systems and operations, safeguarding of assets and adherence to laws and regulations.

The Group continues to address any control weaknesses which are identified, however, the Group's system of internal controls continues to provide a basis for the preparation of reliable annual financial statements in all material aspects.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the SAICA Financial Reporting guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act, No. 71 of 2008 and are based on appropriate accounting policies, supported by reasonable judgements. These accounting policies have been applied consistently compared to the prior year except for the adoption of new or revised accounting standards as set out in note 46. The annual financial statements have been compiled under the supervision of DF Grobler (CA)SA, (Group financial director) and have been audited in terms of Section 29(1) of the Companies Act of South Africa.

The directors are of the opinion that the Company and the Group have adequate resources to continue in operation for the foreseeable future based on forecasts and available cash resources and accordingly the annual financial statements have been prepared on a going concern basis.

It is the responsibility of the external auditors to express an opinion on the consolidated and separate annual financial statements. For their unmodified report to the shareholders of the Company and Group refer to pages 05 – 10.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the Company and the Group for the year ended 30 June 2017 as set out on pages 02 to 101 were approved by the Board of directors at its meeting held on 23 August 2017 and are signed on its behalf by:

M Sello
Group chairman

HJ Laas
Group chief executive

DF Grobler
Group financial director

CERTIFICATION BY COMPANY SECRETARY

FOR THE YEAR ENDED 30 JUNE 2017

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended ("Companies Act"), I, L Kok, in my capacity as Group company secretary, confirm that, to the best of my knowledge and belief, for the year ended 30 June 2017, Murray & Roberts Holdings Limited has filed with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.

L Kok
Group company secretary
23 August 2017

AUDIT & SUSTAINABILITY COMMITTEE

FOR THE YEAR ENDED 30 JUNE 2017

The Audit & Sustainability Committee ("Committee") assists the Board to fulfil its supervisory role to ensure the integrity of financial reporting in terms of accounting standards and the Listings Requirements of the JSE Limited. It does so by evaluating the findings of the internal and external auditors, remedial actions taken and the adequacy and effectiveness of the system of internal financial controls required to form the basis for the preparation of reliable financial statements.

The Committee chairman reports on Committee deliberations and decisions at the Board meeting immediately following each Committee meeting. The internal and external auditors have unrestricted access to the Committee chairman. The independence of the external auditor is regularly reviewed and all non-audit related services are pre-approved and notified.

The Committee has noted the changes in audit regulation regarding mandatory audit firm rotation, which will require the external auditors to resign from the audit in 2024.

MEMBERSHIP

Disclosed under the Group directorate in the Integrated Report.

The Group chairman, Group chief executive, Group financial director, Group commercial executive, chief audit executive and the external auditors all attend meetings by invitation. The chairman of the Committee also serves on the risk management Committee. This ensures that overlapping responsibilities are appropriately addressed.

TERMS OF REFERENCE

The Committee's responsibilities include:

- Assisting the Board to fulfil its responsibility with regard to financial and auditing oversight including internal financial controls;
- Monitoring and reviewing the Group's accounting policies, disclosures and financial information issued to stakeholders;
- Making recommendations to the Board to ensure compliance with International Financial Reporting Standards;
- Discussing and agreeing the scope, nature and priority of the external and internal audits including the reviewing of the quality and effectiveness of the external audit process;
- Nominating an independent auditor for shareholder approval, terms of audit engagement, determining external auditor fees, the nature and extent of non-audit related services and pre-approving contracts for non-audit related services;
- Reviewing fraud and information technology risk as they relate to financial reporting;
- Receiving and dealing appropriately with any complaints relating to either accounting practices and internal audit or to the content or auditing of entities in the Group's annual financial statements or related matters;
- Reviewing the annual integrated report and recommending approval to the Board;
- Reviewing price sensitive information such as trading statements; and
- Performing functions required of an Audit Committee on behalf of subsidiaries incorporated in the Republic of South Africa.

STATUTORY DUTIES

In addition to the duties set out in the terms of reference, the committee performed the required statutory functions in terms of Section 94(7) of the Companies Act of South Africa.

EFFECTIVENESS OF THE EXTERNAL AUDIT PROCESS

The Committee reviews the quality and effectiveness of the external audit process. In particular, the Committee considers the independence of the external auditor. In this regard, the Committee has established an approvals framework for the pre-approval of non-audit services to be rendered by the external auditor and reviews these fees on an ongoing basis. The individual registered auditor, G Berry, served in this capacity for his first year in 2017 and the Committee considers his tenure and that of other key audit partners within the Group in order to reduce familiarity threats to independence. The Committee is satisfied that the external auditor is independent and has nominated Deloitte & Touche for re-election at the forthcoming annual general meeting of shareholders, with G Berry as the individual registered auditor. Deloitte & Touche and G Berry are properly accredited.

FINANCIAL DIRECTOR AND FINANCE FUNCTION

The Committee considered and satisfied itself of the appropriateness of the expertise, experience and performance of the Group financial director during the year. The Committee also considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function as well as the experience of senior members of management responsible for the finance function.

INTERNAL AUDIT

The Group internal audit function was established to assist the Board and executive management with the achievement of their objectives and has remained a vital part of the Group's governance and combined assurance structures. Internal audit is an independent assurance provider on the adequacy and effectiveness of the Group's governance, risk management and control structures, systems and processes. The centralised function operates in terms of a formal mandate, in conformance with the International Professional Practices Framework for Internal Audit. Internal audit assurance can only be reasonable and not absolute and does not supersede the Board's and management's responsibility for the ownership, design, implementation, monitoring and reporting of governance, risk management and internal controls.

The chief audit executive leads the internal audit function which covers the global operations and are resourced with both internal employees and resources obtained from KPMG. It assists the Board and management in maintaining an effective internal control environment by evaluating those controls continuously, using a risk-based approach, to determine whether they are adequately designed, operating efficiently and effectively and to recommend improvements. The internal audit assurance consists of independent evaluations of the adequacy and effectiveness of risk management, internal controls, financial reporting mechanisms and records, information systems and operations, safeguarding of assets (including fraud prevention) and adherence to laws and regulations. It includes a review of strategic risk mitigations, a risk-based review of major projects, key business processes and systems, the Group's sustainability information, IT governance and IT general controls. An integrated assurance model was applied to ensure a coordinated approach to all assurance activities, appropriate to address the significant risks facing the Group.

The annual plan is based on an assessment of risk areas internal audit and management identify, as well as focus areas highlighted by the Committee and management. The plan also considers work performed by other assurance providers in the Group. The annual audit plan is updated as appropriate to ensure it remains responsive to changes in the business. A comprehensive report on internal audit findings is presented to the Audit Committee quarterly. Follow-up audits are conducted in areas where major internal control weaknesses are found.

The independence, organisational positioning, scope and nature of work of the internal audit function were evaluated by the Committee in April 2017 and determined to be appropriate and consistent with the internal audit strategy and mandate. The Committee approved internal audit's risk-based audit plan for financial year 2018. The internal audit function reports directly to the Audit Committee and their mandate in relation to the internal audit function is to:

- Approve the appointment, performance and dismissal of the chief audit executive;
- Review and recommend to the Board for final approval, the internal audit charter including, inter alia, the purpose, authority and responsibility of the internal audit activity;
- Review the internal audit programme, coordination between the internal and external auditors and the resourcing and standing within the Company of the internal audit function;
- Monitor and evaluate the performance of the internal audit function in terms of agreed goals and objectives;
- Receive confirmation that Group internal audit is in general conformance with the IIA's International Standards for the Professional Practice of Internal Auditing; and
- Ensure that the chief audit executive has unrestricted access to the chairman of the Audit Committee.

An internal audit charter, reviewed by the Committee and approved by the Board, formally defines the purpose, authority and responsibility of the internal audit function.

The charter gives the chief audit executive direct access to the chief executive officer, Group financial director, chairman of the Audit Committee and chairman of the Board.

INTERNAL FINANCIAL CONTROLS

The internal audit plan works on a multi-year programme and based on the work and findings to date of the Group's system of internal control and risk management in 2017, which included the design implementation and effectiveness of internal control, considering information and explanations provided by management and the results of the external audit, the Group's system of financial controls provides a reasonable basis for the preparation of reliable annual financial statements in all material aspects.

AUDIT & SUSTAINABILITY COMMITTEE – CONTINUED

AUDIT AND ADMINISTRATION

Financial leadership in Murray & Roberts caters for growth in the business, including ongoing employment and redeployment of senior financial executives. The Group financial director and lead external audit partner attend selected contract and subsidiary reviews throughout the year. Audit close-out meetings are held between external auditors and operational management at year end. A detailed audit summary memorandum is prepared for all Group operating entities and a consolidated report is presented to the Committee. There are agreed procedures for the Committee to seek professional independent advice at the Company's expense.

INTEGRATED REPORTING

During the year under review, external service providers were appointed to provide assurance on the sustainability information. The Committee recommended the annual integrated report and the Group's annual financial statements for Board approval. It is satisfied that they comply with International Financial Reporting Standards on a going concern basis following an assessment of solvency and liquidity requirements.

In preparation of the annual financial statements the Group has taken into consideration the feedback included in the Report Back on Proactive Monitoring of Financial Statements in 2017 provided by the JSE.

ASSURANCE

Group assurance activities are embedded, sound and are continuously reviewed and where required redirected to ensure appropriate and effective coverage of the Group's operations, implementation of King III principles and recommendations and sustainability assurance.

The Group's commitment to continuous improvement in achieving acceptable levels of assurance is underscored by various policy frameworks that were developed and implemented, including a stakeholder management framework, regulatory compliance and information management frameworks. The Opportunity Management System was developed in-house and continues to be enhanced to highlight project risks entering the Group's environment.

The multi-year rolling internal audit plan is designed to provide assurance that the major risks and key processes are effectively mitigated and managed, to recommend improvements and track the implementation of audit recommendations.

The Group Integrated Assurance Framework governs and coordinates the overall approach to Group risk management. This entails understanding, identifying, reporting, managing and mitigating Group risk and includes the process of independently auditing Group policies, plans, procedures, practices, systems, controls and activities to ensure that the Group achieves the level of operational efficiency and compliance required by the Board.

The efforts of the various internal and external assurance providers are coordinated to ensure coverage of agreed risk areas and to minimise duplication and eliminate gaps.

KEY AUDIT MATTERS

Key audit matters are those matters that, Deloitte & Touche, in their professional judgement, were of most significance in their audit of the consolidated financial statements of the current period:

- Recognition of contract revenue, margin and related receivables and liabilities;
- Recognition and recoverability of claims and variation orders;
- Office space onerous lease provisions; and
- Deferred taxation asset recoverability.

SIGNIFICANT AREAS OF JUDGEMENT

Further information on significant areas of judgement can be found in note 45.

SP Kana
23 August 2017

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Murray & Roberts Holdings Limited and its subsidiaries (the Group) set out on pages 15 to 101, which comprise the statements of financial position as at 30 June 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 30 June 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our audit report with regard to the separate financial statements of the Company for the year ended 30 June 2017.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

<table>
<tr><th>KEY AUDIT MATTER</th><th>HOW THE MATTER WAS ADDRESSED IN THE AUDIT</th></tr>
<tr><td>Recognition of contract revenue, margin and related receivables and liabilities</td><td></td></tr>
<tr><td>The industry in which the Group operates is characterised by contract risk with significant judgements involved by the directors in the assessment of both current and future contract financial performance.

Revenue and margin are recognised based on the stage of completion of individual contracts, calculated on the proportion of total costs at the reporting date compared to the estimated total costs of the contracts. Anticipated losses to completion are immediately recognised as an expense in contract costs.

The status of contracts is updated on a regular basis. In doing so the directors are required to exercise judgement in their assessment of the valuation of contract variations and claims (specifically considered in the key audit matter below) and liquidated damages as well as the completeness and accuracy of forecast costs to complete and the ability to deliver contracts within forecast timescales. The potential final contract values can cover a wide range of outcomes. Dependent on the level of judgement in each, the range on each contract can be individually material. In addition, changes in these judgements, and the related estimates as contracts progress can result in material adjustments to revenue and margin, which can be both positive and negative. As a result of the above this is considered a Key audit matter.

Accounting for the revenue recognition process, which requires significant judgement, is guided by Accounting Policy note 1.23. The respective amounts are disclosed in note 26.</td><td>Our work on the recognition of contract revenue, margin and related receivables and liabilities included:

■ Consideration of the appropriateness of the Group's revenue recognition policies;
■ An assessment of the design and implementation of key controls over the recognition of contract revenue and margin and tests to determine whether these controls were operating effectively throughout the period, regardless of whether these controls were ultimately relied upon;
■ Attendance of contract review meetings prior to and post the reporting date;
■ Testing a sample of contracts in order to challenge both current and future financial performance;
■ For sampled contracts, challenging the directors' key judgements inherent in the forecast costs to complete that drive the accounting under the percentage of completion method, including:
• a review of the contract terms and conditions through review of contract documentation;
• testing the existence and valuation of claims and variations within contract costs via inspection of correspondence with customers and the supply chain;
• a review of legal and contracting experts' reports received on contentious matters;
• obtaining an understanding of the assumptions applied in determining the forecasts;
• an assessment of the ability to deliver contracts within budgeted timescales and any exposures to liquidated damages for late delivery of contract works; and
• a review of post balance sheet contract performance to support period end judgements.
■ An assessment of the recoverability of related receivables, including testing of post period end cash receipts and completeness of any contract loss provisions through completion of the above procedures;
■ Additional reviews of contracts where significant risks of material misstatement had been identified; and
■ Consideration of the adequacy of disclosures regarding contracts.

Our procedures led us to conclude that the revenues and costs associated with contracts and the related assets and liabilities have been appropriately recognised, measured and disclosed.</td></tr>
</table>

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Recognition and recoverability of claims and variation orders	
Accounting for claims and variation orders in contracts requires the exercise of judgement by the directors as to the extent to which claims and variation orders can be included in the end of site revenue forecast. This requires careful thought and assessment of the uncertainties which may arise. All claims and variation orders at the reporting date are re-assessed by the directors to confirm that it is still appropriate to recognise them in terms of Accounting Policy note 1.23 and that the amounts are appropriately valued and disclosed in the financial statements. Due to their long outstanding nature, claims and variation orders taken to book remain a risk in terms of their recoverability and the directors are required to make a judgement as to whether the recorded amounts are fully recoverable and is therefore a Key audit matter. As at 30 June 2017, the Group reflected R913,7 million (30 June 2016: R2 020,2 million) in net uncertified revenue as disclosed in note 9. This uncertified revenue related primarily to the Middle East operations.	Our work on the recognition and recoverability of claims and variation orders included: ■ An assessment of the design and implementation of key controls as described in the audit response to the key audit matter set out above; ■ Obtain an understanding of current period developments, to confirm whether circumstances had changed that would require a different position to be taken; ■ Review of correspondence relating to claims and variation orders taken to book; ■ Engaging our internal specialists to examine the correspondence and dossiers relating to the more significant claims and variation orders to independently determine the probability of the success of the claims and the recoverability thereof; ■ A review of legal experts' reports and discussion with such legal experts where necessary, on the progress of claims and variation orders that had progressed to dispute resolution or arbitration processes; ■ Assessment of the judgements and estimates determined in taking the claims and variation orders to book, challenging the directors regarding the key estimates and validating those with supporting evidence; ■ An assessment of the recoverability of related receivables, including testing of post period end cash receipts; and ■ Additional reviews of the project status of projects in the Middle East and selected other projects with uncertified revenue. Based on our findings from the above procedures, the recognition, measurement and disclosure in respect of claims and variations are acceptable.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Office space onerous lease provisions	
The Group has recognised a material provision for an onerous lease contract. Accounting standards require the directors to assess the Group's leasehold properties to identify where the expected future benefits from a property are less than the future lease commitments which would indicate that an onerous lease provision is required. Under IAS 37: Provisions, contingent liabilities and contingent assets such a provision is made for the unavoidable costs of the contract, defined in the standard as the "least net cost of exit". This onerous lease provision is disclosed in note 20. This area requires a significant level of judgement given the external economic environment as the calculation of the onerous lease provision is primarily underpinned by three key assumptions namely: ■ the amount and period of unused space; ■ the estimated sub-lease income (where the space has not already been sub-let) over the remaining lease period; and ■ the discount rate (to reflect the time value of money due to the lease tenure). As a result of the above judgements made, this matter is considered a Key audit matter.	Our work on the recognition of the onerous lease provisions included: ■ An assessment of the design and implementation of key controls over the calculation of the onerous lease provision; ■ Challenging the directors in relation to the key judgements made; ■ Assessing whether any leasehold assets associated with the unused office space have been written off appropriately; ■ An assessment of the unused lease space through a combination of physical observation and our understanding of the existing terms of the sub-leases as at 30 June 2017 as well as the Group's expectations regarding own use. In regard to sub-leases, we assessed if the sub-lease assumptions are appropriately reflective of either the current sub-lease terms or the assumed future sub-lease estimates (i.e. expected market discount to gross head lease, excluding any lease incentives); ■ Considering whether the accounting treatment applied by the directors in regard to the predicted future own use assumption of office space for projects yet to be obtained is in line with the requirements of IFRS; ■ Assessing the directors' calculation of the onerous provision as at 30 June 2017 for accuracy and completeness of key data by agreeing inputs to underlying documentation. This included assessing whether the lease "make good" costs have been taken into account in the determination of the provision and if the provision calculation reflects the time value of money (discounting) and includes an escalation factor of the assumed sub-lease rentals; and ■ An assessment of the classification of the provision between current and non-current and the adequacy and completeness of the disclosures in respect of the onerous lease provision for the period ended 30 June 2017. In our view, the onerous lease contract has been recognised, measured and disclosed appropriately.
Deferred taxation asset recoverability	
As disclosed in note 21, the Group has recognised deferred taxation assets in respect of certain entities to the extent that it is probable that historical assessed taxation losses will be realised. This requires the directors judgement in estimating future taxable income and is accordingly a key audit matter.	Our work on the recognition of deferred taxation assets included: ■ An assessment of the design and implementation of key controls over the calculation of income and deferred taxation charges and the recognition of deferred tax assets; ■ Evaluating the directors' assessment of the estimated manner in which the timing differences, including the recoverability of the deferred taxation assets, would be realised by comparing this to evidence obtained in respect of other areas of the audit, including cash flow forecasts compared to historical information, business plans, and minutes of directors board meetings; and ■ An assessment of the appropriateness of the disclosure of deferred taxation assets. We involved our Taxation specialists to evaluate the recognition and measurement of the deferred taxation assets and liabilities. This work included: ■ Analysing the current and deferred taxation calculations for compliance with the relevant taxation legislation; and ■ Challenging the assumptions made by the directors for uncertain taxation positions to assess whether appropriate deferred taxation balances have been recognised and are based on the most probable outcome. We assessed that the Group's deferred taxation assets are reasonable and are appropriately disclosed.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the Companies Act of South Africa, and for such internal control as they determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

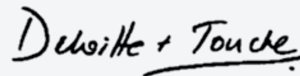
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of changes to the IRBA Rules published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Murray & Roberts Holdings Limited for 115 years.



Deloitte & Touche
Registered Auditor

Per: GM Berry
Partner
23 August 2017

REPORT OF DIRECTORS

FOR THE YEAR ENDED 30 JUNE 2017

This report presented by the directors is a constituent of the consolidated and separate annual financial statements at 30 June 2017, except where otherwise stated. All monetary amounts set out in tabular form are expressed in millions of Rands, except where otherwise stated.

1 NATURE OF BUSINESS

Main business and operations

Murray & Roberts Holdings Limited is an investment holding company with interests in the underground mining, oil & gas and power & water markets.

The Company does not trade and its activities are undertaken through subsidiaries, joint arrangements and associates. Information regarding the Group's major subsidiaries and associate companies appears in Annexure 1 of the consolidated financial statements.

Group financial results

At 30 June 2017 the Group recorded earnings of R48 million (2016: R753 million), representing diluted earnings per share of 12 cents (2016: diluted earnings per share of 182 cents). Diluted headline earnings per share was 26 cents (2016: diluted headline earnings per share of 153 cents).

Full details of the financial position and results of the Group are set out in these consolidated and separate financial statements. The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new or revised accounting standards as set out in note 46.

Going concern

The Board is satisfied that the consolidated and separate financial statements comply with International Financial Reporting Standards on a going concern basis following an assessment of solvency and liquidity requirements.

The directors are of the opinion that the Company and the Group have adequate resources to continue in operation for the foreseeable future based on forecasts and available cash resources and accordingly the annual financial statements have been prepared on a going concern basis.

Uncertified revenue

The Group's share of uncertified revenue is included in amounts due from contract customers in the statement of financial position. The uncertified revenue has been recognised through the statement of financial performance in current and prior periods in respect of claims and variation orders on projects (refer to note 9 of the consolidated financial statements), relating mainly to claims on projects in the Middle East.

A cumulative total revenue of R914 million being amounts due from contract customers (net of payments received on account of R445 million (2016: R474 million)), has been recognised in the statement of financial position at 30 June 2017 (2016: R2 020 million) as the Group's share of uncertified revenue in respect of claims and variation instructions on the Group's projects. Recognition of these assets is supported by the Group's independent experts and advisers, and in accordance with IAS 11: *Construction Contracts*.

All Gautrain development period claims have been settled with the Gauteng Provincial Government. This was an all-inclusive settlement and the settlement value achieved supported the uncertified revenue previously taken against these claims, net of the provision for potential future Gautrain tunnel water ingress work which was released. In terms of this agreement no further work is required to be undertaken in the tunnel.

In the Middle East all projects are expected to be completed during FY2018. Close-out of the business in the Middle East continues to present major risk, but all known project losses have been fully accounted for in FY2017. Costs during FY2018 should be limited to a significantly reduced overhead cost and ongoing legal fees on the Dubai Airport dispute. After a protracted legal process, the Dubai Airport claim is finally in arbitration, with an award expected in May 2018.

Resolution of these extremely complex legal and financial claims and variation instructions has yet to be finalised, and may be subject to arbitration and/or negotiation. This could result in a materially higher or lower amount being awarded finally, compared to that recognised in the statement of financial position at 30 June 2016.

Grayston Pedestrian Bridge temporary works collapse

In November 2015, the Department of Labour instituted a Section 32 Inquiry ("Inquiry") into this incident to determine the cause or causes of the collapse of the temporary works structure. This formal Inquiry currently underway, is conducted in terms of the provisions of the Occupational Health and Safety Act, 1993. The Inquiry was recently paused, but is due to resume again in September 2017. The Board is disappointed at the slow pace that is delaying closure of this distressing incident for all parties involved.

All costs incurred to date have been expensed as and when incurred. This incident is one of the retained liabilities following the disposal of the Southern African

Infrastructure & Building businesses and the direct financial impact of this incident on the Group is not expected to be material considering the comprehensive insurance cover in place. The project is expected to be completed during the latter part of the 2017 calendar year and the date by which the Inquiry will be concluded remains uncertain.

Segmental disclosure

The Group will operate under three strategic platforms in financial year 2018. An analysis of the Group's results reflects the results and financial position of each platform (refer to Annexure 3 of the consolidated financial statements).

2 AUTHORISED AND ISSUED SHARE CAPITAL

Full details of the authorised and issued capital of the Company at 30 June 2017 are contained in note 12 of the consolidated financial statements.

Particulars relating to the Murray & Roberts Trust are set out in note 13 of the consolidated financial statements.

At 30 June 2017 the Trust held 30 150 (2016: 30 150) shares against the commitment of options granted by the Trust totalling 371 180 (2016: 3 224 040) ordinary shares. The shares held by the Trust were purchased in the market and have not been issued by the Company.

Particulars relating to the Vulindlela Trust are set out in note 13 of the consolidated financial statements. During the year the Vulindlela Trust granted a total of 2 173 000 shares (2016: 2 012 700 shares) to black executives as part of the Group's BBBEE.

At 30 June 2017 the Vulindlela Trust held 10 624 366 (2016: 10 626 886) shares against the commitment of shares granted by the Vulindlela Trust totalling 5 974 451 (2016: 5 914 060) ordinary shares. The shares held by the Vulindlela Trust were purchased in the market and have not been issued by the Company.

The total number of ordinary shares that may be utilised for purposes of the Murray & Roberts Holdings Limited Employee Share Incentive Scheme ("Scheme") is limited to 5,0% (2016: 5,0%) of the total issued ordinary shares of the Company, currently 22 236 806 (2016: 22 236 806) ordinary shares. As no shares have been issued to date in connection with the Scheme, this limit remains unutilised.

In terms of the FSP employees were allocated shares during the year by the remuneration committee totalling 6 372 026 shares (2016: 8 831 888). The shares held by the entities, in escrow, were purchased on the market and have not been issued by the Company.

Share buy-back

Shareholders are referred to the announcement released on SENS on 29 June 2017 regarding the Company's decision to buy-back shares to the value of R250 million. As at 23 August 2017, shares to the value of R9,6 million have been bought on the open market.

3 DIVIDEND

The Board resolved to maintain a gross annual dividend of 45 cents (2016: 45 cents) per ordinary share for the year ended 30 June 2017. The dividend will be subject to the dividend tax rate of 20%, which will result in a net dividend of 36 cents per share to those shareholders who are not exempt from paying dividend tax. The dividend has been declared from income reserves.

Notwithstanding the losses incurred in the Middle East, the Board's decision took into consideration the Group's strong cash position, partly as a result of the Gautrain settlement, as well as the view that FY2018 will be the start of a new EBIT growth period, supported by analyst and third party research citing mainly the current turn in the metals and minerals cycle.

The number of shares in issue as at the date of this declaration is 444 736 118 and the Company's tax reference number is 9000203712.

The relevant dates are:

EVENT	DATE
Last day to trade (cum-dividend)	Tuesday, 3 October 2017
Shares to commence trading (ex-dividend)	Wednesday, 4 October 2017
Record date (date shareholders recorded in books)	Friday, 6 October 2017
Payment date	Monday, 9 October 2017

No share certificates may be dematerialised or rematerialised between Wednesday, 4 October 2017 and Friday, 6 October 2017, both dates inclusive.

On Monday, 9 October 2017, the dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. No dividend cheques will be paid to shareholders who have not provided their banking details to the transfer secretaries: Link Market Services. Accordingly, the cash dividend will remain unpaid until such time as the non-compliant shareholder has provided relevant banking details to the transfer secretary, to receive the cash dividend by electronic funds transfer. No interest will be paid for unpaid dividends.

4 SUBSIDIARIES AND INVESTMENTS

Acquisitions

Acquisition of a further interest in Bombela Concession Company ("BCC")

Shareholders are referred to the announcement released on SENS on 22 August 2017, regarding the acquisition of a further 17% in Bombela Concession Company (RF) (Pty) Ltd ("BCC") by Murray & Roberts Limited for a total consideration of R405 million. The cash position of the Group and its subsidiaries is sufficiently robust to undertake the acquisition. This is a good investment expected to yield a return of 18% before interest. The implementation of the transaction remains subject to approval of the Gauteng Management Agency, Competition Authorities and BCC's funders.

Disposals

Disposal of interest in Southern African Infrastructure & Building businesses

The Group disposed of its interest in the Southern African Infrastructure & Building businesses, effective 1 April 2017, for a gross consideration of R564 million (R397,2 million net of transaction costs (R27,5 million) and purchase price adjustment (R139,3 million)).

The gross cash consideration of R314 million was received on 12 May 2017.

The gross deferred consideration of R250 million mainly relates to working capital assets on contracts that have achieved practical completion as at the effective date, Grayston Pedestrian Bridge and Lonmin receivables. The amount is payable within 5 days of recovery, after which interest is calculated at bank deposit rates. An amount of R56,8 million relating to the deferred consideration has been written off to profit or loss in the 2017 financial year.

Discontinued operations

The disposal of the Southern African Infrastructure & Building businesses was effective 1 April 2017 and the Group recorded R71 million of retained liabilities on the sale of these businesses and other historical items. Genrec recorded a loss before taxation of R68 million for the year, primarily due to low levels of revenue and a weak order book. The sale of Genrec is underway, targeted for completion in the first half of FY2018. The R170 million net present value charge of future expenses in relation to the Voluntary Rebuilding Programme agreement between the listed construction companies and the South African Government, as previously announced on the Stock Exchange News Service of the JSE Limited ("SENS"), was also recorded under discontinued operations.

5 SPECIAL RESOLUTION

During the year under review the following special resolutions were passed by shareholders:

1) The proposed fees payable quarterly in arrears to non-executive directors;
2) General authority to repurchase shares;
3) Financial Assistance to related or inter-related companies; and
4) Amendments to the Memorandum of Incorporation.

In terms of the Companies Act requirements, special resolutions relating to the sale of certain businesses were passed by subsidiary companies.

6 EVENTS AFTER THE REPORTING DATE

Other than the share buy-back and acquisition of a further interest in BCC, the directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in the Group and Company financial statements, which significantly affects the financial position at 30 June 2017 or the results of its operations or cash flows for the year then ended.

7 INTEREST OF DIRECTORS

A total of 150 080 (2016: 1 609 340) share options are allocated to directors in terms of the Murray & Roberts Holdings Limited Employees Share Incentive Scheme, further details are set out in note 13.

The directors of the Company held direct beneficial interests in 401 080 ordinary shares of the Company's issued ordinary shares (2016: 278 392). Details of the ordinary shares held per individual director are listed below.

BENEFICIAL	Direct	Indirect
30 June 2017		
DD Barber	**2 723**	**–**
DF Grobler	**–**	**407 000**
HJ Laas	**398 357**	**1 971 500**
30 June 2016		
DD Barber	2 723	–
AJ Bester	123 472	817 000
HJ Laas	152 197	1 337 000

At the date of this report, these interests remain unchanged.

REPORT OF DIRECTORS – CONTINUED

8 DIRECTORS

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

Independent non-executive

M Sello (Chairman); DD Barber; R Havenstein; SP Kana; NB Langa-Royds; XH Mkhwanazi and KW Spence.

Executive

HJ Laas (Group chief executive) and DF Grobler (Group financial director).

9 CHANGES TO THE BOARD

Michael McMahon and Royden Vice retired from the Board effective from 30 September 2016 and 30 November 2016 respectively, having reached the mandatory retirement age for Board members.

Shareholders are also referred to the announcements released on SENS on 30 November 2016 and 9 March 2017 respectively, regarding the retirement of Cobus Bester as Group financial director and the appointment of Daniël Grobler effective 1 April 2017.

Subsequent to year end, Suresh Kana was nominated as independent non-executive chairman to succeed Mahlape Sello, who will retire as a director and chairman of the Group at the conclusion of the 2017 AGM. Furthermore, Dave Barber, who has served as an independent non-executive director since June 2008, will also step down from the Board at the AGM.

As announced on SENS on 17 August 2017, Ralph Havenstein was appointed as Lead Independent director, and three new directors, Diane Radley, Alex Maditsi and Emma Mashilwane, were appointed to the Board.

10 COMPANY SECRETARY

Lambertus Kok

The company secretary's business and postal addresses are:

Postal address
PO Box 1000, Bedfordview, 2008

Business address
Douglas Roberts Centre, 22 Skeen Boulevard
Bedfordview, 2007

11 AUDITORS

Deloitte & Touche continued in office as external auditors. At the annual general meeting on 2 November 2017, shareholders will be requested to re-appoint Deloitte & Touche as external auditors for the 2018 financial year. Graeme Berry will be the individual registered auditor who will undertake the audit.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Notes	2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	2	**2 057,7**	2 188,8
Investment property	3	**18,9**	–
Goodwill	4	**606,9**	642,4
Other intangible assets	5	**194,2**	238,3
Investment in joint venture	37	**73,2**	–
Investments in associate companies	6	**7,6**	17,5
Other investments	7	**895,4**	812,8
Deferred taxation assets	21	**585,2**	603,9
Amounts due from contract customers	9	**542,0**	1 513,5
Non-current receivables		**68,3**	77,3
Total non-current assets		**5 049,4**	6 094,5
Current assets			
Inventories	8	**280,1**	241,3
Amounts due from contract customers	9	**4 913,5**	4 964,9
Trade and other receivables	10	**1 167,0**	1 490,8
Current taxation assets	34	**23,4**	25,5
Derivative financial instruments		**2,2**	–
Cash and cash equivalents	11	**2 370,6**	2 812,8
Total current assets		**8 756,8**	9 535,3
Assets classified as held-for-sale	31	**396,8**	2 335,1
Total assets		**14 203,0**	17 964,9
EQUITY AND LIABILITIES			
Stated capital	12	**2 566,1**	2 552,1
Reserves	14 & 15	**996,4**	1 537,8
Retained earnings		**2 978,2**	3 111,0
Equity attributable to owners of Murray & Roberts Holdings Limited		**6 540,7**	7 200,9
Non-controlling interests	16	**64,5**	62,6
Total equity		**6 605,2**	7 263,5
Non-current liabilities			
Long term loans	18	**219,7**	650,4
Retirement benefit obligations	19	**17,3**	16,8
Long term provisions	20	**144,7**	186,6
Deferred taxation liabilities	21	**121,2**	178,9
Non-current payables		**162,0**	84,7
Total non-current liabilities		**664,9**	1 117,4
Current liabilities			
Amounts due to contract customers	9	**1 571,2**	1 522,0
Trade and other payables	23	**3 523,0**	4 191,1
Short term loans	24	**289,2**	342,9
Current taxation liabilities	34	**39,2**	59,7
Provisions for obligations	25	**279,7**	312,4
Subcontractor liabilities	22	**971,5**	1 189,9
Bank overdrafts	11	**117,5**	76,0
Total current liabilities		**6 791,3**	7 694,0
Liabilities classified as held-for-sale	31	**141,6**	1 890,0
Total liabilities		**7 597,8**	10 701,4
Total equity and liabilities		**14 203,0**	17 964,9

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2017

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Notes	2017	2016[1]
Continuing operations			
Revenue	26	**21 397,3**	26 148,0
Continuing operations excluding Middle East		**20 789,6**	24 444,9
Middle East		**607,7**	1 703,1
Profit before interest, depreciation and amortisation		**962,4**	1 773,9
Depreciation		**(430,9)**	(447,8)
Amortisation of intangible assets		**(44,7)**	(50,7)
Profit before interest and taxation	27	**486,8**	1 275,4
Continuing operations excluding Middle East		**1 055,1**	1 343,2
Middle East		**(568,3)**	(67,8)
Interest expense	28	**(109,8)**	(124,8)
Interest income	29	**68,1**	53,6
Profit before taxation		**445,1**	1 204,2
Taxation expense	30	**(161,2)**	(295,8)
Profit after taxation		**283,9**	908,4
Income from equity accounted investments		**7,2**	17,6
Profit for the year from continuing operations		**291,1**	926,0
Loss from discontinued operations	31	**(252,9)**	(136,1)
Profit for the year		**38,2**	789,9
Attributable to:			
Owners of Murray & Roberts Holdings Limited		**48,0**	752,8
Non-controlling interests	16	**(9,8)**	37,1
		38,2	789,9

Basic and diluted earnings per share were 12 cents (2016: 189 cents) and 12 cents (2016: 182 cents) respectively. For further details refer to note 32.

1 *A 38% investment in Forum SA Trading 284 (Pty) Ltd (Property development) was not included in the sale of the Southern African Infrastructure and Building businesses and has therefore been reclassified from discontinued operations in the prior year and included as income from continuing operations for all periods presented.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Notes	2017	2016
Profit for the year		**38,2**	789,9
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Effects of remeasurements on retirement benefit obligations	15	**(5,0)**	(2,9)
		(5,0)	(2,9)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations and realisation of reserve	14 & 16	**(488,6)**	226,4
Effects of cash flow hedges	14	**–**	(0,1)
		(488,6)	226,3
Other comprehensive (loss)/income for the year net of taxation		**(493,6)**	223,4
Total comprehensive (loss)/income		**(455,4)**	1 013,3
Total comprehensive (loss)/income attributable to:			
Owners of Murray & Roberts Holdings Limited		**(421,0)**	975,6
Non-controlling interest		**(34,4)**	37,7
		(455,4)	1 013,3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Stated capital	Hedging and translation reserve	Other capital reserves	Retained earnings	Attributable to owners of Murray & Roberts Holdings Limited	Non-controlling interests	Total equity
Balance at 30 June 2015	2 585,9	1 152,6	191,1	2 568,5	**6 498,1**	24,9	**6 523,0**
Total comprehensive income/(loss) for the year	–	226,8	(3,1)	751,9	**975,6**	37,7	**1 013,3**
Treasury shares acquired (net)	(33,8)	–	–	–	**(33,8)**	–	**(33,8)**
Transfer to retained earnings	–	–	(1,5)	1,5	**–**	–	**–**
Utilisation of share-based payment reserve	–	–	(44,6)	–	**(44,6)**	–	**(44,6)**
Recognition of share-based payment	–	–	16,5	–	**16,5**	–	**16,5**
Dividends declared and paid[1]	–	–	–	(4,4)	**(4,4)**	–	**(4,4)**
Dividends declared and paid to owners of Murray & Roberts Holdings Limited	–	–	–	(206,5)	**(206,5)**	–	**(206,5)**
Balance at 30 June 2016	2 552,1	1 379,4	158,4	3 111,0	**7 200,9**	62,6	**7 263,5**
Total comprehensive (loss)/income for the year	–	(464,0)	(5,0)	48,0	**(421,0)**	(34,4)	**(455,4)**
Treasury shares disposed (net)	14,0	–	–	–	**14,0**	–	**14,0**
Transfer to retained earnings	–	–	(25,9)	25,9	**–**	–	**–**
Realisation of minority interest reserve	–	(23,8)	–	(12,5)	**(36,3)**	36,3	**–**
Utilisation of share-based payment reserve	–	–	(55,3)	–	**(55,3)**	–	**(55,3)**
Recognition of share-based payment	–	–	32,6	–	**32,6**	–	**32,6**
Dividends declared and paid[1]	–	–	–	(8,3)	**(8,3)**	–	**(8,3)**
Dividends declared and paid to owners of Murray & Roberts Holdings Limited	–	–	–	(185,9)	**(185,9)**	–	**(185,9)**
Balance at 30 June 2017	2 566,1	891,6	104,8	2 978,2	**6 540,7**	64,5	**6 605,2**

1 Dividends relate to distributions made by entities that hold treasury shares.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Notes	2017	2016*
Cash flows from operating activities			
Receipts from customers		**25 103,5**	30 705,9
Payments to suppliers and employees		**(24 048,3)**	(29 616,9)
Cash generated from operations	33	**1 055,2**	1 089,0
Interest received		**87,1**	76,9
Interest paid		**(137,5)**	(147,8)
Taxation paid	34	**(209,6)**	(256,2)
Operating cash flow		**795,2**	761,9
Dividends paid to owners of Murray & Roberts Holdings Limited		**(194,2)**	(210,9)
Net cash inflow from operating activities		**601,0**	551,0
Cash flows from investing activities			
Acquisition of businesses	35	**–**	(21,6)
Dividends received from associate companies	6	**19,1**	17,8
Dividends received from joint venture classified as held-for-sale		**–**	2,0
Purchase of intangible assets other than goodwill	5	**(23,6)**	(61,7)
Purchase of property, plant and equipment	2	**(264,1)**	(338,3)
– Replacements		**(115,7)**	(98,7)
– Additions		**(395,0)**	(332,2)
– Capitalised finance leases raised (non-cash)		**246,6**	92,6
Purchase of property, plant and equipment by entities classified as held-for-sale		**(53,0)**	–
Investment in joint venture	37	**–**	(23,5)
Investment in joint venture held-for-sale		**(2,0)**	–
Proceeds on disposal of property, plant and equipment		**45,0**	159,6
Proceeds on disposal of intangible assets other than goodwill		**7,0**	–
Net (outflow)/inflow on disposal of business	35	**(322,8)**	15,1
Proceeds on disposal of assets held-for-sale		**37,0**	–
Cash related to assets held-for-sale		**259,0**	(257,1)
Proceeds from realisation of investment	7	**170,0**	53,8
Other		**1,3**	(3,1)
Net cash outflow from investing activities		**(127,1)**	(457,0)
Cash flows from financing activities			
Net acquisition of treasury shares		**(41,0)**	(78,0)
Net movement in borrowings	36	**(660,6)**	(466,9)
Net cash outflow from financing activities		**(701,6)**	(544,9)
Total decrease in net cash and cash equivalents		**(227,7)**	(450,9)
Net cash and cash equivalents at the beginning of the year		**2 736,8**	2 846,7
Effect of exchange rates		**(256,0)**	341,0
Net cash and cash equivalents at the end of the year	11	**2 253,1**	2 736,8

* *In the 2016 financial year the non-cash element of capitalised finance leases was in error included under investing cash flows as purchase of property, plant and equipment (R92,6 million). Therefore the 2016 cash flow has been restated with the resulting impact being that the cash outflow from financing activities increased by R92,6 million and the cash outflow from investing activities decreased by R92,6 million.*

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2017

1 PRESENTATION OF FINANCIAL STATEMENTS

1.1 Basis of preparation

These consolidated and separate financial statements have been prepared under the historical cost convention as modified by the revaluation of non-trading financial asset investments, financial assets and financial liabilities held for trading, financial assets designated as fair value through profit or loss and investment property. Non-current assets and disposal groups held-for-sale, where applicable, are stated at the lower of its carrying amount and fair value less cost to sell.

The preparation of financial statements required the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and conditions, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements, and significant estimates made in the preparation of these consolidated and separate financial statements are discussed in note 45.

Standards, Interpretations and Amendments to published standards that are not yet effective are discussed in note 46.

1.2 Statement of compliance

These consolidated and separate financial statements are prepared in accordance with IFRS and Interpretations adopted by the International Accounting Standards Board ("IASB"), the SAICA financial reporting guides as issued by the Accounting Practices Committee, financial reporting pronouncements issued by the Financial Reporting Standards Council and the Companies Act 71 of 2008.

1.3 Basis of consolidation

The Group consists of the consolidated financial position and the operating results and cash flow information of Murray & Roberts Holdings Limited ("Company"), its subsidiaries, its interest in joint arrangements and associates.

Subsidiaries are entities, including structured entities such as The Murray & Roberts Trust controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through the power over the entity.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

Intercompany transactions and balances on transactions between group companies are eliminated.

Non-controlling interest loans

Certain companies elect to contribute to shareholder loans as opposed to stated capital.

Loans from non-controlling shareholders are classified as equity instruments rather than financial liabilities if both conditions (a) and (b) below, as required by IAS 32: *Financial Instruments: Presentation*, paragraph 16, are met.

(a) Loans from non-controlling shareholders includes no contractual obligations:
- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the issuer or the Group.

(b) Loans from non-controlling shareholders will not or may not be settled in the issuer's or the Group's own equity instruments.

If the loans from non-controlling shareholders do not meet both conditions (a) and (b) they are classified as financial liabilities.

The raise or repayment of non-controlling interest loans that are classified as equity instruments has no impact on the effective shareholding of the non-controlling shareholder.

1.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depend on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39: *Financial Instruments: Recognition and Measurement*, or IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3: *Business Combinations*.

Goodwill

Goodwill is recognised as an asset at the acquisition date of a business. Goodwill on the acquisition of a subsidiary is included in intangible assets.

Goodwill is not amortised. Instead, an impairment test is performed annually or more frequently if circumstances indicated that it might be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of business combinations. Any impairment loss of the cash generating unit is first allocated against the goodwill and thereafter against the other assets of the cash generating unit on a pro-rata basis.

Whenever negative goodwill arises, the identification and measurement of acquired identifiable assets, liabilities and contingent liabilities are reassessed. If negative goodwill still remains, it is recognised in profit or loss immediately.

On disposal of a subsidiary the attributable goodwill is included in the determination of the profit or loss on disposal. The same principle is applicable for partial disposals where there is a change in ownership, in other words a portion of the goodwill is expensed as part of the cost of disposal. For partial disposals and acquisitions with no change in ownership, goodwill is recognised as a transaction with equity holders.

ACCOUNTING POLICIES – CONTINUED

1.5 Joint arrangements

Joint arrangements are those entities in which the Group has joint control. Under IFRS 11: *Joint Arrangements*, joint arrangements are classified as either joint operations or joint ventures depending upon the contractual rights and obligations each investor has in the joint arrangement. The Group's interest in joint arrangements, classified as joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. While those classified as joint operations are accounted for by recognising the joint operator's share of the assets, liabilities, revenue and expenses on the joint operation. The results of joint arrangements are included from the effective dates of acquisition and up to the effective dates of the disposal.

Intercompany transactions, balances and unrealised gains on transactions between the Group and its joint arrangements are eliminated on consolidation. Unrealised losses are eliminated and are also considered an impairment indicator of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with policies adopted by the Group.

1.6 Investments in associate companies

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of financial performance, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate. The total carrying value of associates is evaluated annually for impairment. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36: *Impairment of Assets* to the extent that the recoverable amount of the investment subsequently increases.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

1.7 Stand-alone company's financial statements

In the stand-alone financial statements of the Company, the investment in a subsidiary company is carried at cost less accumulated impairment losses, where applicable.

1.8 Foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous audited financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised in other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised in other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Foreign currency monetary items

Monetary assets denominated in foreign currencies are translated into the functional currency at the closing rate of exchange ruling at the reporting date. Exchange differences arising on translation are credited to or charged against income.

Monetary liabilities denominated in foreign currencies are translated into the functional currency at the closing rate of exchange ruling at the reporting date. Exchange differences arising on translation are credited to or charged against income.

Monetary Group assets and liabilities (being Group loans, call accounts, equity loans, receivables and payables) denominated in foreign currencies are translated into the functional currency at the closing rate of exchange ruling at the reporting period date. Exchange differences arising on translation are credited to or charged against income except for those arising on equity loans that are denominated in the functional currency of either party involved. In those instances, the exchange differences are taken directly to equity as part of the foreign currency translation reserve.

Exchange differences arising on the settlement of monetary items are credited to or charged against income.

Foreign currency non-monetary items

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Exchange differences arising on translation are credited to or charged against income except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such items, any exchange component of that gain or loss is also recognised directly in equity.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated at historical exchange rates.

Foreign operations

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- income and expenses for each item of profit or loss are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised in the statement of other comprehensive income and accumulated as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially in the statement of other comprehensive income and accumulated in the translation reserve. On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the Group are recycled to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is recycled to profit or loss.

Murray & Roberts has elected the absolute approach in respect of partial disposals of entity's interest in foreign operations.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

1.9 Financial instruments

Classification

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is reassessed on an annual basis, except for derivatives and financial assets designated as fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

The Group classifies financial assets and liabilities into the following categories:

Loans and receivables

Loans and receivables are stated at amortised cost. Amortised cost represents the original amount less principle repayments received, the impact of discounting to net present value and a provision for impairment, where applicable.

ACCOUNTING POLICIES – CONTINUED

When a loan has a fixed maturity date but carries no interest, the carrying value reflects the time value of money, and the loan is discounted to its net present value. The unwinding of the discount is subsequently reflected in the statement of financial performance as part of interest income.

Trade and other receivables

Trade and other receivables are initially recognised at fair value, and are subsequently classified as loans and receivables and measured at amortised cost using the effective interest rate method.

The provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the credit given and includes an assessment of recoverability based on historical trend analysis and events that exist at reporting date. The amount of the provision is the difference between the carrying value and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition.

Contract receivables and retentions

Contract receivables and retentions are initially recognised at fair value, and are subsequently classified as loans and receivables and measured at amortised cost using the effective interest rate method.

Contract receivables and retentions comprise amounts due in respect of certified or approved certificates by the client or consultant at the reporting date for which payment has not been received and amounts held as retentions on certified certificates at the reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank overdrafts are not offset against positive bank balances unless a legally enforceable right of offset exists, and there is an intention to settle the overdraft and realise the net cash simultaneously, or to settle on a net basis.

All short term cash investments are invested with major financial institutions in order to manage credit risk.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for impairment at each reporting date and impaired where there is objective evidence that as a result of one or more events that occurred after initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted.

For available-for-sale assets, a significant or prolonged decline in the fair value of the asset below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of a financial asset is reduced through the use of an allowance account and changes to this allowance account are recognised in profit or loss. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an

equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments

Equity instruments issued by the Company are recognised as the proceeds received, net of direct issue cost.

Treasury shares

The cost of an entity's own equity instruments that it has reacquired ('treasury shares') is deducted from equity. Gain or loss is not recognised on the purchase, sale, issue, or cancellation of treasury shares. Treasury shares may be acquired and held by the entity or by other members of the consolidated group. Consideration paid or received is recognised directly in equity.

Non-trading financial liabilities

Non-trading financial liabilities are recognised at amortised cost. Amortised cost represents the original debt less principle payments made, the impact of discounting to net present value and amortisation of related costs.

Trade and other payables

Trade and other payables are liabilities to pay for goods and services that have been received or supplied and have been invoiced or formally agreed with the supplier. Trade and other payables are initially recognised at fair value, and are subsequently classified as non-trading financial liabilities and carried at amortised cost using the effective interest rate method.

Subcontractor liabilities

Subcontractor liabilities represent the actual unpaid liability owing to subcontractors for work performed including retention monies owed. Subcontractor liabilities are initially recognised at fair value and are subsequently classified as non-trading financial liabilities and carried at amortised cost using the effective interest rate method.

Investments

Service concession investments are designated as fair value through profit or loss. All other investments are classified as non-trading financial assets or loans and receivables and accounted for accordingly.

Financial instruments designated as fair value through profit or loss

Financial assets, other than those held for trade, are classified in this category if the financial assets or liabilities are managed, and their performance evaluated, on a fair value basis in accordance with a documented investment strategy, and where information about these financial instruments are reported to management on a fair value basis. Under this basis the Group's concession equity investment is the main class of financial instruments so designated. The fair value designation, once made is irrevocable.

Measurement is initially at fair value, with transaction cost and subsequent fair value adjustment recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on financial assets. Fair value is determined in a manner as described in note 7. Where management has identified objective evidence of impairment, provisions are raised against the investment. Assets are considered to be impaired when the fair value of the assets is considered to be lower than the original cost of the investment.

Available-for-sale assets

Available-for-sale assets include financial instruments normally held for an indefinite period, but may be sold depending on changes in exchange, interest or other market conditions. Available-for-sale financial instruments are initially measured at fair value, which represents consideration given plus transaction cost and subsequently carried at fair value. Fair value is based on market prices for these assets. Resulting gains or losses are recognised in the statement of other comprehensive income and accumulated as a fair value reserve in the statement of changes in equity until the asset is disposed of or impaired, when the cumulative gain or loss is recognised in profit or loss.

Where management has identified objective evidence of impairment, a provision is raised against the investment. When assessing impairment, consideration is given to whether or not there has been a prolonged decline in the market value below original cost.

Derivative financial instruments

Derivative financial instruments are initially measured at fair value at the contract date, which includes transaction costs. Subsequent to initial recognition derivative instruments are stated at fair value with the resulting gains or losses recognised in profit or loss.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses recognised in the statement of financial performance.

Where a legally enforceable right of offset exists for recognised derivative financial assets and liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

ACCOUNTING POLICIES – CONTINUED

The Group generally makes use of three types of derivatives, being foreign exchange contracts, interest rate swap agreements and embedded derivatives. The majority of these are used to hedge the financial risk of recognised assets and liabilities, unrecognised forecasted transactions or unrecognised firm commitments (hereafter referred to as "economic hedges").

Hedge accounting is not necessarily applied to all economic hedges but only where management made a decision to designate the hedge as either a fair value or cash flow hedge and the hedge qualifies for hedge accounting.

Hedging activities

Economic hedges where hedge accounting is not applied:

When a derivative instrument is entered into as a hedge, all fair value gains or losses are recognised in profit or loss.

Economic hedges where hedge accounting applied:

Hedge accounting recognises the offsetting effects of the hedging instrument (i.e. the derivative) and the hedged item (i.e. the item being hedged such as a foreign denominated liability).

Hedges can be designated as fair value hedges, cash flow hedges, or hedges of net investments in foreign entities.

Fair value hedges

When a derivative instrument is entered into and designated as a fair value hedge, all fair value gains or losses are recognised in profit or loss.

Changes in the fair value of a hedging instrument that is highly effective and is designated and qualifies as a fair value hedge are recognised in profit or loss together with the changes in the fair value of the related hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instruments expire or are sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

Cash flow hedges

Where a derivative instrument is entered into and designated as a cash flow hedge of a recognised asset, liability or a highly probable forecasted transaction, the effective part of any gain or loss arising on the derivative instrument is recognised as part of the hedging reserve until the underlying transaction occurs.

The ineffective part of any gain or loss is immediately recognised in profit or loss.

If the underlying transaction occurs and results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity must be reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as in the periods that interest income or interest expense is recognised). However, if the Group expects that all or a portion of a loss recognised directly in equity will not be recovered in one or more future periods, it shall reclassify into profit or loss the amount that is not expected to be recovered.

If the underlying transaction occurs and results in recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains or losses that were recognised directly in equity are included in the initial cost or other carrying value of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Loans to/from group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint arrangements and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables measured at fair value initially and subsequently at amortised cost.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Bank overdrafts and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

1.10 Contracts-in-progress and contract receivables

Contracts-in-progress represents those costs recognised by the stage of completion of the contract activity at the reporting date. Anticipated losses to completion are expensed immediately in profit or loss.

Advanced payments received

Advance payments received are assessed on initial recognition to determine whether it is probable that it will be repaid in cash or another financial asset. In this instance, the advance payment is classified as a non-trading financial liability that is carried at amortised cost. If it is probable that the advance payment will be repaid with goods or services, the liability is carried at historic cost.

1.11 Intangible assets other than goodwill

An intangible asset is an identifiable, non-monetary asset that has no physical substance. An intangible asset is recognised when it is identifiable, the Group has control over the asset, it is probable that economic benefits will flow to the Group and the cost of the asset can be measured reliably.

Computer software

Acquired computer software that is significant and unique to the business is capitalised as an intangible asset on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programs are capitalised as intangible assets only if it qualifies for recognition. In all other cases these costs are recognised as an expense incurred.

Costs that are directly associated with the development and production of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding one year, are recognised as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads. Computer software is amortised on a systematic basis over its estimated useful life from the date it becomes available for use.

1.12 Property, plant and equipment

Property, plant and equipment are tangible assets that the Group holds for its own use or for rental to others and which the Group expects to be used for more than one period. Property, plant and equipment could be constructed by the Group or purchased by the entities. The consumption of property, plant and equipment is reflected through a depreciation charge designated to reduce the asset to its residual value over its useful life. The useful lives of property, plant and equipment are set out in note 2.

The residual value, useful life and depreciation method of each asset is reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Measurement

All property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, except for land, which is stated at cost less accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item and includes transfers from equity of any gains or losses on qualifying cash flow hedges of currency purchases of property, plant and equipment.

Subsequent costs

Subsequent costs are included in an asset's carrying value only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Day-to-day servicing costs are recognised in profit or loss for the year incurred.

Assets held under finance leases

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Components

The amount initially recognised in respect of an item of property, plant and equipment is allocated to its significant components and where they have different useful lives, are recorded and depreciated separately. The remainder of the cost, being the parts of the item that are individually not significant or have similar useful lives, are grouped together and depreciated as one component.

ACCOUNTING POLICIES – CONTINUED

Depreciation

Depreciation is calculated on the straight-line or units of production basis at rates considered appropriate to reduce the carrying value of each component of an asset to its residual value over its estimated useful life.

Depreciation commences when the asset is in the location and condition for its intended use by management and ceases when the asset is derecognised or classified as held-for-sale.

The useful life and residual value of each component is reviewed annually at year end and, if expectations differ from previous estimates, adjusted for prospectively as a change in accounting estimate.

Impairment

Where the carrying value of an asset is greater than its estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying value in line with its recoverable amount.

Dismantling and decommissioning costs

The cost of an item of property, plant and equipment includes the initial estimate of the costs of its dismantlement, removal, or restoration of the site on which it was located.

1.13 Investment property

Investment properties are land, buildings or part thereof that are either owned or leased by the Group under a finance lease for the purpose of earning rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, for administrative purposes, or sale in the ordinary course of business. The classification is performed on a property-by-property basis.

Initially, investment properties are measured at cost including all transaction costs. Subsequent to initial recognition investment properties are stated at fair value, with any movements in fair value recognised in profit or loss.

1.14 Impairment of assets

At each reporting period the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, the asset is tested for impairment by estimating the recoverable value of the related asset. Irrespective of whether there is any indication of impairment, goodwill acquired in a business combination is tested for impairment on an annual basis.

When performing impairment testing, the recoverable amount is determined for the individual asset for which an objective indication of impairment exists. If the asset does not generate cash flows from continuing use that are largely independent from other assets or groups of assets, the recoverable amount is determined for the cash-generating unit ("CGU") to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

1.15 Non-current assets held-for-sale and discontinued operations

Non-current assets, disposal groups, or components of an enterprise are classified as held-for-sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

1.16 Inventories

Inventories comprise raw materials, consumable stores and in the case of manufacturing entities, work-in-progress and finished goods. Consumable stores include minor spare parts and servicing equipment that are either expected to be used over a period less than 12 months or for general servicing purposes. Consumable stores are recognised in profit or loss as consumed.

Inventories are valued at the lower of cost or net realisable value.

The cost of inventories is determined using the following cost formulas:

- Raw materials – First In, First Out ("FIFO") or Weighted Average Cost basis.
- Finished goods and work-in-progress – cost of direct materials and labour including a proportion of factory overheads based on normal operating capacity.

For inventories with a different nature or use to the Group, different cost formulas are used. The cost of inventories includes transfers from equity of any gains or losses on qualifying cash flow hedges of currency purchase cost, where applicable.

In certain business operations the standard cost method is used. The standard cost takes into account normal levels of materials and supplies, labour, efficiency and capacity utilisation. These are regularly reviewed and, if necessary, revised in the light of current conditions. All abnormal variances are immediately expensed as overhead costs. All under absorption of overhead costs are expensed as normal overhead costs, while over absorption is adjusted against the inventory item or the cost of sales if already sold.

Net realisable value represents the estimated selling price in the ordinary course of the business less all estimated costs of completion and costs incurred in marketing, selling and distribution.

Property development

Property developments are stated at the lower of cost or realised value. Cost is assigned by specific identification and includes the cost of acquisition, development and borrowing costs during development. When development is completed borrowing costs and other charges are expensed as incurred.

1.17 Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised. All other leases are classified as operating leases. The classification is based on the substance and financial reality of the whole transaction rather that the legal form. Greater weight is therefore given to those features which have a commercial effect in practice. Leases of land and buildings are analysed separately to determine whether each component is an operating or finance lease.

Finance leases

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at an amount equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. Any direct cost incurred in negotiating or arranging a lease is added to the cost of the asset. The present value of the cost of decommissioning, restoration or similar obligations relating to the asset are also capitalised to the cost of the asset on initial recognition. The discount rate used in calculating the present value of minimum lease payments is the rate implicit in the lease.

Capitalised leased assets are accounted for as property, plant and equipment. They are depreciated using the straight-line or unit of production basis at rates considered appropriate to reduce the carrying value over the estimated useful lives to the estimated residual values. Where it is not certain that an asset will be taken over by the Group at the end of the lease, the asset is depreciated over the shorter of the lease period and the estimated useful life of the asset.

Finance lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are charged to operating costs as they become due.

Operating leases

Operating lease payments are recognised in profit or loss on a straight-line basis over the lease term. In negotiating a new or renewed operating lease, the lessor may provide incentives for the Group to enter into the agreement, such as up-front cash payments or initial rent-free period. These benefits are recognised as a reduction of the rental expense over the lease term, on a straight-line basis.

1.18 Provisions and contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

Restructuring

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditure arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions.

An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Refer to note 20 (Long term provisions), note 25 (Provisions for obligations) and note 45 (Critical accounting estimates and judgements) for further details.

1.19 Share-based payments

An expense is recognised where the Group received goods or services in exchange for shares or rights over shares (“equity-settled transactions”) or in exchange for other assets equivalent in value to a given number of shares or rights over shares (“cash-settled transactions”).

Employees, including directors, of the Group receive remuneration in the form of share-based transactions, whereby employees render services in exchange for shares or rights over shares (“equity-settled transactions”).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined independently by using the binomial lattice and Monte Carlo Simulation models. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Group (“market conditions”).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity over the period in which the non-market performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

For cash-settled transactions, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting period.

Where there are any vested share options which have not been exercised by the employees and have expired, the cumulative expense recognised in the share-based payment reserve is reclassified to retained earnings.

1.20 Employee benefits

Defined contribution plans

Under defined contribution plans the Group's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Consequently, the actuarial risk that benefits will be less than expected and the investment risk that assets invested will be insufficient to meet expected benefits, is borne by the employee. Such plans include multi-employer or state plans.

Employee and employer contributions to defined contribution plans are recognised as an expense in the year in which incurred.

Defined benefit plans

Under defined benefit plans, the Group has an obligation to provide the agreed benefits to current and former employees. The actuarial and investment risk are borne by the Group. A multi-employer or state plan that is classified as a defined benefit plan, but for which sufficient information is not available to enable defined benefit accounting, is accounted for as a defined contribution plan.

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Methods, with actuarial valuations being carried out at each reporting period date.

The current service cost as well as net interest expense in respect of defined benefit plans is recognised as an expense in the year to which it relates. Past service costs are recognised immediately in profit or loss. Experience adjustments, effects of changes in actuarial assumptions and plan amendments in respect of existing and retired employees are recognised in other comprehensive income as remeasurements in the period in which they arise. Deficits arising on these funds, if any, are recognised immediately in respect of retired employees and over the remaining service lives of current employees.

The defined benefit obligation in the statement of financial position, if any, represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and are reduced by the fair value of planned assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contribution to the plan.

1.21 Taxation

Income taxation expense represents the sum of current and deferred taxation.

Current taxation assets and liabilities

The current taxation asset/liability is based on taxable profit/loss for the year. Taxable profit/loss differs from profit/loss as reported in the statement of financial performance because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's asset/liability for current taxation is calculated using taxation rates that have been enacted or substantively enacted by the reporting date.

Deferred taxation assets and liabilities

A deferred taxation liability is based on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of the taxable profits, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition, other than in business combinations, of other assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profits.

Deferred taxation liabilities are recognised for the taxable temporary differences arising from investments in subsidiaries, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future. Deferred taxation assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of a deferred taxation asset is revised at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the asset or part of the asset to be recovered.

Deferred taxation is calculated at the substantively enacted rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred taxation is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity in which case the deferred taxation is also charged or credited directly to equity.

Deferred taxation assets and liabilities are offset when there is a legal enforceable right to offset deferred taxation assets against liabilities and when the deferred taxation relates to the same fiscal authority.

1.22 Related parties

Related parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the party in making financial and operating decisions. Refer to IAS 24: "*Related Party Disclosures*" for a comprehensive list of entities defined as related parties.

Related party transactions are those where a transfer of resources or obligations between related parties occur, regardless of whether or not a price is charged.

1.23 Revenue

Long term and construction contracts

Where the outcome of a long term and construction contract can be reliably measured, revenue and costs are recognised by reference to the stage of completion of the contract at the reporting date, as measured by the proportion that contract costs incurred for work to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that collection is probable and the amounts can be reliably measured. Anticipated losses to completion are immediately recognised as an expense in contract costs.

Where the outcome of the long term and construction contracts cannot be estimated reliably, contract revenue is recognised to the extent that the recoverability of incurred costs is probable.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as amounts received in excess of work completed. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

ACCOUNTING POLICIES – CONTINUED

In limited circumstances, contracts may be materially impacted by a client's actions such that the Group is unable to complete the contracted works at all or in the manner originally forecast. This may include dispute resolution procedures under the relevant contract and/or litigation. In these circumstances the assessment of the project outcome, whilst following the basic principles becomes more judgmental. Refer to note 45 (Critical accounting estimates and judgements) regarding Revenue recognition and contract accounting.

1.24 Dividends

Dividends are accounted for on the date of declaration and are not accrued as a liability in the financial statements until declared.

1.25 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Executive Committee who makes strategic decisions. The basis of segmental reporting is set out in Annexure 3.

Inter-segment transfers

Segment revenue, segment expenses and segment results include transfers between operating segments and between geographical segments. Such transfers are accounted for at arms length prices. These transfers are eliminated on consolidation.

Segmental revenue and expenses

All segment revenue and expenses are directly attributable to the segments.

Segmental assets

All operating assets used by a segment principally include property, plant and equipment, investments, inventories, contracts-in-progress and receivables, net of allowances. Cash balances are excluded.

Segmental liabilities

All operating liabilities of a segment principally include accounts payable, subcontractor liabilities and external interest bearing borrowings.

1.26 Black economic empowerment

IFRS 2: *Share-Based Payment* requires share-based payments to be recognised as an expense in profit or loss. This expense is measured at fair value of the equity instruments issued at grant date.

Letsema Vulindlela Black Executive Trust

Once selected, black executives become vested beneficiaries of the Letsema Vulindlela Black Executive Trust and are granted Murray & Roberts shares. In terms of their vesting rights, the fair value of these equity instruments, valued at the various dates on which the grants take place, are recognised as an expense over the related vesting periods.

Letsema Khanyisa Black Employee Benefits Trust and Letsema Sizwe Community Trust

These trusts are established as 100-year trusts. However, after the lock-in period ending 31 December 2020, they may, at the discretion of the trustees, be dissolved in which event any surplus in these trusts, after the settlement of all the liabilities, will be transferred to organisations which engage in similar public benefit activities. An IFRS 2 expense will have to be recognised at such point in time when this surplus is distributed to an independent public benefit organisation.

NOTES TO THE AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

2 PROPERTY, PLANT AND EQUIPMENT

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017			2016		
	Cost	**Accumulated depreciation and impairment**	**Carrying value**	Cost	Accumulated depreciation and impairment	Carrying value
Land and buildings	**470,5**	**(269,0)**	**201,5**	431,3	(249,6)	181,7
Plant and machinery	**4 612,0**	**(2 818,1)**	**1 793,9**	4 609,9	(2 743,6)	1 866,3
Other equipment	**269,9**	**(207,6)**	**62,3**	346,9	(206,1)	140,8
Total	**5 352,4**	**(3 294,7)**	**2 057,7**	5 388,1	(3 199,3)	2 188,8

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT	Land and buildings	Plant and machinery	Other equipment	Total
At 30 June 2015	367,0	2 410,6	243,2	3 020,8
Additions	5,2	371,7	54,0	430,9
Acquisition of businesses	0,1	3,6	0,7	4,4
Disposals	(50,2)	(69,1)	(16,0)	(135,3)
Transfer to assets classified as held-for-sale	(138,4)	(635,7)	(9,6)	(783,7)
Transfer from other intangible assets	–	–	0,8	0,8
Transfers between categories	14,3	106,7	(121,0)	–
Foreign exchange movements	18,5	215,2	11,4	245,1
Depreciation	(34,8)	(498,3)	(22,7)	(555,8)
Impairment loss	–	(48,8)	–	(48,8)
Impairment loss utilised	–	10,4	–	10,4
At 30 June 2016	**181,7**	**1 866,3**	**140,8**	**2 188,8**
Additions	**32,3**	**439,4**	**39,0**	**510,7**
Disposals	**(0,3)**	**(14,5)**	**(0,1)**	**(14,9)**
Transfer to assets classified as held-for-sale	**(15,3)**	**–**	**–**	**(15,3)**
Transfer to other intangible assets	**–**	**–**	**(0,3)**	**(0,3)**
Transfers between categories	**69,6**	**29,1**	**(98,7)**	**–**
Foreign exchange movements	**(16,9)**	**(146,3)**	**(4,3)**	**(167,5)**
Depreciation	**(38,0)**	**(381,2)**	**(14,1)**	**(433,3)**
Impairment loss	**(11,6)**	**–**	**–**	**(11,6)**
Impairment loss utilised	**–**	**1,1**	**–**	**1,1**
At 30 June 2017	**201,5**	**1 793,9**	**62,3**	**2 057,7**

The Group has pledged certain assets as security for certain interest bearing borrowings (note 17, Secured liabilities).

The following average depreciation periods are used for the depreciation of property, plant and equipment:

– Land	Not depreciated	
– Buildings	20 to 40 years	on a straight-line basis
– Plant and machinery	3 to 30 years	on a straight-line basis and units of production
– Other equipment	3 to 10 years	on a straight-line basis

The impairment in land and buildings relate to leasehold improvements impaired in Oil & Gas after evaluating the onerous lease obligation within that business unit.

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

3 INVESTMENT PROPERTY

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	**2017**	2016
At the beginning of the year	**–**	17,5
Fair value adjustments	**7,3**	4,8
Foreign exchange movements	**(0,1)**	1,7
Transfer from/(to) assets classified as held-for-sale[1]	**11,7**	(24,0)
	18,9	–

The fair value of the Group's investment property as at 30 June 2017 has been arrived at on the basis of a valuation carried out during the current financial year by Property Development & Valuation Surveyors who are independent valuators not related to the Group. Property Development & Valuation Surveyors are members of the Real Estate Institute of Botswana, and hold the appropriate qualifications and experience for the valuation of properties in the relevant locations. The investment method was used to value Plot 68275. Investment property is classified as level 3 in terms of the fair value hierarchy.

1 *Southern African Infrastructure & Building businesses have been classified as discontinued operations in the prior year and the property was therefore classified under assets held-for-sale. Subsequently, the property was not sold as part of the sale of the Southern African Infrastructure & Building businesses within the Infrastructure & Building platform. This investment property was therefore reclassified from assets held-for-sale to investment property in the current year. Refer to note 31.2.*

4 GOODWILL

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	**2017**	2016
At the beginning of the year	**642,4**	635,8
Additions through business combinations	**–**	20,9
Transfer to assets classified as held-for-sale	**–**	(44,3)
Foreign exchange movements	**(35,5)**	30,0
	606,9	642,4
Goodwill is allocated to the Group's cash-generating units identified according to the operating platforms that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to the following operating platforms:		
Power & Water	**81,4**	81,4
Underground Mining	**55,8**	58,3
Oil & Gas	**469,7**	502,7
	606,9	642,4

Impairment testing

Summary of growth and post-tax discount rates per cash generating units:

	Growth rate	Post-tax Discount rate
Power & Water	4,5%	13,6%
Underground Mining	4,5% and 2%	13,6% and 10,5%
Oil & Gas	2,5%	10,3%

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of a cash generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond the three year period are extrapolated using an estimated growth rate of between 2% and 4,5%. The growth rates used depends on management's assessment of the sector in which the cash-generating unit operates. Factors such as the industry, market conditions and geographical area are also considered when determining the growth rate. These growth rates do not exceed the long term average growth rate for the relevant market.

4 GOODWILL – continued

In line with market practice, the Group applied a post-tax discount rate of between 10,3% and 13,6% (2016: 13,1%), pre-tax discount rate of between 14,3% and 18,9% (2016: 18,2%), to post-tax cash flows for impairment testing. The discount rate applied is dependent on factors such as the weighted average cost of capital, industry, market conditions and geographical area of the relevant cash generating unit. Post-tax rates were applied as returns observable in the capital market on equity investments usually include tax effects. Goodwill impairment is tested using a sensitivity analysis by increasing the applicable post-tax discount rate of the cash generating unit by 3%.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	**2017**	2016
Reconciliation of accumulated impairment losses		
At the beginning and end of the year	**(2,3)**	(2,3)

5 OTHER INTANGIBLE ASSETS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	**2017**			2016		
	Cost	**Accumulated amortisation**	**Carrying value**	Cost	Accumulated amortisation	Carrying value
Patents, trademarks and other rights	**8,1**	**(2,1)**	**6,0**	1,5	(0,7)	0,8
Computer software	**410,2**	**(222,0)**	**188,2**	435,9	(199,6)	236,3
Mineral rights	**–**	**–**	**–**	19,9	(19,9)	–
Other intangible assets	**38,3**	**(38,3)**	**–**	43,9	(42,7)	1,2
Total	**456,6**	**(262,4)**	**194,2**	501,2	(262,9)	238,3

RECONCILIATION FOR OTHER INTANGIBLE ASSETS	Patents, trademarks and other rights	Computer software	Other intangible assets	Total
At 30 June 2015	–	198,7	9,4	208,1
Additions	1,5	60,2	–	61,7
Acquisition of business	–	2,4	–	2,4
Transfer to assets classified as held-for-sale	–	(6,3)	–	(6,3)
Transfer to property, plant and equipment	–	(0,6)	(0,2)	(0,8)
Foreign exchange movements	(0,3)	24,8	1,3	25,8
Amortisation	(0,4)	(42,9)	(9,3)	(52,6)
At 30 June 2016	**0,8**	**236,3**	**1,2**	**238,3**
Additions	**6,6**	**17,0**	**–**	**23,6**
Disposals	**–**	**(7,2)**	**–**	**(7,2)**
Transfer from property, plant and equipment	**–**	**0,3**	**–**	**0,3**
Foreign exchange movements	**–**	**(15,9)**	**(0,2)**	**(16,1)**
Amortisation	**(1,4)**	**(42,3)**	**(1,0)**	**(44,7)**
At 30 June 2017	**6,0**	**188,2**	**–**	**194,2**

The intangible assets included above have finite useful lives, over which the assets are amortised. Average amortisation periods are set out below.

The following amortisation periods are used for the amortisation of intangible assets:

– Patent, trademarks and other rights	5 years	on a straight-line basis
– Computer software	2 to 4 years	on a straight-line basis
– Other intangible assets	3 to 5 years	on a straight-line basis

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

6 INVESTMENTS IN ASSOCIATE COMPANIES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
6.1 Investments in associate companies		
At the beginning of the year	**17,5**	27,7
Dividend received	**(19,1)**	(17,8)
Share of post-acquisition earnings	**9,2**	7,6
	7,6	17,5
The carrying value of the investments may be analysed as follows:		
Investments in associates at cost	**20,6**	20,6
Share of post-acquisition earnings, net of dividends received	**(13,0)**	(3,1)
	7,6	17,5

6.2 Valuation of shares

The directors consider the value of the investment in unlisted associates to be immaterial in relation to the Group's assets, and have therefore deemed the cost method appropriate in determining the value at year end.

6.3 Summarised financial information in respect of the Group's associates

	2017	2016
Total assets	**411,1**	243,2
Total liabilities	**(384,3)**	(215,4)
Net assets	**26,8**	27,8
Revenue	**1 037,1**	939,5
Profit for the year	**39,5**	32,1

6.4 Details of associate companies

		% of Ownership and votes		
NAME OF ASSOCIATES	Place of incorporation	2017	2016	Main activity
Bombela Operating Company Proprietary Limited*	South Africa	**23,9**	23,9	Transport logistics
Bombela TKC Proprietary Limited	South Africa	**25,0**	25,0	Construction

* *31 December year end.*

7 OTHER INVESTMENTS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
7.1 Financial assets designated as fair value through profit or loss		
Investment in infrastructure service concession		
At the beginning of the year	**811,2**	708,8
Realisation of investment	**(170,0)**	(53,8)
Fair value adjustment recognised in the statement of financial performance	**251,5**	156,2
	892,7	811,2

Directors valuation: R892,7 million (2016: R811,2 million).

The financial assets designated as fair value through profit or loss comprise of the Group's interest in the following infrastructure service concession:

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	% interest	Remaining concession period	2017	2016
Bombela Concession Company Proprietary Limited*	33	9 years	**892,7**	811,2

* *The fair value of the Bombela Concession Company Proprietary Limited is calculated using discounted cash flow models and a market discount rate of 18,5% (2016: 18,5%). The discounted cash flow models are based on forecast patronage, operating costs, inflation and other economic fundamentals, taking into consideration the operating conditions experienced in the current financial year. The future profits from the concession are governed by a contractual agreement and are principally based on inflationary increases in the patronage revenue and operating costs of the current financial year.*

A once off fair value gain of R100m (R50m was recognised for the six months ending 31 December 2016) was recognised in the 2017 financial year following an amendment in the operating company fee structure which resulted in a reduction in the fees payable to the operator. The reduction in the operator fee payable is a cost input in the fair value model and therefore resulted in an increase in fair value of the investment.

Operating cost includes an operating fee that is payable to the Bombela Operating Company Proprietary Limited ("BOC"), the company responsible for the operation and maintenance of Gautrain. The fee payable to BOC is subject to annual inflationary increases. The contract is subject to review every 5th year where increases of more than inflation are considered. An annual operating fee increase of 1% above inflation will result in a decrease in the value of the concession investment of approximately R17,7 million (2016: R16,1 million).

Operating cost also includes a Railway Usage Fee ("RUF") which constitutes a fee for the use of the system owned by Gauteng Province. The fee is 50% of the concessionaires excess free cash flow above an 18% real rate of return. The fee reduces to 35% should the concessionaire comply with certain Socio Economic Development ("SED") obligations. Historically the SED obligations have been achieved and the valuation is based on the SED obligations being achieved. If these obligations are not achieved, then the result would be a decrease in the value of the concession investment of R191 million (2016: R159 million).

Revenue based on patronage is underpinned by the Gauteng Province. The Patronage Guarantee is the difference between the Minimum Required Total Revenue ("MRTR") and the Actual Total Revenue ("ATR") in each month. Due to the predictable nature of revenue it is not considered to be a significant unobservable input and therefore no quantitative information is provided.

A decrease of 1% in the discount rate would result in an increase in the value of the concession investment of approximately R31,2 million (2016: R34,5 million).

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
7.2 Available-for-sale financial assets		
Listed investments		
At the beginning and end of the year	**0,1**	0,1
7.3 Loans and receivables measured at amortised cost		
Unsecured loans and receivables		
At the beginning of the year	**1,5**	1,5
Additional investments	**1,2**	–
Repayment	**(0,1)**	–
	2,6	1,5
Total other investments	**895,4**	812,8

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

8 INVENTORIES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Raw materials and consumable stores	**198,8**	181,0
Work-in-progress	**5,1**	6,0
Finished goods and manufactured components	**76,2**	54,3
	280,1	241,3

Inventories are valued at the lower of cost or net realisable value.

The cost of inventories recognised as an expense includes Rnil million (2016: R0,2 million) in respect of write-downs of inventory to net realisable value and has been reduced by Rnil million (2016: Rnil million) in respect of the reversal of such write-downs.

The amount of inventory carried at net realisable value amounts to Rnil million (2016: R0,8 million).

9 CONTRACTS-IN-PROGRESS AND CONTRACT RECEIVABLES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Contracts-in-progress (cost incurred plus recognised profits less recognised losses)	**1 903,3**	1 943,2
Uncertified claims and variations less payments received on account of R445 million (2016: R474 million) (recognised in terms of IAS 11: *Construction Contracts*)	**913,7**	2 020,2
Amounts receivable on contracts (net of impairment provisions)	**2 342,9**	2 241,3
Retentions receivable (net of impairment provisions)	**295,6**	273,7
	5 455,5	6 478,4
Amounts received in excess of work completed	**(1 571,2)**	(1 522,0)
	3 884,3	4 956,4
Disclosed as:		
Amounts due from contract customers – non-current*	**542,0**	1 513,5
Amounts due from contract customers – current	**4 913,5**	4 964,9
Amounts due to contract customers	**(1 571,2)**	(1 522,0)
	3 884,3	4 956,4

* *The non-current amounts are considered by management to be fully recoverable.*

Update on the Group's claims processes
Following the settlement of the Gautrain development period claims, the Group's uncertified revenue as at the end of June 2017 reduced to R0,9 billion (2016: R2,0 billion). Current uncertified revenue is primarily represented by the Group's claims on projects in the Middle East (after taking into consideration a R445 million loan paid on account by a client). All claims are diligently pursued and stakeholders will be kept informed as to their progress. After a protracted legal process, the Dubai Airport claim is finally in arbitration, with an award expected in May 2018.

Grayston Pedestrian Bridge temporary works collapse
In November 2015, the Department of Labour instituted a Section 32 Inquiry ("Inquiry") into this incident to determine the cause or causes for the collapse of the temporary works structure. This formal Inquiry currently underway, is conducted in terms of the provisions of the Occupational Health and Safety Act, 1993. The Inquiry was recently paused, but is due to resume again in September 2017. The Board is disappointed at the slow pace that is delaying closure of this distressing incident for all parties involved.

All costs incurred to date have been expensed as and when incurred. This incident is one of the retained liabilities following the disposal of the Southern African Infrastructure & Building businesses, and the direct financial impact of this incident on the Group is not expected to be material considering the comprehensive insurance cover in place. The project is expected to be completed during the latter part of the 2017 calendar year, and the date by which the Inquiry will be concluded remains uncertain.

10 TRADE AND OTHER RECEIVABLES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Trade receivables	**309,1**	341,7
Provision for doubtful debts	**(1,6)**	(1,8)
Operating lease receivables recognised on a straight-line basis	**–**	1,6
Amounts owing by joint operations	**170,5**	474,7
Prepayments	**113,5**	135,8
Sundry loans	**65,1**	91,0
Deposits	**23,5**	21,6
Value Added Taxation receivable	**24,2**	41,3
Vendor related receivables	**163,6**	14,0
Other receivables	**299,1**	370,9
	1 167,0	1 490,8

Details in respect of the Group's credit risk management policies are set out in note 41.

The directors consider that the carrying amount of the trade and other receivables approximate their fair value.

11 NET CASH AND CASH EQUIVALENTS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Net cash and cash equivalents included in the statement of cash flows comprise the following amounts:		
Bank balances	**1 819,1**	2 000,0
Restricted cash	**551,5**	812,8
Cash and cash equivalents	**2 370,6**	2 812,8
Bank overdrafts	**(117,5)**	(76,0)
	2 253,1	2 736,8
Restricted cash		
Cash and cash equivalents at the end of the financial year include bank balances and cash that are restricted from immediate use due to:		
Amounts held in joint operations	**543,3**	805,4
Amounts held in trust accounts	**0,3**	0,3
Other agreements with banks and other financial institutions	**7,9**	7,1
	551,5	812,8

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

12 STATED CAPITAL

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
12.1 Stated capital		
Authorised		
750 000 000 no par value shares		
Issued and fully paid		
444 736 118 ordinary shares at no par value	**3 582,8**	3 582,8
Less: Treasury shares held by the Murray & Roberts Trust at no par value	**(306,8)**	(306,8)
Less: Treasury shares held by the Letsema BBBEE trusts and companies at no par value	**(422,2)**	(422,2)
Less: Treasury shares held by subsidiary companies at no par value	**(287,7)**	(301,7)
Net stated capital	**2 566,1**	2 552,1
Unissued		
At 30 June 2017 the number of unissued shares was 305 263 882.		
12.2 Treasury shares		
Market value of treasury shares		
The Murray & Roberts Trust	**0,4**	0,4
The Letsema BBBEE trusts and companies	**414,3**	377,2
Subsidiary companies	**202,5**	163,3

RECONCILIATION OF ISSUED SHARES	Number of shares	Number of shares
Issued and fully paid	**444 736 118**	444 736 118
Less: Treasury shares held by Murray & Roberts Trust	**(30 150)**	(30 150)
Less: Treasury shares held by Letsema BBBEE trusts and companies	**(31 696 039)**	(31 698 559)
Less: Treasury shares held by subsidiary companies	**(15 490 732)**	(13 723 188)
Less: Treasury shares held by the subsidiary companies forfeited, not yet sold	**(1 303 025)**	–
Net shares issued to the public	**396 216 172**	399 284 221

13 SHARE INCENTIVE SCHEMES

13.1 Equity-settled share incentive scheme – the Murray & Roberts Trust

The Murray & Roberts Holdings Limited Employee Share Incentive Scheme ("Scheme") was approved by shareholders in October 1987 to operate through the means of the Murray & Roberts Trust ("Trust"). Subsequent amendments to the Scheme and Trust were approved by shareholders in October 2012 and November 2014.

At 30 June 2017 the Trust held 30 150 (2016: 30 150) shares against the commitment of options granted by the Trust totalling 371 180 (2016: 3 224 040) shares. In order to settle the shortfall and subject to shareholders' approval, the Company can issue new shares within the maximum of 5,0% (2016: 5,0%) of the Company's total issued shares, being 22 236 806 (2016: 22 236 806) ordinary shares or acquired shares in the market.

None of the outstanding options at 30 June 2017 were available for exercise.

13 SHARE INCENTIVE SCHEMES – continued

13.1 Equity-settled share incentive scheme – the Murray & Roberts Trust – continued

The details of the movement in the outstanding options granted by the Trust during the year ended 30 June 2017 were as follows:

SCHEMES IMPLEMENTED			Outstanding options at 30 June 2016	Surrendered/ lapsed during the year	**Outstanding options at 30 June 2017**	Option price per share (cents)
06 March 2007*	Hurdle	1,2,3	489 100	(489 100)	**–**	4 233
06 March 2007*	Special	1,2,3	1 185 900	(1 185 900)	**–**	4 233
20 April 2011**	Hurdle	1,2	1 109 520	(1 109 520)	**–**	2 334
30 August 2011	Retention	1,2,4	439 520	(68 340)	**371 180**	2 524
			3 224 040	(2 852 860)	**371 180**	

Notes:

1. *For the 2007 and later schemes, termination occurs on the sixth anniversary of the grant and any unexercised options expire at that date.*
2. *For the 2007 to April 2011 schemes the hurdle rate is CPI + 4% per annum compound growth on option price.*
3. *The 2007 special scheme is time-related with the first tranche exercisable in 2011 and the expiry date being extended from 2015 to 2017.*
4. *For the August 2011 Retention scheme, all share options will vest on the third anniversary subject to continued employment and all unexercised options expire on the sixth anniversary of the option date.*
5. *The Group has no legal or constructive obligation to repurchase or settle the options in cash.*
6. *Options are forfeited if the employees leave the Group before the options vest.*

* *The performance conditions were not satisfied on 5 March 2017 and in terms of the option rules this share option scheme lapsed.*

** *The performance conditions were not satisfied on 19 April 2017 and this share option scheme lapsed.*

The estimated fair value of options granted were determined using the following valuation methodologies:

Hurdle scheme	Hybrid of Binomial lattice and Monte Carlo Models
Special scheme	Binomial lattice model
Retention scheme	Binomial lattice model

The inputs into the model were as follows:

SCHEMES IMPLEMENTED		Option price per share (cents)	Expected volatility	Expected expiry date	Risk free rate	Expected dividend yield	**Estimated fair value of options granted per share (cents)**
06 March 2007	Hurdle	4 233	31,0%	06 March 2017	8,2%	2,0%	**1 629**
06 March 2007	Special	4 233	31,0%	06 March 2017	8,2%	2,0%	**1 838**
20 April 2011	Hurdle	2 334	40,3%	20 April 2017	7,9%	4,9%	**801**
30 August 2011	Retention	2 524	40,5%	30 August 2017	5,8%	4,9%	**851**

Expected volatility was determined using either the exponentially weighted or equally weighted moving average models (where appropriate) to calculate the historical volatility of the share price over the option lifetime.

The expected life used in the models has been adjusted, based on management's best estimate, for the effects of sub-optimal exercise behaviour of employees including exercise restrictions and closed periods.

The Group recognised total income of Rnil million (2016: R0,8 million) relating to these share options during the year.

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

13 SHARE INCENTIVE SCHEMES – continued

13.2 Forfeitable Share Plan

The Murray & Roberts Holdings Limited Forfeitable Share Plan ("FSP") was approved by the shareholders in November 2012. A new allocation of shares is approved by the Remuneration Committee on an annual basis. The forfeitable shares are held in an escrow account by an escrow agent. In 2013 the Remuneration Committee approved the automatic deferral of part of select employees' Short Term Incentive ("STI") into forfeitable share awards as a Long Term Incentive ("LTI").

PLAN IMPLEMENTED			Balance at 30 June 2016	Granted during the year	Surrendered during the year	**Balance at 30 June 2017**
28 August 2013	FSP	1	2 022 384	–	(2 022 384)	**–**
28 August 2013	FSP-STI	2	25 447	–	(25 447)	**–**
01 September 2014	FSP	3	2 730 800	–	(276 430)	**2 454 370**
01 September 2014	FSP-Retention	4	16 500	–	(16 500)	**–**
01 September 2014	FSP-STI	2	168 668	–	(116 284)	**52 384**
31 March 2015	FSP	5	625 000	–	(83 805)	**541 195**
01 September 2015	FSP-STI	2	457 389	–	(325 841)	**131 548**
15 September 2015	FSP	6	7 677 000	–	(1 483 291)	**6 193 709**
02 November 2016	FSP	7	–	5 897 500	(254 500)	**5 643 000**
02 November 2016	FSP-STI	2	–	474 526	–	**474 526**
			13 723 188	6 372 026	(4 604 482)	**15 490 732**

Notes:

1. *For the August 2013 scheme, the shares have been surrendered during the course of the year.*
2. *A compulsory automatic deferral scheme of part of the Short Term Incentive (STI) into forfeitable share awards as a Long Term Incentive (LTI) was introduced in September 2013 for selected employees. The LTI allocation has a 3 year vesting period (1/3 each year) and is not subject to performance conditions, but is subject to continued employment.*
3. *For the September 2014 scheme, the forfeitable shares will cliff vest after 3 years, in September 2017, subject to satisfying certain performance conditions.*
4. *Retention shares with no performance conditions were issued on 1 September 2014.*
5. *For the March 2015 scheme, the forfeitable shares will cliff vest after three years, in March 2018, subject to satisfying certain performance conditions.*
6. *For the September 2015 scheme, the forfeitable shares will cliff vest after 3 years, in September 2018, subject to satisfying certain performance conditions.*
7. *For the November 2016 scheme, the forfeitable shares will cliff vest after 3 years, in September 2019, subject to satisfying certain performance conditions.*

The estimated fair values of shares granted were determined using the following valuation methodology:

FSP Monte Carlo Model

The inputs into the models were as follows:

PLAN IMPLEMENTED		Expected volatility	Expected expiry date	Risk free rate	Expected dividend yield	**Estimated fair value of FSP (cents)**
28 August 2013	FSP	28,9%	26 August 2016	7,0%	5,1%	2 271
28 August 2013	FSP-STI	28,9%	26 August 2016	N/A	5,1%	2 450
01 September 2014	FSP	26,9%	01 September 2017	6,8%	4,3%	2 456
01 September 2014	FSP-Retention	26,9%	01 September 2017	6,8%	4,3%	2 456
01 September 2014	FSP-STI	26,9%	01 September 2017	N/A	4,3%	2 620
31 March 2015	FSP	26,9%	30 March 2018	6,7%	2,6%	1 191
01 September 2015	FSP-STI	30,0%	01 September 2018	7,4%	5,6%	1 299
15 September 2015	FSP	30,0%	14 September 2018	8,2%	5,6%	1 160
02 November 2016	FSP	34,0%	01 November 2019	7,9%	0,0%	808
02 November 2016	FSP-STI	34,0%	01 November 2019	7,9%	0,0%	950

Expected volatility was determined using either the exponentially weighted or equally weighted moving average models (where appropriate) to calculate the historical volatility of the share price over the option lifetime.

The sub-optimal exercise assumption is not applicable to the FSP since the exercise is assumed to occur on vesting date.

The Group recognised total expenses of R32,0 million (2016: R13,6 million) relating to this share scheme during the year.

13 SHARE INCENTIVE SCHEMES – continued

13.3 Equity-settled share incentive scheme – Letsema Vulindlela Black Executives Trust

The Letsema Share Incentive Scheme was approved by shareholders on 21 November 2005 as part of the Group's Broad-Based Black Economic Empowerment transaction. This transaction operates through various broad-based entities of which the Letsema Vulindlela Black Executives Trust ("Vulindlela Trust") is one. The purpose of the Vulindlela Trust is to facilitate ownership in the Company's ordinary stated capital by black executives.

At 30 June 2017, the Vulindlela Trust held 10 624 366 (2016: 10 626 886) shares against the commitment of shares granted by the Vulindlela Trust totalling 5 974 451 (2016: 5 914 060) shares.

The purchase of these shares was funded by an interest-free loan from the respective Group employer companies. All dividends paid to the Trust will be offset against the outstanding balance of the loan. After the expiry of the five year lock-in period but before 31 December 2021 provided that the prevailing market value exceeds the adjusted amount due in respect of those shares, the black executives may elect to take delivery of the full benefit of the shares in accordance with their vesting rights. In the event of such election, the black executives will be required to make a contribution to the Trust in order to settle the outstanding loan amount. Should the value of the shares be less than the outstanding loan amount, the Trust must return the shares to the company and the loan will be cancelled.

The details of the movement in the outstanding shares granted by the Vulindlela Trust during the year ended 30 June 2017 were as follows:

SCHEMES IMPLEMENTED			Outstanding shares at 30 June 2016	Granted/ Reinstated during the year	Surrendered during the year	**Outstanding shares at 30 June 2017**	Allocation price per share	Weighted average share price on exercise (cents)
02 March 2006	Standard	1,2	166 079	–	–	**166 079**	2 353	–
27 June 2006	Standard	1,2	1 167	–	–	**1 167**	2 431	–
28 August 2006	Standard	1,2	40 667	–	–	**40 667**	3 002	–
06 March 2007	Standard	1,2	401 410	–	–	**401 410**	5 200	–
25 June 2007	Standard	1,2	56 147	–	–	**56 147**	6 619	–
26 February 2008	Standard	1,2	90 145	–	–	**90 145**	9 201	–
28 August 2008	Standard	1,2	35 886	–	–	**35 886**	9 508	–
25 August 2009	Standard	1,2	368 529	–	(3 500)	**365 029**	4 774	–
24 August 2010	Standard	1,2	372 452	–	–	**372 452**	4 102	–
20 April 2011	Hurdle	1,2,3	84 017	–	–	**84 017**	2 516	–
30 August 2011	Standard	1,2	497 456	–	–	**497 456**	2 770	–
15 March 2012	Rights offer	1	142 292	–	–	**142 292**	–	1 134
28 November 2012	Standard	1,2	351 543	–	(41 608)	**309 935**	2 195	–
28 August 2013	Standard	1,2	410 536	–	(95 901)	**314 635**	2 463	–
01 September 2014	Standard	1,2	1 053 971	–	(404 013)	**649 958**	2 449	–
15 September 2015	Standard	1,2	1 841 763	–	(736 282)	**1 105 481**	1 254	–
02 November 2016	Standard	1,2	–	2 173 000	(831 305)	**1 341 695**	1 053	–
			5 914 060	2 173 000	(2 112 609)	**5 974 451**		

Notes:

1. The shares can only be exercised after 5 years from date of allocation.

2. Shares are forfeited if the employee leaves the Group before the shares vest.

3. For the 20 April 2011 scheme the hurdle rate is CPI + 4% per annum compound growth on allocation price.

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

13 SHARE INCENTIVE SCHEMES – continued

13.3 Equity-settled share incentive scheme – Letsema Vulindlela Black Executives Trust – continued

The estimated fair values of the shares granted were determined using the following valuation methodologies:

Standard scheme	Monte Carlo
Hurdle scheme	Binomial lattice model

SCHEMES IMPLEMENTED	Allocation price per share (cents)	Expected volatility	Expected expiry date	Risk free rate	Expected dividend yield	Estimated fair value of shares granted per share (cents)
02 March 2006	2 353	35,8%	31 December 2021	7,2%	2,7%	**1 253**
27 June 2006	2 431	35,8%	31 December 2021	8,7%	2,3%	**1 395**
28 August 2006	3 002	29,0%	31 December 2021	8,9%	2,0%	**1 621**
06 March 2007	5 200	29,0%	31 December 2021	8,0%	2,0%	**2 590**
25 June 2007	6 619	29,0%	31 December 2021	8,9%	2,0%	**3 588**
26 February 2008	9 201	31,2%	31 December 2021	9,6%	2,5%	**4 209**
28 August 2008	9 508	32,7%	31 December 2021	9,6%	5,0%	**4 772**
25 August 2009	4 774	40,3%	31 December 2021	8,2%	5,0%	**2 133**
24 August 2010	4 102	41,9%	31 December 2021	7,1%	4,9%	**1 798**
20 April 2011	2 516	42,4%	31 December 2021	7,9%	4,9%	**818**
30 August 2011	2 770	41,8%	31 December 2021	5,8%	4,9%	**1 163**
28 November 2012	2 195	36,2%	31 December 2021	6,9%	5,0%	**974**
28 August 2013	2 463	37,1%	31 December 2021	8,5%	5,1%	**1 215**
01 September 2014	2 449	26,9%	31 December 2021	7,7%	4,3%	**1 168**
15 September 2015	1 254	30,0%	31 December 2021	8,1%	5,6%	**506**
02 November 2016	1 053	34,0%	31 December 2021	7,9%	0,0%	**398**

Expected volatility was determined using either the exponentially weighted or equally weighted moving average models (where appropriate) to calculate the historical volatility of the share price over the option lifetime.

The expected life used in the models has been adjusted, based on management's best estimate, for the effects of sub-optimal exercise behaviour of employees including exercise restrictions and closed periods.

The Group recognised total expenses of R0,6 million (2016: R3,7 million) relating to these share options during the year.

14 HEDGING AND TRANSLATION RESERVE

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Foreign currency translation reserve		
At the beginning of the year	**1 379,4**	1 152,6
Reclassification between categories of equity	**–**	1,0
Realisation of foreign currency translation reserve	**(23,8)**	(223,1)
Foreign currency translation movements	**(464,0)**	448,9
	891,6	1 379,4

The hedging reserve represents the effective portion of fair value gains or losses on derivative financial instruments that have been designated as cash flow hedges. The balance for the year ended 30 June 2017 was R0,9 million (2016: R0,9 million).

The foreign currency translation reserve is the result of exchange differences arising from the translation of the Group's foreign subsidiary companies to Rands, being the functional and reporting currency of the holding company.

15 OTHER CAPITAL RESERVES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Capital redemption reserve fund		
At the beginning and end of the year	**1,1**	1,1
Statutory reserve		
At the beginning and end of the year	**28,9**	28,9
Other non-distributable reserves		
At the beginning of the year	**(56,0)**	(55,8)
Reclassification between categories of equity	**–**	(0,2)
	(56,0)	(56,0)
Share-based payment reserve		
At the beginning of the year	**198,5**	228,1
Recognition of share-based payment	**32,6**	16,5
Transfer to retained earnings	**(25,9)**	(1,5)
Utilisation of reserve	**(55,3)**	(44,6)
	149,9	198,5
Retirement benefit obligation reserve		
At the beginning of the year	**(14,1)**	(11,2)
Effects of remeasurement on retirement benefit obligation	**(5,0)**	(2,9)
	(19,1)	(14,1)
	104,8	158,4

The capital redemption reserve fund represents retained earnings transferred to a non-distributable reserve on the redemption of previously issued redeemable preference shares of group companies.

The statutory reserve represents retained earnings of foreign subsidiary companies that are not available for distribution to shareholders in accordance with local laws.

The other non-distributable reserve comprises the fair value of the estimated consideration for acquiring the non-controlling interests in Ocean Flow International LLC from the non-controlling shareholder at the date of acquisition.

The share-based payment reserve represents the total cost recognised for the Group's equity-settled share-based payments. The utilisation of the reserve in the current financial year reflects the value of the share-based payment reserve that was recognised in prior years relating to forfeitable shares that have vested in the current period.

The retirement benefit obligation reserve represents the remeasurement of the Group's retirement benefit obligation, recognised in terms of the amendments to IAS 19: *Employee Benefits*.

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

16 NON-CONTROLLING INTERESTS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
The non-controlling interests comprise:		
16.1 Non-controlling interests in reserves		
At the beginning of the year	**42,6**	4,9
Share of attributable (loss)/profit	**(9,8)**	37,1
Transfer from reserves	**36,3**	11,5
Foreign exchange and other movements	**(24,6)**	(10,9)
	44,5	42,6
16.2 Equity loans from non-controlling interests		
At the beginning and end of the year	**20,0**	20,0
Total balance at year end	**64,5**	62,6

17 SECURED LIABILITIES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	2017	2016
Liabilities of the Group are secured as follows:			
Loans secured over plant and machinery with a book value of R318,2 million (2016: R227,9 million). Loans secured over buildings with a book value of R85,7 million (2016: R69,5 million). Loans secured over client receipts with a book value of R20,4 million (2016: R77,8 million).		**306,5**	669,2
Reflected in the statement of financial position under:			
Long term loans	18	**3,2**	388,5
Long term capitalised finance leases	18	**152,5**	87,5
Short term loans	18	**150,8**	193,2
		306,5	669,2

18 LONG TERM LOANS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	2017	2016
18.1 Interest bearing secured loans			
Payable			
Within 1 year		**20,4**	113,9
Within the 2nd year		**3,2**	388,5
		23,6	502,4
Less: Current portion	24	**(20,4)**	(113,9)
		3,2	388,5
18.2 Interest bearing unsecured loans			
Payable			
Within 1 year		**92,6**	120,2
Within the 2nd year		**–**	174,4
Within 3 to 5 years		**64,0**	–
		156,6	294,6
Less: Current portion	24	**(92,6)**	(120,2)
		64,0	174,4
18.3 Non-interest bearing unsecured loans			
Payable			
Within 1 year		**45,8**	29,5
Less: Current portion	24	**(45,8)**	(29,5)
		–	–
18.4 Capital finance leases			
Minimum lease payments			
Within 1 year		**139,1**	90,4
Within the 2nd year		**71,9**	48,4
Within 3 to 5 years		**88,8**	27,2
Payable after the 5th year		**–**	20,9
		299,8	186,9
Less: Future finance charges		**(16,9)**	(20,1)
Present value of lease obligations		**282,9**	166,8
The present value of lease obligations can be analysed as follows:			
Within 1 year		**130,4**	79,3
Within the 2nd year		**64,3**	43,0
Within 3 to 5 years		**88,2**	24,4
Payable after the 5th year		**–**	20,1
		282,9	166,8
Less: Current portion	24	**(130,4)**	(79,3)
		152,5	87,5
Total long term loans		**219,7**	650,4

The Group's current facilities range from on-demand to 365 day facilities and are supported by cross guarantees from Group companies.

Details of the repayment terms of loans and the related interest rates are set out in Annexure 2. The assets encumbered to secure the loans are detailed in note 17. Details of the Group's interest rate risk management policies are set out in note 41.

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

19 RETIREMENT BENEFITS

The retirement funds operated by the Group in the Republic of South Africa are registered as provident or pension funds and are accordingly governed by the Pension Fund Act No. 24 of 1956 (as amended).

19.1 Defined contribution plan – pension fund

In South Africa the Group operates the following privately administered defined contribution pension plan for salaried employees:

Murray & Roberts Retirement Fund

The assets of the fund are independently controlled by a board of trustees which includes representatives elected by the members.

The fund was actuarially valued on 31 December 2016 and declared to be in a sound financial position.

The total cost to the Group in respect of the above fund for the year ended 30 June 2017 was R83,8 million (2016: R88,5 million).

19.2 Defined contribution plan – provident fund

In South Africa the Group operates the following privately administered defined contribution provident plan for salaried employees:

Murray & Roberts Provident Fund

The Trustees made a decision to deregister the fund with effect from 31 August 2016 and the majority of assets were transferred out of the fund by February 2017. It is anticipated that this process will be finalised in the current year.

The fund was actuarially valued on 29 February 2016 and declared to be in a sound financial position.

The total cost to the Group in respect of the above fund for the year ended 30 June 2017 was Rnil million (2016: R1,8 million).

19.3 Defined benefit plan – retirement benefit

The Murray & Roberts Retirement Fund ("Fund") provides defined contribution benefits to employee members. Historically the Fund offered defined benefits to pensioners. However, with effect from 31 March 2016 all pensioners were Section 14 transferred to Old Mutual. The effect of this transfer was recognised and disclosed in the prior year.

19.4 Defined benefit plan – post-retirement medical aid

Employees who joined the Group prior to 1 July 1996, and who satisfy certain qualifying criteria, may have an entitlement in terms of this plan.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Present value of funded liability	**32,2**	36,7
Fair value of plan assets	**(46,3)**	(50,7)
Present value of unfunded liability	**(14,1)**	(14,0)
Unrecognised due to paragraph 64 limits	**14,1**	14,0
	–	–

The asset is capped at the liability value.

19 RETIREMENT BENEFITS – continued

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
19.4 Defined benefit plan – post-retirement medical aid – continued		
Movement in the present value of the funded liability were as follows:		
Opening defined benefit obligation	**36,7**	39,6
Current service cost	**0,2**	0,2
Interest cost	**3,1**	3,3
Remeasurements	**(1,7)**	0,2
Actuarial (gain)/loss due to change in financial assumptions	**(2,4)**	0,4
Actuarial gain due to actual increase granted compared to that expected	**(0,1)**	(0,1)
Actuarial gain due to actual demographic profile of the membership compared to that expected	**(6,6)**	(0,1)
Actuarial loss due to addition of new members	**7,4**	–
Benefits paid	**(6,1)**	(6,6)
	32,2	36,7
Movements in the fair value of plan assets were as follows:		
Opening fair value of plan assets	**50,7**	54,2
Prior year adjustment	**(0,4)**	–
Return on plan assets less interest	**4,5**	4,7
Remeasurements	**(2,4)**	(1,6)
Benefits paid	**(6,1)**	(6,6)
	46,3	50,7
The major categories of plan assets at the end of the reporting period for each category are as follows:		
Equity instruments	**44,3**	41,4
Cash and money market instruments	**2,0**	9,3
	46,3	50,7

The disclosure of the funded status is for accounting disclosure purposes only and does not indicate available assets to the Group.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligations were carried out at 30 June 2017 by Cadiant Partners Actuarial and Consulting Solutions (Pty) Ltd. The present value of the defined benefit obligation and the related current service costs were measured using the Projected Unit Credit Method. The next valuation will be performed on 30 June 2018.

19 RETIREMENT BENEFITS – continued

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
19.4 Defined benefit plan – post-retirement medical aid – continued		
Amounts recognised in the statement of financial performance in respect of the defined benefit plan are as follows:		
Current service cost	**0,2**	0,2
Net interest income	**(1,4)**	(1,4)
Current service cost and net interest cost on unrecognised assets due to paragraph 64 limits	**1,2**	1,2
	–	–
Amounts recognised in other comprehensive income in respect of the defined benefit plan are as follows:		
Net interest cost on unrecognised assets due to paragraph 64 limits	**(1,2)**	(1,2)
Remeasurement	**1,1**	1,8
Change in unrecognised assets due to paragraph 64 limits	**0,1**	(0,6)
	–	–
The principal assumptions used for the purpose of the actuarial valuation were as follows:		
Discount rate	**10,1%**	9,9%
Post-retirement discount rate	**10,1%**	9,9%
Expected return on plan assets	**10,1%**	9,9%
Long term increase in medical subsidy (inflation linked)	**7,3%**	8,0%
Long term increase in medical subsidy (non-inflation linked)	**8,8%**	N/A

	Change in past service contractual liability	Change in service cost plus interest cost
Sensitivity analysis		
The effect of a 1% increase and decrease in the Consumer Price Inflation ("CPI") assumption on the past service contractual liability is shown below:		
Increase in the CPI rate by 1%	**12,9%**	(14,7%)
Decrease in the CPI rate by 1%	**(10,9%)**	12,3%
The longevity of members in retirement is an important assumption, dictating the expected length of time over which benefits are paid. The effect of using lighter or heavier mortality assumptions post-retirement is shown below:		
PA(90)	**(2,8%)**	2,9%
PA(90) – 2	**2,8%**	(2,9%)

The plan assets do not directly include any significant Group financial instruments, nor any property occupied by, or other assets used by, the Group.

The actual return on plan assets was R2,1 million (2016: R3,1 million).

The Group does not expect to contribute to the post-retirement medical aid benefit in 2018 (2017: Rnil million).

19 RETIREMENT BENEFITS

19.5 Defined benefit plan – disability benefit

With effect from 1 March 2010 disability benefits for qualifying salaried employees are provided through a registered insurer. Disability benefits for existing claimants are provided via the Murray & Roberts Group Employee Benefits Policy. The defined benefit entitlement is equal to 75% of pensionable salary, potentially payable up to the normal retirement age of 63. When an employee is entitled to benefits in terms of the policy, the benefits may be reviewed annually and increases are discretionary and not guaranteed. A group of members are also entitled to receive a medical scheme contribution waiver and a skills levy refund.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Present value of funded liability	**14,0**	17,1
Fair value of plan assets	**(25,4)**	(26,2)
Present value of unfunded liability	**(11,4)**	(9,1)
Unrecognised due to paragraph 64 limits	**11,4**	9,1
	–	–
The asset is capped at the liability value.		
Movements in the present value of the funded liability were as follows:		
Opening defined benefit obligation	**17,1**	19,6
Interest cost	**1,3**	1,4
Remeasurements	**(1,5)**	(0,9)
Actuarial gain due to change in financial assumptions	**(0,3)**	(0,2)
Actuarial gain due to experience variance	**(1,2)**	(0,7)
Benefits paid	**(2,9)**	(3,0)
	14,0	17,1
Movements in the fair value of plan assets were as follows:		
Opening fair value of plan assets	**26,2**	28,2
Expected return on plan assets	**2,1**	2,1
Remeasurements	**–**	(1,1)
Realised/unrealised losses	**–**	(1,1)
Benefits paid	**(2,9)**	(3,0)
	25,4	26,2
The major categories of plan assets at the end of the reporting period for each category are as follows:		
Bonds	**17,1**	20,3
Cash and money market instruments	**8,3**	5,9
	25,4	26,2
The disclosure of the funded status is for accounting disclosure purposes only and does not indicate available assets to the Group.		
The most recent actuarial valuations of the plan assets and the present value of the defined obligations were carried out at 30 June 2017 by Guardrisk. The present value of the defined benefit obligation and the related current service costs were measured using the Projected Unit Credit Method. The next valuation will be performed on 30 June 2018.		
Amounts recognised in the statement of financial performance in respect of the defined benefit plan are as follows:		
Net interest (income)/cost	**(0,8)**	0,7
Net interest income/(cost) on unrecognised assets due to paragraph 64 limits	**0,8**	(0,7)
	–	–

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

19 RETIREMENT BENEFITS – continued

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
19.5 Defined benefit plan – disability benefit – continued		
Amounts recognised in other comprehensive income in respect of the defined benefit plan are as follows:		
Net interest (income)/cost on unrecognised assets due to paragraph 64 limits	**(0,8)**	0,7
Remeasurements	**(1,5)**	(0,2)
Change in unrecognised assets due to paragraph 64 limits	**2,3**	(0,5)
	–	–
The principal assumptions used for the purpose of the actuarial valuation were as follows:		
Discount rate	**8,0%**	8,4%
Expected return on plan assets	**8,0%**	8,4%
Long term increase in disability benefits	**5,3%**	6,6%

Sensitivity analysis

The effect of a 1% increase and decrease in the discount rate and consumer price inflation assumption on the pensioner liability and the annual expense is shown in the table below:

	R millions	%
Change in pensioner liability		
Increase in the discount rate of 1%	**(0,5)**	(3,6)
Decrease in the discount rate of 1%	**0,5**	3,3
Change in pensioner asset		
Increase in the discount rate by 1%	**–**	–
Decrease in the discount rate by 1%	**–**	–
Net change		
Increase in the discount rate by 1%	**(0,5)**	4,4
Decrease in the discount rate by 1%	**0,5**	(4,1)
The longevity of members in retirement is an important assumption, dictating the expected length of time over which benefits are paid. The effect of using lighter or heavier mortality assumptions post-retirement is shown below:		
PA(90)	**–**	–
PA(90) – 2	**–**	–

The plan assets do not directly include any significant group financial instruments, nor any property occupied by, or other assets used by the Group.

The actual return on plan assets was R2,1 million (2016: R1,0 million).

19 RETIREMENT BENEFITS – continued

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016

19.6 Defined benefit plan – pension scheme

The Group is the principal employer for a defined benefit pension scheme in the United Kingdom, the Multi (UK) Limited Pension Scheme. Membership comprises pensioners and deferred pensioners.

	2017	2016
Present value of funded liability	**73,0**	82,1
Fair value of plan assets	**(55,7)**	(65,3)
Present value of unfunded liability	**17,3**	16,8
Movements in the present value of the funded liability were as follows:		
Opening defined benefit obligation	**82,1**	77,1
Interest cost	**1,7**	2,8
Experience losses on defined benefit obligation	**4,9**	–
Gains from changes to demographic assumptions	**(3,3)**	–
Losses from changes to financial assumptions	**3,6**	7,3
Exchange differences on foreign plans	**(10,9)**	1,6
Benefits paid	**(5,1)**	(6,7)
	73,0	82,1
Movements in the fair value of plan assets were as follows:		
Opening fair value of plan assets	**65,3**	60,9
Interest on assets	**1,3**	2,3
Return on plan assets less interest	**0,1**	4,4
Contributions from the employer	**2,6**	3,2
Exchange differences on foreign plans	**(8,5)**	1,2
Benefits paid	**(5,1)**	(6,7)
	55,7	65,3
The major categories of plan assets at the end of the reporting period for each category are as follows:		
Debt instrument	**52,4**	64,0
Cash	**3,3**	1,3
	55,7	65,3

The most recent actuarial valuations of the plan assets and the present value of the defined obligations were carried out at 30 June 2017 by Barnett Waddingham LLC. The present value of the defined benefit obligation and the related current service costs were measured using the Projected Unit Credit Method.

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

19 RETIREMENT BENEFITS – continued

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
19.6 Defined benefit plan – pension scheme – continued		
Amounts recognised in the statement of financial performance in respect of the defined benefit plan are as follows:		
Net interest cost	**0,4**	0,5
	0,4	0,5
Amounts recognised in other comprehensive income in respect of the defined benefit plan are as follows:		
Gain on scheme assets in excess of interest	**(0,1)**	(4,4)
Experience losses on defined benefit obligation	**4,9**	–
Gains from changes to demographic assumptions	**(3,3)**	–
Losses from changes to financial assumptions	**3,6**	7,3
	5,1	2,9
The principal assumptions used for the purpose of the actuarial valuation were as follows:		
Discount rate	**2,3%**	2,4%
Rate of increase in pension payments	**3,5%**	3,2%
Rate of increase in pensions in deferment	**2,5%**	1,8%
Rate of inflation	**3,3%**	2,6%

The plan assets do not directly include any significant Group financial instruments, nor any property occupied by, or other assets used by, the Group.

The actual return on plan assets net of interest was a profit of R1,4 million (2016: R6,7 million). The overall expected rate of return is calculated by weighing the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The Group expects to contribute R2,6 million to this defined benefit plan in 2018 (2017: R3,2 million).

	Approximate effect on liabilities R millions
Sensitivity analysis	
Adjustment to assumptions	
Discount rate – Plus 0,1% p.a.	(0,9)
Inflation – Less 0,1%	(0,1)
Mortality – Long term rate of mortality improvement of 1,25% p.a.	0,6

The schemes expose the Group to a number of risks:

Investment risk: The scheme holds investments in asset classes such as corporate bonds, which have volatile market values and while these assets are expected to provide the real return over long term, the short term volatility can cause additional funding to be required if deficit emerges.

Interest rate risk: The scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the scheme invests in a wide variety of assets, some of which are not high quality corporate bonds, the value for assets and liabilities may not move in the same way.

Inflation risk: A significant proportion of the benefits under the scheme are not linked to inflation. Although the scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short term could lead to deficits emerging.

Mortality risk: In the event that members live longer than assumed, a deficit will emerge in the scheme.

Concentration risk: A significant proportion of the plan's liabilities are in respect of a single pensioner member. The development of the liabilities over time will therefore depend heavily on the actual experience in respect of this member.

20 LONG TERM PROVISIONS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
At the beginning of the year	**186,6**	264,3
Additional raised	**18,0**	113,0
Utilised during the year	**(25,1)**	(195,7)
Transfer from current portion	**0,3**	–
Released during the year	**(18,0)**	(35,5)
Foreign exchange movements	**(17,1)**	40,5
	144,7	186,6
Long term provisions comprise the following categories:		
Payroll provisions	**39,2**	65,7
Onerous lease provisions	**83,6**	110,7
Warranty provisions	**8,4**	10,2
Other provisions	**13,5**	–
	144,7	186,6

	Payroll provisions	Onerous lease provisions	Warranty provisions	Other provisions	Total
2017					
At the beginning of the year	**65,7**	**110,7**	**10,2**	**–**	**186,6**
Additional raised	**4,5**	**–**	**–**	**13,5**	**18,0**
Utilised during the year	**(25,1)**	**–**	**–**	**–**	**(25,1)**
Released during the year	**(0,4)**	**(17,6)**	**–**	**–**	**(18,0)**
Transfer from current portion	**0,3**	**–**	**–**	**–**	**0,3**
Foreign exchange movements	**(5,8)**	**(9,5)**	**(1,8)**	**–**	**(17,1)**
	39,2	**83,6**	**8,4**	**13,5**	**144,7**
2016					
At the beginning of the year	236,4	5,2	12,3	10,4	264,3
Additional raised	19,9	93,1	–	–	113,0
Utilised during the year	(195,7)	–	–	–	(195,7)
Released during the year	(19,7)	–	(4,0)	(11,8)	(35,5)
Foreign exchange movements	24,8	12,4	1,9	1,4	40,5
	65,7	110,7	10,2	–	186,6

Payroll provisions – costs relating to employee incentives as well as statutory requirements in the Middle East, Australia and America region with regards to severance or restricting payments.

Onerous lease provisions – costs recognised on onerous lease contracts. Refer to note 45.

Other provisions – relates to make good provisions on leased premises in terms of contractual agreement with the lessor.

Warranty provisions – relates to warranty against defects on cooling water intake and outfall structures. The warranty period spans over 54 months. This provision value has been estimated by reference to the retention guarantee required by the client for defect liabilities, reduced by the retention guarantee held for subcontractors.

The provisions have been determined based on assessments and estimates by management. Actual results could differ from estimates and there is no certainty regarding timing of these cash flows.

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

21 DEFERRED TAXATION

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016[1]
21.1 Deferred taxation assets		
Inventory	**–**	(4,3)
Uncertified work and other construction temporary differences	**(188,0)**	(64,2)
Plant	**(118,9)**	(72,4)
Taxation losses	**339,5**	410,9
Receivables	**1,6**	–
Provisions and accruals	**240,5**	213,7
Advance payments received net of taxation allowances	**127,5**	58,4
Fair value adjustments	**183,7**	18,1
Prepayments	**(2,1)**	(0,8)
Other	**1,4**	44,5
	585,2	603,9
21.2 Reconciliation of deferred taxation assets		
At the beginning of the year	**603,9**	596,3
Charged to the statement of financial performance	**(19,4)**	(62,8)
Credited to the statement of financial performance in respect of discontinued operations	**44,2**	29,6
Foreign exchange movements	**(43,5)**	40,8
	585,2	603,9

1 A 38% investment in Forum SA Trading 284 (Pty) Ltd (Property development) was not included in the sale of the Southern African Infrastructure & Building businesses and has therefore been reclassified from discontinued operations in the prior year and included as income from continuing operations for all periods presented.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
21.3 Deferred taxation liabilities		
Uncertified work and other construction temporary differences	**–**	186,2
Plant	**139,2**	153,9
Taxation losses	**–**	(81,9)
Provisions and accruals	**(18,0)**	(106,2)
Advance payments received net of taxation allowances	**–**	(118,0)
Fair value adjustments	**–**	146,3
Prepayments	**–**	14,4
Other	**–**	(15,8)
	121,2	178,9
21.4 Reconciliation of deferred taxation liabilities		
At the beginning of the year	**178,9**	133,1
(Charged)/credited to the statement of financial performance	**(54,2)**	31,7
Transfer (from)/to assets classified as held-for-sale	**(0,2)**	14,1
Foreign exchange movements	**(3,0)**	–
Rate change	**(0,3)**	–
	121,2	178,9

21.5 Unused taxation losses

The Group's results include a number of legal statutory entities which fall under a range of taxation jurisdictions. The deferred taxation assets cannot be offset against the deferred taxation liabilities as the Group will not be able to settle on a net basis.

At 30 June 2017, the Group has estimated unused taxation losses of R1 473 million (2016: R1 782 million) available for offset against future profits. Deferred taxation assets have been recognised in respect of R1 220 million (2016: R1 782 million) of such losses. No deferred taxation assets have been recognised in respect of the remaining R254 million (2016: R176 million) due to the unpredictability of future profit streams. The Group performed an assessment based on the current operations and developments including a three year forecast for the financial years 2018 to 2020 which supports the recognition of deferred taxation assets in the statutory entities.

22 SUBCONTRACTOR LIABILITIES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Contracts-in-progress and contract receivables include claims against clients in respect of subcontractor liabilities. These liabilities are only settled when payment has been received from clients.		
Non-current subcontractor liabilities	**–**	–
Current subcontractor liabilities	**971,5**	1 189,9
	971,5	1 189,9

23 TRADE AND OTHER PAYABLES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Trade payables	**651,9**	806,9
Amounts owing to joint operations	**140,8**	508,5
Payroll accruals	**894,2**	872,7
Operating lease payables recognised on a straight-line basis	**13,5**	18,7
Accruals	**896,3**	1 150,2
Value Added Taxation payable	**136,6**	87,7
Onerous lease	**23,8**	36,3
Other payables	**765,9**	710,1
	3 523,0	4 191,1

The directors consider that the carrying amount of the trade and other payables approximate their fair value, as the carrying amount is based on contractual rights and obligations.

24 SHORT TERM LOANS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	2017	2016
Current portion of long term loans:			
– Interest bearing secured	18	**20,4**	113,9
– Interest bearing unsecured	18	**92,6**	120,2
– Non-interest bearing unsecured	18	**45,8**	29,5
Current portion of capitalised finance leases	18	**130,4**	79,3
		289,2	342,9

25 PROVISIONS AND OBLIGATIONS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
At the beginning of the year	**312,4**	293,3
Additional raised	**232,2**	289,9
Released during the year	**(89,5)**	(14,8)
Utilised during the year	**(158,7)**	(218,4)
Transfer from/(to) liabilities classified as held-for-sale	**0,8**	(62,1)
Foreign exchange movements	**(17,5)**	24,5
	279,7	312,4
Provisions and obligations comprise the following categories:		
Payroll provisions	**279,0**	307,8
Warranty provisions	**0,7**	4,6
	279,7	312,4

25 PROVISIONS AND OBLIGATIONS – continued

Payroll provision

The payroll provision comprises of amounts owed to employees relating to discretionary bonuses and severance pay or restructuring obligations.

Warranty provision

The provision for warranty claims represents the directors' best estimate of future economic benefits that will be required under the Group/Company's obligations provided for warranties.

The provisions have been determined based on assessments and estimates by management. Actual results could differ from estimates and there is no certainty regarding timing of these cash flows.

26 REVENUE

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Construction contracts	**21 161,6**	25 447,1
Sale of goods	**102,8**	473,9
Rendering of services	**131,9**	226,0
Properties	**1,0**	1,0
	21 397,3	26 148,0

27 PROFIT BEFORE INTEREST AND TAXATION

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	2017	2016
The items below comprise of continuing operations only. Profit before interest and taxation for the year is arrived at after taking into account:			
Items by nature			
Investment income other than interest:			
Fair value gain on investments designated as fair value through profit or loss	7	**251,5**	156,2
Rentals received		**133,3**	137,8
Amortisation of intangible assets		**44,7**	50,7
Auditors' remuneration:			
Fees for audits		**34,9**	31,7
Other services		**4,8**	10,0
Expenses		**0,3**	0,5
Compensation income from insurance		**17,7**	65,8
Depreciation:			
Land and buildings	2	**35,6**	28,8
Plant and machinery	2	**381,2**	401,9
Other equipment	2	**14,1**	17,1
Employee benefit expense:			
Salaries and wages		**13 133,2**	13 295,2
Share option (income)/expense	13	**(1,0)**	1,3
Forfeitable Share Plan expense	13	**28,1**	10,3
Pension and provident costs – defined contribution plans	19	**45,9**	47,8
Fees paid for:			
Managerial services		**31,5**	21,0
Technical services		**18,2**	17,0
Administrative services		**0,9**	11,5
Secretarial services		**1,3**	2,2
Impairment loss recognised on:			
Land and buildings	2	**11,6**	–
Plant and machinery	2	**–**	12,7

27 PROFIT BEFORE INTEREST AND TAXATION – continued

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	2017	2016
Impairment charges:			
Inventory	8	**–**	0,2
Trade receivables		**2,1**	–
Amounts receivable on contracts		**7,0**	13,2
Contract receivables		**–**	155,0
Other receivables		**–**	13,4
Reversal of impairment loss recognised on trade receivables		**0,1**	0,3
Reversal of impairment loss recognised on property, plant and equipment		**1,1**	–
Profit or loss on disposals:			
Profit on disposal of property, plant and equipment		**25,4**	19,0
Loss on disposal of property, plant and equipment		**3,1**	12,2
Net foreign exchange (losses)/gains on intercompany loans		**(21,3)**	190,0
Net foreign exchange gains		**1,9**	2,5
Realisation of foreign currency translation reserve		**–**	223,1
Operating lease costs:			
Land and buildings		**263,1**	409,8
Plant and machinery		**0,5**	3,8
Other		**45,2**	58,7
Items by function			
Cost of sales*		**19 551,8**	23 198,7
Distribution and marketing costs		**11,0**	9,2
Administration costs		**2 104,4**	2 460,8
Other operating income		**(756,7)**	(796,1)

* *Cost of sales include R1,1 million (2016: R0,3 million) relating to the cost of inventories sold during the year.*

28 INTEREST EXPENSE

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Bank overdrafts	**61,1**	48,2
Present value expense	**9,5**	0,9
Capitalised finance leases	**5,2**	2,1
Loans and other liabilities	**34,0**	73,6
	109,8	124,8

29 INTEREST INCOME

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Bank balances and cash	**67,8**	53,5
Unlisted loan investment and other receivables	**0,3**	0,1
	68,1	53,6

30 TAXATION EXPENSE

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016[1]
Major components of the taxation expense		
South African taxation		
Normal taxation – current year	**8,2**	3,2
Deferred taxation – current year	**(151,1)**	209,1
Deferred taxation – prior year	**13,9**	(47,5)
Foreign taxation		
Normal income taxation and withholding taxation – current year	**187,8**	198,1
Deferred taxation – current year	**92,8**	(66,8)
Deferred taxation – prior year	**9,6**	(0,3)
	161,2	295,8

South African income tax is calculated at 28% (2016: 28%) of the estimated assessable profit for the year. Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

RECONCILIATION OF THE STANDARD RATE OF TAXATION TO THE EFFECTIVE RATE OF TAXATION	%	%
South African standard rate of taxation	**28,0**	28,0
Increase in rate of taxation due to:		
Corporate activities	**9,0**	1,2
Share incentive scheme costs	**1,6**	1,8
Non-deductible expenditure	**4,4**	0,4
Taxation on foreign companies	**10,9**	–
Current year's losses not recognised	**12,4**	6,5
Foreign withholding taxation	**15,8**	3,7
Imputed foreign income	**–**	9,4
Prior year adjustments	**1,3**	–
	83,4	51,0
Reduction in rate of taxation due to:		
Dividends received	**(10,7)**	(1,3)
Fair value gains	**–**	(0,8)
Other taxation allowances and incentives	**(7,0)**	(0,4)
Taxation losses utilised	**(29,5)**	(19,7)
Taxation on foreign companies	**–**	(0,7)
Prior year adjustments	**–**	(3,5)
Effective rate of taxation	**36,2**	24,6

1 *A 38% investment in Forum SA Trading 284 (Pty) Ltd (Property development) was not included in the sale of the Southern African Infrastructure & Building businesses and has therefore been reclassified from discontinued operations in the prior year and included as income from continuing operations for all periods presented.*

31 DISCONTINUED OPERATIONS, ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE

31.1 Loss for the year from discontinued operations

Discontinued operations includes the Southern African Infrastructure & Building businesses that were sold during the current financial year and Genrec operations, where an active process is in place to sell the business. These operations have met the requirements in terms of IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* and have been presented as discontinued operations in the Group's statement of financial performance.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	2017	2016[1]
The loss from the discontinued operations is analysed as follows:			
Revenue			
Construction contracts		**3 575,9**	4 500,2
Sale of goods		**90,7**	150,8
Rendering of services		**–**	6,6
Properties		**7,0**	0,7
		3 673,6	4 658,3
Loss after taxation for the year is analysed as follows:			
Loss before interest, depreciation and amortisation		**(278,6)**	(8,3)
Depreciation and amortisation		**(2,4)**	(109,9)
Loss before interest and taxation		**(281,0)**	(118,2)
Interest expense		**(27,7)**	(23,0)
Interest income		**19,0**	23,3
Loss before taxation		**(289,7)**	(117,9)
Taxation credit/(expense)		**37,0**	(18,4)
Loss after taxation		**(252,7)**	(136,3)
(Expense)/income from equity accounted investments		**(0,2)**	0,2
Loss from discontinued operations		**(252,9)**	(136,1)
Attributable to:			
Owners of Murray & Roberts Holdings Limited		**(252,9)**	(136,1)
Non-controlling interests		**–**	–
		(252,9)	(136,1)
Taxation effects of profit or loss on disposal of discontinued operations		**–**	1,1
Cash flows from discontinued operations			
Cash flows from operating activities		**(109,8)**	(91,5)
Cash flows from investing activities		**(78,4)**	(55,5)
Cash flows from financing activities		**24,9**	(28,6)
Net (decrease)/increase in cash and cash equivalents		**(163,3)**	(175,6)
Loss before interest and taxation is arrived at after taking into account:			
Items by nature			
Investment income other than interest:			
Fair value gain on investment property	3	**7,3**	4,8
Rentals received*		**0,4**	–
Amortisation of intangible assets		**–**	1,9
Auditors' remuneration:			
Fees for audits		**2,5**	5,8
Other services		**0,3**	0,9

* *Additional disclosure in terms of IAS 17: Leases was not deemed necessary as all rental income received relates to discontinued operations and the future rentals are unknown as these operations are in the process of being sold.*

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

31 DISCONTINUED OPERATIONS, ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE – continued

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	2017	2016[1]
31.1 Loss for the year from discontinued operations – continued			
Compensation income from insurance claims		**9,4**	0,6
Depreciation			
Land and buildings	2	**2,4**	6,0
Plant and machinery	2	**–**	96,4
Other	2	**–**	5,6
Employee benefit expense:			
Salaries and wages		**1 073,5**	1 242,1
Share option expense	13	**1,6**	1,6
Forfeitable Share Plan expense	13	**3,9**	3,3
Pension and provident costs – defined contribution plans	19	**37,9**	42,5
Fees paid for:			
Managerial services		**0,1**	0,2
Administrative services		**4,9**	9,6
Secretarial services		**–**	0,2
Impairment loss recognised on:			
Plant and machinery	2	**–**	36,1
Impairment loss:			
Trade receivables		**2,5**	3,7
Vendor related receivables		**56,8**	–
Reversal of impairment loss on trade receivables		**–**	3,6
Fair value adjustments on assets held-for-sale:			
Disposal group		**96,4**	44,3
Inventory		**–**	26,1
Profit or loss on disposals:			
Profit on disposal of property, plant and equipment		**7,8**	57,5
Loss on disposal of property, plant and equipment		**–**	1,0
(Loss)/profit on disposal of businesses (net)		**(27,5)**	5,6
Profit on sale of assets held-for-sale		**17,2**	–
Net foreign exchange profit/(loss)		**0,3**	(1,5)
Operating lease costs:			
Land and buildings		**9,8**	14,9
Other		**0,7**	0,3
Voluntary Rebuilding Programme charge		**170,0**	–
Items by function			
Cost of sales**		**3 201,4**	4 415,4
Distribution and marketing costs		**1,2**	2,3
Administration costs		**648,8**	468,8
Other operating income		**(103,2)**	(110,0)

*** Cost of sales includes R64,9 million (2016: R104,3 million) relating to the cost of inventories sold during the year.*

1 A 38% investment in Forum SA Trading 284 (Pty) Ltd (Property development) was not included in the sale of the Southern African Infrastructure & Building businesses and has therefore been reclassified from discontinued operations in the prior year and included as income from continuing operations for all periods presented.

31 DISCONTINUED OPERATIONS, ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE – continued

31.2 Assets and liabilities classified as held-for-sale

Assets held-for-sale includes assets relating to the Genrec operations as referred to in note 31.1, as well as the Group's 33,3% share in the Medupi Power Station Joint Venture which formed part of the Southern African Infrastructure & Building businesses. These disposals are expected to occur within the next 12 months and have therefore been classified as held-for-sale. Refer to note 37.2 for more detail regarding the Medupi Power Station Joint Venture. The proceeds from disposals are expected to exceed or equal the net carrying amount of the assets. Subsequent to classifying some assets as held-for-sale, the carrying amount of the assets exceeded the assets fair value less costs to sell. Management elected to write these assets' carrying amount down to their fair value less costs to sell.

The fair value adjustments (note 31.1) on assets classified as held-for-sale are level 3, non-recurring fair value measurements in terms of the fair value hierarchy which relate mainly to the Southern African Infrastructure & Building businesses and Genrec operations. The fair value adjustments on the disposal groups classified as held-for-sale relating to Southern African construction businesses and Genrec operations were recognised in order to reflect the fair value that was or are expected to be realised through the sale.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Major classes of assets classified as assets held-for-sale		
Property, plant and equipment	**166,7**	784,0
Investment property	**–**	24,3
Other intangible assets	**1,1**	6,3
Investment in joint venture	**–**	79,9
Deferred taxation assets	**–**	14,0
Non-current receivables	**1,4**	76,1
Inventories	**132,8**	73,7
Amounts due from contract customers	**47,2**	815,0
Trade and other receivables	**46,1**	185,1
Current taxation assets	**–**	17,5
Cash and cash equivalents	**1,5**	259,2
	396,8	2 335,1

31.3 Major classes of liabilities classified as liabilities held-for-sale

	2017	2016
Long term loans	**–**	194,5
Long term provisions	**16,6**	–
Amounts due to contract customers	**41,5**	439,1
Trade and other payables	**63,6**	608,6
Short term loans	**–**	75,8
Provisions for obligations	**9,7**	62,1
Subcontractor liabilities	**10,2**	509,9
	141,6	1 890,0

Refer to Annexure 3 for a segmental analysis of assets and liabilities classified as held-for-sale.

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

32 EARNINGS PER SHARE

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
32.1 Weighted average number of shares		
Number of shares ('000)		
Weighted average number of shares in issue	**444 736**	444 736
Less: Weighted average number of shares held by the Murray & Roberts Trust	**(30)**	(30)
Less: Weighted average number of shares held by Letsema BBBEE trusts	**(31 697)**	(31 711)
Less: Weighted average number of shares held by subsidiary companies	**(15 373)**	(14 341)
	397 636	398 654
Add: Dilutive adjustment	**8 013**	13 865
Weighted average number of shares in issue used in the determination of diluted per share figures	**405 649**	412 519

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016[1]
32.2 Earnings per share		
Reconciliation of earnings		
Profit attributable to owners of Murray & Roberts Holdings Limited	**48,0**	752,8
Adjustments for discontinued operations		
Loss from discontinued operations	**252,9**	136,1
Earnings for the purpose of basic and diluted earnings per share from continuing operations	**300,9**	888,9
Earnings per share from continuing and discontinued operations (cents)		
– Diluted	**12**	182
– Basic	**12**	189
Earnings per share from continuing operations (cents)		
– Diluted	**74**	215
Adjusted diluted earnings per share excluding Middle East	**214**	234
Diluted earnings per share contributed by Middle East	**(140)**	(19)
– Basic	**76**	223
Adjusted basic earnings per share excluding Middle East	**218**	242
Basic earnings per share contributed by Middle East	**(142)**	(19)

32 EARNINGS PER SHARE – continued

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS		2017		2016[1]	
Reconciliation of headline earnings	Note	Gross pre-tax & non-controlling interests	Net	Gross pre-tax & non-controlling interests	Net
32.3 Headline earnings					
Profit attributable to owners of Murray & Roberts Holdings Limited		**162,4**	**48,0**	1 104,1	752,8
Loss/(profit) on disposal of businesses (net)	35.1	**27,5**	**19,8**	(5,6)	(4,6)
Profit on disposal of property, plant and equipment (net)		**(30,1)**	**(20,9)**	(63,3)	(44,4)
Impairment of property, plant and equipment (net)		**11,6**	**8,2**	48,8	37,9
Reversal of impairment of property, plant and equipment (net)		**(1,1)**	**(0,8)**	–	–
Fair value adjustment on disposal group classified as held-for-sale		**96,4**	**69,6**	44,3	44,3
Fair value adjustments on assets held-for-sale		**–**	**–**	26,1	18,3
Profit on sale of assets held-for-sale		**(17,2)**	**(12,4)**	–	–
Fair value adjustment on investment property		**(7,3)**	**(5,7)**	(4,8)	(3,8)
Fair value adjustment on investment property (equity accounted investments)		**–**	**–**	(13,0)	(9,4)
Realisation of foreign currency translation reserve		**–**	**–**	(223,1)	(160,6)
Headline earnings		**242,2**	**105,8**	913,5	630,5
Adjustments for discontinued operations:					
Loss from discontinued operations		**289,9**	**252,9**	117,7	136,1
Profit on disposal of property, plant and equipment (net)		**7,8**	**5,5**	56,5	40,2
(Loss)/profit on disposal of businesses (net)		**(27,5)**	**(19,8)**	5,6	4,6
Fair value adjustment on investment property		**7,3**	**5,7**	4,8	3,8
Fair value adjustment on investment property (equity accounted investments)		**–**	**–**	13,0	9,4
Impairment of property, plant and equipment (net)		**–**	**–**	(36,1)	(26,0)
Fair value adjustment on disposal group classified as held-for-sale		**(96,4)**	**(69,6)**	(44,3)	(44,3)
Fair value adjustments on assets held-for-sale		**–**	**–**	(26,1)	(18,3)
Profit on sale of assets held-for-sale (net)		**17,2**	**12,4**	–	–
Headline earnings from continuing operations		**440,5**	**292,9**	1 004,6	736,0

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016[1]
Headline earnings per share from continuing and discontinued operations (cents)		
– Diluted	**26**	153
– Basic	**27**	158
Headline earnings per share from continuing operations (cents)		
– Diluted	**72**	178
Adjusted diluted headline earnings per share excluding Middle East	**212**	197
Diluted headline earnings per share contributed by Middle East	**(140)**	(19)
– Basic	**74**	185
Adjusted basic headline earnings per share excluding Middle East	**216**	204
Basic headline earnings per share contributed by Middle East	**(142)**	(19)

1 A 38% investment in Forum SA Trading 284 (Pty) Ltd (Property development) was not included in the sale of the Southern African Infrastructure & Building businesses and has therefore been reclassified from discontinued operations in the prior year and included as income from continuing operations for all periods presented.

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

33 CASH GENERATED FROM OPERATIONS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	2017	2016
Profit before interest and tax		**205,8**	1 157,2
Adjustments for non-cash items:			
Amortisation of intangible assets	5	**44,7**	52,6
Depreciation	2	**433,3**	555,8
Fair value gain on investments designated as fair value through profit or loss	7	**(251,5)**	(156,2)
Non-cash movements relating to held-for-sale		**96,4**	70,4
Loss/(profit) on sale of businesses (net)	35.1	**27,5**	(5,6)
Long term provisions raised, released and utilised		**(25,1)**	(119,8)
Provisions for obligations raised, released and utilised		**(16,0)**	56,7
Provisions raised, released and utilised relating to held-for-sale		**26,0**	–
Profit on disposal of property, plant and equipment (net)		**(30,1)**	(63,3)
Profit on disposal of assets held-for-sale		**(17,2)**	–
Fair value adjustment on investment property	3	**(7,3)**	(4,8)
Share-based payment expense		**32,6**	16,5
Impairment of assets (net)		**22,0**	230,4
Impairment of vendor loan		**56,8**	–
Voluntary Rebuilding Programme		**170,0**	–
Realisation of foreign currency translation reserve		**–**	(223,1)
Foreign exchange and other non-cash items		**39,0**	(241,3)
Changes in working capital		**248,3**	(236,5)
Inventories		**(113,0)**	(6,5)
Trade and other receivables		**536,3**	87,0
Contracts-in-progress and contract receivables		**670,0**	2 091,9
Trade and other payables		**(521,0)**	143,1
Subcontractor liabilities and amounts due to contract customers		**(324,0)**	(2 552,0)
		1 055,2	1 089,0

34 TAXATION PAID

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Taxation unpaid at the beginning of the year	**(34,2)**	(39,8)
Foreign exchange movements	**6,0**	(14,7)
Disposal of businesses	**–**	(1,4)
Taxation charged to the statement of financial performance excluding deferred taxation	**(196,0)**	(201,3)
Taxation credited to the statement of financial performance under discontinued operations	**(1,4)**	(16,0)
Transferred (from)/to assets classified as held-for-sale	**0,4**	(18,9)
Taxation unpaid at the end of the year	**15,6**	34,2
	(209,6)	(257,9)
Taxation unpaid at the end of the year comprises:		
Current taxation assets	**(23,5)**	(25,5)
Current taxation liabilities	**39,1**	59,7
	15,6	34,2

35 DISPOSAL/ACQUISITION OF BUSINESSES

35.1 Disposal of businesses

The profit or loss on disposal of businesses is included in loss for the year from discontinued operations in the statement of financial performance, refer to note 31.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017
Net outflow on disposal of business	**(322,8)**
Net loss on disposal of business	**(27,5)**

35.1.1 Disposal of interest in the Southern African Infrastructure & Building businesses

The Group disposed of its interest in the Southern African Infrastructure & Building businesses, effective 1 April 2017, for a gross consideration of R564 million (R397,2 million net of transaction costs (R27,5 million) and purchase price adjustment (R139,3million)).

The gross cash consideration of R314 million was received on 12 May 2017.

The gross deferred consideration of R250 million mainly relates to working capital assets on contracts that have achieved practical completion as at the effective date, Grayston Pedestrian Bridge and Lonmin receivables. The amount is payable within 5 days of recovery, after which interest is calculated at bank deposit rates. An amount of R56,8 million relating to the deferred consideration has been written off to profit or loss in the 2017 financial year.

The Group has exposure on the items listed below, should further cost be incurred, which were not sufficiently provided for as at the effective date, or that are not covered by additional turnover post the effective date:

– Contracts that have achieved practical completion as at effective date;
– Grayston Pedestrian Bridge;
– Lonmin;
– Platinum Toll Highway.

Where the exposure to these items did not meet the recognition criteria for provisions, they have been included under contingent liabilities, where deemed appropriate.

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

35 DISPOSAL/ACQUISITION OF BUSINESSES – continued

35.1 Disposal of businesses – continued

Analysis of assets and liabilities, classified as assets and liabilities held-for-sale in the previous financial year, which were sold during the year.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017
Property, plant and equipment	**(569,8)**
Investment property	**(11,2)**
Other investments	**(6,1)**
Non-current receivables	**(207,5)**
Inventories	**(5,2)**
Trade receivables	**(96,0)**
Contracts-in-progress and contract receivables	**(359,0)**
Amounts due from contract customers	**(99,9)**
Cash and cash equivalents	**(470,0)**
Other intangible assets	**(3,6)**
Deferred taxation assets	**(23,8)**
Long term loans	**248,3**
Provisions for obligations	**60,6**
Trade and other payables	**525,2**
Short term loans	**76,5**
Subcontractor liabilities	**314,0**
Amounts due to contract customers	**202,8**
Net assets disposed of	**(424,7)**
Net consideration	**397,2**
Consideration received in cash and cash equivalents (proceeds (R314 million) net of transaction cost (R27,5 million) and purchase price adjustment (R139,3 million))	**147,2**
Deferred consideration recognised as an asset	**250,0**
Loss on disposal of business	**(27,5)**
Net cash outflow on disposal of business	
Consideration received in cash and cash equivalents	**147,2**
Less: cash and cash equivalent balances disposed of	**(470,0)**
	(322,8)

36 NET MOVEMENT IN BORROWINGS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016*
Loans raised	**151,2**	540,8
Loans repaid	**(768,6)**	(580,0)
Receipts from vendor loans	**30,0**	–
	(587,4)	(39,2)
Capitalised leases repaid	**(127,9)**	(157,4)
Transfer from/(to) liabilities classified as held-for-sale	**54,7**	(270,3)
	(660,6)	(466,9)

* *In the 2016 financial year the non-cash element of capitalised finance leases was in error included under investing cash flows as purchase of property, plant and equipment (R92,6 million). Therefore the 2016 cash flow has been restated with the resulting impact being that the cash outflow from financing activities increased by R92,6 million and the cash outflow from investing activities decreased by R92,6 million.*

37 JOINT ARRANGEMENTS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016

37.1 Joint arrangements

A proportion of the Group's operations are performed through joint arrangements. The Group operates through two types of joint arrangements:

Joint operations

These are joint arrangements where the joint operators have rights to the assets and obligations for the liabilities relating to the arrangement and are unincorporated arrangements such as partnerships and contracts.

Joint ventures

These are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

37.1.1 Investment in joint venture*

	2017	2016
At the beginning of the year	**–**	46,0
Additions	**–**	23,5
Share of post-acquisition (loss)/profit	**(2,1)**	10,2
Transfer from/(to) assets classified as held-for-sale	**75,3**	(79,7)
	73,2	–
The carrying value of the investments may be analysed as follows:		
Net asset value	**65,1**	(10,2)
Share of post-acquisition earnings	**8,1**	10,2
	73,2	–

* *A 38% investment in Forum SA Trading 284 (Pty) Ltd (Property development) was not included in the sale of the Southern African Infrastructure & Building businesses and has therefore been reclassified from discontinued operations in the prior year and included as income from continuing operations for all periods presented. Refer to note 31.*

37.1.2 Summarised financial information in respect of the Group's joint operations

	2017	2016
Non-current assets	**719,7**	1 711,4
Current assets	**1 627,9**	2 429,0
Total assets	**2 347,6**	4 140,4
Non-current liabilities	**1,2**	125,7
Current liabilities	**3 002,0**	3 973,7
Total liabilities	**3 003,2**	4 099,4
Net assets	**(655,6)**	41,0
Revenue	**2 106,1**	5 737,9
(Loss)/profit after taxation	**(142,8)**	589,0

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

37 JOINT ARRANGEMENTS – continued

37.2 Details of significant joint operations

The Group has the following significant joint operations

	Nature of activities	Principal place of business and country of incorporation	2017 % Share-holding	2016 % Share-holding
Bombela & Middle East				
Medupi Power Station Joint Venture*	Civils construction	South Africa	**33,3**	67,0
Mafraq Hospital Joint Venture**	Construction of hospital	United Arab Emirates	**30,0**	30,0
Murray & Roberts – Bahwan JV – Oman Marriot Hotel**	Construction of hotel	Oman	**50,0**	50,0
Oil & Gas				
BAM Clough Joint Venture	EPC's of near shore marine projects	Australia	**50,0**	50,0
Clough AMEC (Pty) Ltd	Asset management services to the oil and gas sector	Australia	**50,0**	50,0
Kellogg Joint Venture – Gorgon	Design and construction of process plant facilities	Australia	**20,0**	20,0
Clough DORIS Joint Venture	Project management for Inpex's Ichtys development	Australia	**50,0**	50,0

The criteria used to determine significant joint operations include contribution to revenue or the Group's share of obligations. A monetary threshold of R250 million has been used to determine significant joint operations for the current year.

* *The Group does not have a controlling interest as unanimous decisions need to be made by all parties. Refer to note 31.2, assets classified as held-for-sale. 33,3% of the Group's share in the Medupi Power Station Joint Venture, held by Murray & Roberts Limited, was not yet sold during the financial year, as the appropriate approval from the client to transfer the contract was still outstanding. It is however expected that the appropriate approval will be obtained within the next 12 months.*

** *31 December year end.*

37.3 Details of significant joint ventures

The Group has the following significant joint venture entities

	Nature of activities	Principal place of business and country of incorporation	2017 % Share-holding	2016 % Share-holding
Corporate				
Forum SA Trading 284 Proprietary Limited	Property development	South Africa	**38,0**	38,0

38 CONTINGENT LIABILITIES

The Group is from time to time involved in various disputes, claims and legal proceedings arising in the ordinary course of business. The Group does not account for any potential contingent liabilities where a back-to-back arrangement exists with the clients or subcontractors and there is a legal right to offset (R2,4 billion). The Board does not believe that adverse decisions in any pending proceeding or claims against the Group will have a material adverse effect on the financial condition or future of the Group.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Contingent liabilities	**1 942,8**	2 734,4
Financial institution guarantees given to third parties	**5 881,4**	8 199,2
Contingent liabilities and guarantees given to third parties arising from interests in joint operations included above amounted to	**2 010,1**	3 104,1

Update on the Group's claims processes

Following the settlement of the Gautrain development period claims, the Group's uncertified revenue as at the end of June 2017 reduced to R0,9 billion (2016: R2,0 billion). Current uncertified revenue is primarily represented by the Group's claims on projects in the Middle East (after taking into consideration a R445 million loan paid on account by a client). All claims are diligently pursued and stakeholders will be kept informed as to their progress. After a protracted legal process, the Dubai Airport claim is finally in arbitration, with an award expected in May 2018.

Grayston Pedestrian Bridge temporary works collapse

In November 2015, the Department of Labour instituted a Section 32 Inquiry ("Inquiry") into this incident to determine the cause or causes for the collapse of the temporary works structure. This formal Inquiry currently underway, is conducted in terms of the provisions of the Occupational Health and Safety Act, 1993. The Inquiry was recently paused, but is due to resume again in September 2017. The Board is disappointed at the slow pace that is delaying closure of this distressing incident for all parties involved.

All costs incurred to date have been expensed as and when incurred. This incident is one of the retained liabilities following the disposal of the Southern African Infrastructure & Building businesses, and the direct financial impact of this incident on the Group is not expected to be material considering the comprehensive insurance cover in place. The project is expected to be completed during the latter part of the 2017 calendar year, and the date by which the Inquiry will be concluded remains uncertain.

39 CAPITAL COMMITMENTS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Approved by the directors, contracted and not provided for in the statement of financial position	**116,6**	15,0
Approved by the directors, not yet contracted for	**891,4**	533,0
	1 008,0	548,0

40 OPERATING LEASE ARRANGEMENTS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
General operating leases		
Operating lease payments represent rentals payable by the Group for certain of its office properties and certain items of plant and machinery, intangible assets and furniture and fittings. These leases have varying terms, escalation clauses and renewal periods.		
Operating lease costs		
Operating lease costs recognised in the statement of financial performance is set out in note 27.		
Minimum lease payments due		
Due within 1 year	**309,5**	342,3
Due between 2 and 5 years	**1 000,8**	1 126,5
Due thereafter	**3,2**	233,7
	1 313,5	1 702,5

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

41 FINANCIAL RISK MANAGEMENT

41.1 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings as disclosed in note 18 and 24 and equity attributable to owners of Murray & Roberts Holdings Limited, comprising issued reserves and retained earnings as disclosed.

The Board reviews the capital structure and as part of the review, considers the cost of capital and the risk associated with each class of capital.

The Group is subject to externally imposed capital requirements in the form of financial covenants which are actively managed by the Board.

The Group's current liabilities range from on-demand to 365 day facilities and are supported by cross guarantees from group companies. The debt raised in Australia has been secured by the pledging of Murray & Roberts Proprietary Limited's (Australian company) shares, Clough Proprietary Limited shares and RUC Cementation Mining Contractors Proprietary Limited shares.

The Group has a target gearing ratio of 20% – 25% determined on the proportion of net debt to equity.

41.2 Financial instruments

The Group does not trade in financial instruments but, in the normal course of operations, is exposed to currency, credit, interest and liquidity risk.

In order to manage these risks, the Group may enter into transactions that make use of financial instruments. The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short term investments, derivatives, accounts receivable and payable and interest bearing borrowings.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	2017	2016
Categories of financial instruments			
Financial assets			
Financial assets designated as fair value through profit or loss (level 3)	7	**892,7**	811,2
Loans and receivables		**6 109,3**	6 720,3
Available-for-sale financial assets carried at fair value (level 1)	7	**0,1**	0,1
Derivative financial instruments (level 2)*		**2,2**	–
Financial liabilities			
Loans and payables		**5 146,3**	6 447,4

* *The derivative financial instruments' values have been determined by using forward looking market rates until the realisation date of the relevant instruments obtained from the relevant financial institutions.*

The fair value hierarchy introduces 3 levels of inputs based on the lowest level of input significant to the overall fair values:

Level 1 – quoted prices for similar instruments
Level 2 – directly observable market inputs other than Level 1 inputs
Level 3 – inputs not based on observable market data

41.3 Market risk

The Group operates in various countries and is exposed to the market risk evident in each specific country. The primary market risk identified relate to foreign currency fluctuations and interest rate fluctuations. The sensitivities relating to these market risks are detailed in notes 41.4 and 41.5.

41 FINANCIAL RISK MANAGEMENT – continued

41.4 Foreign currency risk management

The Group has major operating entities in the Middle East, Australia, The Americas and Zambia and hence has an exposure to fluctuations in exchange rates. The Group may, from time to time, hedge its foreign currency exposure for either purchase or sale transactions through the use of foreign currency forward exchange contracts.

Foreign currency sensitivity

The Group is mainly exposed to the currencies of Australia, Canada, Europe, United Arab Emirates, United States of America and Zambia. The following table details the Group's major foreign currencies and the sensitivity of a 1% decrease in the Rand against the relevant currencies. A 1% increase in the Rand would have an inverse, proportionate impact. The sensitivity includes only foreign currency denominated monetary items and adjust their translation at the period end for a change in foreign currency rates. A positive number indicates an increase in profit and equity where the Rand weakens against the relevant currencies.

	Assets		Liabilities	
	2017	2016	**2017**	2016
Australian Dollar	**17,5**	14,5	**(7,9)**	(12,4)
Canadian Dollar	**4,0**	4,8	**(2,1)**	(3,4)
European Euro	**0,4**	0,9	**(0,1)**	(0,5)
UAE Dirham	**4,4**	5,2	**(4,7)**	(6,3)
US Dollar	**7,1**	12,7	**(0,4)**	(1,0)
Zambian Kwacha	**3,3**	2,9	**(0,4)**	(0,3)

Forward foreign exchange contracts

The Group may, from time to time, hedge its foreign currency exposure for either purchase or sale transactions through the use of foreign currency exchange contracts. Each operation manages its own trade exposure. In this regard the Group has entered into certain forward foreign exchange contracts. All such contracts are supported by underlying commitments, receivables or payables. The risk of having to close out these contracts is considered to be low.

All forward foreign exchange contracts are valued at fair value on the reporting date with the resultant gain or loss included in the statement of financial performance with the exception of effective cash flow hedges. The gains or losses on effective cash flow hedges are recorded in other comprehensive income and either transferred to income when the hedged transaction affects income or are included in the initial acquisition cost of the hedged assets or liabilities where appropriate.

The amounts represent the net Rand equivalents of commitments to purchase and sell foreign currencies. The majority of the contracts will be utilised during the next 12 months, and are renewed on a revolving basis as required.

At reporting date, the notional amounts of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

	2017		2016	
Related to specific statement of financial position items	**Foreign amount**	**Rand amount**	Foreign amount	Rand amount
Bought:				
US Dollar	**–**	**–**	1,0	14,1
		–		14,1
Sold:				
US Dollar	**0,2**	**1,7**	–	–
		1,7		–

At 30 June 2017 the fair value of the Group's currency derivatives is estimated to be a profit of approximately R2,2 million (2016: Rnil million). These amounts are based on quoted market prices for equivalent instruments at the reporting date which comprise R2,2 million assets (2016: Rnil million) and liabilities of Rnil million (2016: Rnil million).

Rnil million relating to currency derivatives that have been designated as cash flow hedges have been recognised in the statement of comprehensive income during the year of Rnil million (2016: Rnil million).

The Group does not currently designate any foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

41 FINANCIAL RISK MANAGEMENT – continued

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
41.4 Foreign currency risk management – continued		
The carrying amount of the significant financial assets are denominated in the following currencies (amounts shown are in Rand equivalent):		
Cash and cash equivalents		
Australian Dollar	**681,0**	849,9
Bahraini Dinar	**1,2**	1,4
Botswana Pula	**22,7**	12,0
British Pound	**62,7**	49,4
Canadian Dollar	**34,1**	61,0
Central African Franc	**8,2**	–
Egyptian Pound	**9,5**	21,1
European Euro	**29,2**	68,1
Ghanaian New Cedi	**18,3**	17,8
Japanese Yen	**6,1**	7,3
Malaysian Ringgit	**17,2**	24,3
Mongolian Tughrik	**10,1**	–
Mozambican Metica	**5,9**	3,9
Omani Rial	**20,7**	12,1
Papua New Guinea Kina	**0,1**	0,9
Qatari Rial	**3,1**	38,5
Saudi Arabia Riyal	**3,3**	3,7
Singapore Dollar	**4,0**	15,9
South African Rand	**390,1**	166,9
South Korean Won	**13,2**	15,9
Thai Baht	**6,2**	3,0
UAE Dirham	**251,0**	344,3
US Dollar	**547,3**	798,9
Zambian Kwacha	**217,2**	269,1
Other	**8,2**	27,4
	2 370,6	2 812,8
Trade and net contract receivables		
Australian Dollar	**1 066,1**	595,1
Bahraini Dinar	**29,9**	33,7
Botswana Pula	**6,7**	33,0
British Pound	**44,2**	89,2
Canadian Dollar	**364,3**	416,6
European Euro	**11,8**	17,1
Ghanaian New Cedi	**5,5**	–
Omani Rial	**49,6**	30,1
Papua New Guinea Kina	**0,2**	–
Qatari Rial	**7,7**	42,3
Saudi Arabia Riyal	**5,7**	6,4
South African Rand	**944,6**	985,0
South Korean Won	**–**	0,2
Thai Baht	**–**	5,7
UAE Dirham	**185,1**	173,1
US Dollar	**159,5**	469,9
Zambian Kwacha	**109,6**	23,7
Other	**7,7**	1,1
Gross receivables	**2 998,2**	2 922,2
Present value and other adjustments	**(50,6)**	(65,5)
	2 947,6	2 856,7

41 FINANCIAL RISK MANAGEMENT – continued

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016

41.4 Foreign currency risk management – continued

The carrying amounts of the significant financial liabilities are denominated in the following currencies (amounts shown are in Rand equivalent):

	2017	2016
Bank overdrafts		
Botswana Pula	**51,1**	–
South African Rand	**0,5**	1,8
UAE Dirham	**65,0**	70,9
Other	**0,9**	3,3
	117,5	76,0
Trade payables and subcontractor liabilities		
Australian Dollar	**576,2**	756,8
Botswana Pula	**27,8**	7,1
British Pound	**7,5**	15,4
Canadian Dollar	**73,9**	119,2
European Euro	**9,9**	53,3
Malaysian Ringgit	**1,7**	2,1
Omani Rial	**54,3**	–
Qatari Rial	**33,8**	64,4
Saudi Arabia Riyal	**23,3**	26,3
Singapore Dollar	**0,1**	0,1
South African Rand	**304,9**	261,2
South Korean Won	**–**	1,0
Thai Baht	**13,3**	15,4
UAE Dirham	**409,0**	538,0
US Dollar	**37,9**	97,3
Zambian Kwacha	**40,5**	33,3
Other	**9,3**	5,8
Gross liabilities	**1 623,4**	1 996,7
Present value and other adjustments	**–**	–
	1 623,4	1 996,7
Interest bearing liabilities		
Australian Dollar	**171,1**	450,4
Canadian Dollar	**132,8**	222,4
Qatari Rial	**20,2**	56,2
South African Rand	**139,0**	213,1
UAE Dirham	**–**	21,7
	463,1	963,8
Non-interest bearing liabilities		
Australian Dollar	**45,8**	29,5
	45,8	29,5

41 FINANCIAL RISK MANAGEMENT – continued

41.5 Interest rate risk management

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at reporting date as well as changes to interest rates in both local and foreign markets. It assumes the stipulated change takes place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

The table below illustrates the Group's sensitivity on profits had the interest rates been 100 basis points higher and all other variables were held constant. A positive number indicates an increase in profit and other equity (in Rands) as a consequence of change in interest rates. Based on the prime interest rates of the countries listed below:

	2017	2016
South Africa		
Basis points increase	**100,0**	100,0
Effect on profit or loss	**1,5**	(1,3)
Australia		
Basis points increase	**100,0**	100,0
Effect on profit or loss	**4,0**	2,6
United Arab Emirates		
Basis points increase	**100,0**	100,0
Effect on profit or loss	**(0,5)**	(0,8)
Canada		
Basis points increase	**100,0**	100,0
Effect on profit or loss	**(1,0)**	(1,6)
United States of America		
Basis points increase	**100,0**	100,0
Effect on profit or loss	**5,2**	7,2
Zambia		
Basis points increase	**100,0**	100,0
Effect on profit or loss	**2,2**	2,7

41.6 Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. Potential areas of credit risk consist of cash and cash equivalents, trade and other receivables (net of provisions) and contract receivables (net of provisions).

Credit quality

Cash and cash equivalents:

The Group only deposits its money with creditable financial institutions.

Trade and other receivables:

Trade receivables consist mainly of a widespread customer base. Credit risk is managed by performing credit checks on customers and setting of credit limits where necessary. Group companies monitor the financial position of their customers on an ongoing basis and where appropriate, use is made of credit guarantee insurance. The category of financial assets that are neither past due nor impaired ("not past due") are considered appropriate.

Contract receivables (net of provisions):

Contract receivables and retentions are often secured by means of a lien over the property or payment guarantee from third party banks. The credit quality of this category of financial assets that are neither past due nor impaired ("not past due") are considered appropriate.

Included in trade receivables and amounts due from contract customers are amounts due from South African parastatals and government of R0,3 million (2016: R1,2 million) and R499,7 million (2016: R401,1 million) respectively. An impairment of Rnil million (2016: R1,2 million) was recognised on trade receivables. An amount of Rnil million (2016: Rnil million) is considered to be past due, but not impaired.

Provision is made for specific bad debts and at year end, management believed that any material credit risk exposure was covered by credit guarantees or bad debt provisions.

41 FINANCIAL RISK MANAGEMENT – continued

41.6 Credit risk management – continued

The following represents the Group's maximum exposure, at reporting date to credit risk, before taking into account any collateral held or other credit enhancements and after allowance for impairment and netting where appropriate.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Bombela & Middle East	Power & Water	Construction Products Africa	Underground Mining	Oil & Gas	Corporate & Properties	Group
2017							
Cash and cash equivalents	**325,2**	**231,7**	**–**	**739,4**	**773,6**	**300,7**	**2 370,6**
Trade and other receivables (net of provisions)	**158,8**	**117,2**	**–**	**388,1**	**292,0**	**210,9**	**1 167,0**
Contract receivables (net of provisions)	**319,2**	**552,5**	**–**	**854,5**	**906,8**	**5,5**	**2 638,5**
Non-current receivables	**–**	**–**	**–**	**–**	**8,5**	**59,8**	**68,3**
Total assets subject to credit risk	**803,2**	**901,4**	**–**	**1 982,0**	**1 980,9**	**576,9**	**6 244,4**
Assets not subject to credit risk	**2 345,6**	**1 055,3**	**–**	**2 531,7**	**1 777,2**	**248,8**	**7 958,6**
	3 148,8	**1 956,7**	**–**	**4 513,7**	**3 758,1**	**825,7**	**14 203,0**
2016							
Cash and cash equivalents	483,6	204,6	1,1	820,1	1 141,6	161,8	2 812,8
Trade and other receivables (net of provisions)	499,5	108,1	5,1	358,4	353,8	165,9	1 490,8
Contract receivables (net of provisions)	264,4	541,4	0,9	1 039,0	669,2	0,1	2 515,0
Non-current receivables	37,9	–	–	4,0	14,7	20,7	77,3
Total assets subject to credit risk	1 285,4	854,1	7,1	2 221,5	2 179,3	348,5	6 895,9
Assets not subject to credit risk	4 657,6	1 064,5	10,3	2 432,1	1 930,8	973,7	11 069,0
	5 943,0	1 918,6	17,4	4 653,6	4 110,1	1 322,2	17 964,9
Financial assets subject to credit risk*							
2017							
Not past due	**833,0**	**823,9**	**–**	**1 879,1**	**1 988,1**	**576,9**	**6 101,0**
Past due	**0,1**	**79,8**	**–**	**115,8**	**–**	**–**	**195,7**
Provisions for impairments	**(29,9)**	**(2,3)**	**–**	**(12,9)**	**(7,2)**	**–**	**(52,3)**
	803,2	**901,4**	**–**	**1 982,0**	**1 980,9**	**576,9**	**6 244,4**
2016							
Not past due	1 310,7	853,3	7,1	2 234,4	2 198,1	348,5	6 952,1
Past due	8,4	2,7	–	–	–	–	11,1
Provisions for impairments	(33,7)	(1,9)	–	(12,9)	(18,8)	–	(67,3)
	1 285,4	854,1	7,1	2 221,5	2 179,3	348,5	6 895,9

* *Not past due relates to invoices not past the expected payment date for trade receivables, contract receivables and other receivables. Included in not past due is also cash and cash equivalents. The credit quality of the financial assets that are neither past due nor impaired is considered appropriate.*

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

41 FINANCIAL RISK MANAGEMENT – continued

41.6 Credit risk management – continued

Financial assets that are past due, but not impaired

These are assets where contractual payments are past due, but the Group believes that impairment is not appropriate as there has not been a significant change in credit quality and the amounts are still considered to be recoverable.

The age of receivables that are past due, but not impaired is:

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	<Three months	Three to six months	Six to twelve months	>Twelve months	Total
2017					
Trade receivables	**7,3**	**–**	**–**	**1,4**	**8,7**
Contract receivables	**136,9**	**20,6**	**0,2**	**25,4**	**183,1**
Other receivables	**0,1**	**–**	**–**	**3,8**	**3,9**
	144,3	**20,6**	**0,2**	**30,6**	**195,7**
2016					
Trade receivables	–	1,5	–	1,2	2,7
Contract receivables	–	–	5,5	0,1	5,6
Other receivables	1,8	–	–	1,0	2,8
	1,8	1,5	5,5	2,3	11,1

Financial assets individually assessed to be impaired

In determining the recoverability of a trade or contract receivable the Group considers any change in the credit quality of the trade or contract receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debt.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Bombela & Middle East	Power & Water	Construction Products Africa	Underground Mining	Oil & Gas	Corporate & Properties	Group
2017							
Trade receivables	**–**	**1,0**	**–**	**0,6**	**–**	**–**	**1,6**
Contract receivables	**29,9**	**1,3**	**–**	**12,3**	**7,2**	**–**	**50,7**
	29,9	**2,3**	**–**	**12,9**	**7,2**	**–**	**52,3**
2016							
Trade receivables	–	0,6	–	0,6	0,6	–	1,8
Contract receivables	33,7	1,3	–	12,3	18,2	–	65,5
	33,7	1,9	–	12,9	18,8	–	67,3

41 FINANCIAL RISK MANAGEMENT – continued

41.6 Credit risk management – continued

Reconciliation of total impairments

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Bombela & Middle East	Power & Water	Construction Products Africa	Underground Mining	Oil & Gas	Corporate & Properties	Group
2017							
Balance at the beginning of the year	**33,7**	**1,9**	**–**	**12,9**	**18,8**	**–**	**67,3**
Raised during the year	**–**	**0,5**	**–**	**–**	**7,1**	**–**	**7,6**
Utilised during the year	**–**	**–**	**–**	**–**	**(6,0)**	**–**	**(6,0)**
Released during the year	**–**	**–**	**–**	**–**	**(11,3)**	**–**	**(11,3)**
Foreign exchange movements	**(3,8)**	**(0,1)**	**–**	**–**	**(1,4)**	**–**	**(5,3)**
	29,9	**2,3**	**–**	**12,9**	**7,2**	**–**	**52,3**
2016							
Balance at the beginning of the year	44,4	0,9	7,9	12,5	20,9	25,0	111,6
Raised during the year	3,0	1,3	–	0,4	17,5	–	22,2
Utilised during the year	(0,1)	(0,3)	(4,9)	–	(0,9)	–	(6,2)
Transfer to assets classified as held-for-sale	(13,6)	–	–	–	–	–	(13,6)
Released during the year	(3,5)	–	(3,9)	–	(21,4)	(25,0)	(53,8)
Foreign exchange movements	3,5	–	0,9	–	2,7	–	7,1
	33,7	1,9	–	12,9	18,8	–	67,3

41.7 Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Board of directors. Liquidity risk is managed by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. Additional borrowing facilities that the Group has at its disposal to reduce liquidity risk are listed in the table below.

Borrowing capacity

The Company's borrowing capacity is unlimited in terms of its memorandum of incorporation.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Borrowing facilities		
Total borrowing facilities	**4 570,4**	5 393,9
Current utilisation	**(564,7)**	(1 432,8)
Borrowing facilities available	**4 005,7**	3 961,1

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

41 FINANCIAL RISK MANAGEMENT – continued

41.8 Maturity profile of financial instruments

The maturity profile of the recognised financial instruments are summarised as below. These profiles represent the discounted cash flows that are expected to occur in the future.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Note	< One year	One to six years	Total
2017				
Financial assets				
Cash and cash equivalents	**11**	**2 370,6**	**–**	**2 370,6**
Contract receivables	**9**	**2 638,5**	**–**	**2 638,5**
Trade and other receivables	**10**	**1 029,3**	**–**	**1 029,3**
Non-current receivables		**–**	**68,3**	**68,3**
Other investments	**7**	**167,8**	**727,6**	**895,4**
Derivative financial instruments		**2,2**	**–**	**2,2**
Financial liabilities				
Bank overdrafts	**11**	**117,5**	**–**	**117,5**
Interest bearing liabilities	**18**	**243,4**	**219,7**	**463,1**
Non-interest bearing liabilities	**18**	**45,8**	**–**	**45,8**
Trade and other payables	**23**	**3 386,4**	**–**	**3 386,4**
Subcontractor liabilities	**22**	**971,5**	**–**	**971,5**
Non-current payables		**–**	**162,0**	**162,0**
2016				
Financial assets				
Cash and cash equivalents	11	2 812,8	–	2 812,8
Contract receivables	9	2 515,0	–	2 515,0
Trade and other receivables	10	1 490,8	–	1 490,8
Non-current receivables		–	77,3	77,3
Other investments	7	102,9	708,3	811,2
Financial liabilities				
Bank overdrafts	11	76,0	–	76,0
Interest bearing liabilities	18	313,4	650,4	963,8
Non-interest bearing liabilities	18	29,5	–	29,5
Trade and other payables	23	4 191,1	–	4 191,1
Subcontractor liabilities	22	1 189,9	–	1 189,9
Non-current payables		–	84,7	84,7

42 RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTEREST

42.1 Identity of related parties

The Group has a related party relationship with its subsidiary companies (Annexure 1), associate companies (note 6), joint operations (note 37), retirement and other benefit plans (note 19) and with its directors, prescribed officers and key management personnel.

42.2 Related party transactions and balances

During the year the Company and its related parties, in the ordinary course of business, entered into various inter-group sale and purchase transactions. These transactions are no less favourable than those arranged with third parties.

Balances between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Amounts owed to related parties		
Unsecured interest bearing borrowings		
Amounts owing to joint operations	**(0,6)**	(35,0)
The amounts owing to the joint operations are unsecured with no fixed terms of repayment and bear interest at 9,75% (2016: Varying rates between 5% – 6,5%) per annum.		
Interest paid to joint operations amounted to R1,4 million (2016: R1,5 million) during the current financial year.		
Trade and other receivables		
Amounts owing from joint operations	**170,5**	474,7
Trade and other payables		
Amounts owing to joint operations	**140,8**	508,5
Normal trading conditions for the trade and other receivables and payables will apply.		

42.3 Transactions with key management personnel

Interest of the directors in the stated capital of the Company is set out in the Directors' Report.

	2017	2016
The key management personnel compensation, excluding the directors and prescribed officers are:		
Salaries	**10,5**	13,9
Retirement fund contributions	**0,5**	0,8
Allowances	**0,2**	0,2
Other benefits	**0,1**	0,1
Total guaranteed remuneration	**11,3**	15,0
Gain on forfeitable share awards	**0,7**	0,5
Performance related	**17,9**	102,3
	29,9	117,8

42 RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTEREST – continued

42.3 Transactions with key management personnel – continued

Executive directors

The remuneration of executive directors for the year ended 30 June 2017 was as follows:

	Total guaranteed remuneration R'000	Performance related** R'000	Gain on Forfeitable Share Awards R'000	Other* R'000	Total R'000
2017					
AJ Bester[1]	**3 567**	**1 304**	**1 595**	**–**	**6 466**
DF Grobler[2]	**1 050**	**2 797**	**–**	**–**	**3 847**
HJ Laas	**6 195**	**6 000**	**2 272**	**90**	**14 557**
	10 812	**10 101**	**3 867**	**90**	**24 870**
2016					
AJ Bester	4 530	3 809	776	–	9 115
HJ Laas	5 900	6 404	1 068	–	13 372
	10 430	10 213	1 844	–	22 487

1 *Retired 31 March 2017. Performance related represents 9 months as director.*

2 *Appointed 1 April 2017. Remuneration represents April – June 2017. Performance related amount is in respect of service as an executive director. Total guaranteed remuneration for nine months paid as Managing Director of a subsidiary was R2,3 million and performance related amount paid was R1,7 million. These amounts are included in key management personnel above. Performance related represents 9 months as Managing Director of a subsidiary amounting to R2,0 million and the balance of R0,8 million relates to three months as a director.*

* *Fringe benefit on company vehicle.*

** *Performance bonuses are accounted for on an accrual basis to match the amount payable to the applicable financial year end. 30% (2016: 30%) of the performance bonus was deferred into forfeitable share awards.*

The remuneration of executive directors and key management personnel is determined by the Remuneration and Human Resource Committee having regard to the performance of individuals and market trends.

Details of service on board committees are set out in the Corporate Governance Report of the Integrated Report. Interests of the directors in the stated capital of the Company are set out in the Directors' Report.

The executive directors of the Company hold in aggregate, directly or indirectly, grants of options from The Murray & Roberts Trust in respect of 0,08% (2016: 0,36%) of the ordinary shares of the Company. These options are subject to the terms and conditions of the employee share scheme.

42 RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTEREST – continued

42.3 Transactions with key management personnel – continued

Prescribed officers

	Total guaranteed remuneration R'000	Leave payouts R'000	Performance related** R'000	Other R'000	Gain on Forfeitable Share Awards R'000	Total R'000
2017						
O Fenn	**4 650**	**–**	**2 821**	**–**	**964**	**8 435**
JN Govender[1]	**2 811**	**–**	**–**	**–**	**836**	**3 647**
S Harrison	**3 150**	**–**	**1 798**	**–**	**656**	**5 604**
IW Henstock	**3 697**	**–**	**2 320**	**–**	**871**	**6 888**
T Mdluli	**2 505**	**–**	**1 310**	**–**	**643**	**4 458**
RAG Skudder[2]	**276**	**296**	**–**	**–**	**–**	**572**

	Total guaranteed remuneration R'000	Leave payouts R'000	Performance related** R'000	Contract payment R'000	Gain on Forfeitable Share Awards R'000	Total R'000
2016						
O Fenn	4 470	–	4 120	–	670	9 260
JN Govender[1]	3 570	–	1 845	–	500	5 915
S Harrison	2 951	–	1 000	–	321	4 272
IW Henstock	3 520	–	2 299	–	519	6 338
T Mdluli	2 383	–	1 242	–	215	3 840
RAG Skudder[2]	3 310	–	–	–	458	3 768

	Total guaranteed remuneration AUD'000	Leave payouts AUD'000	Performance related** AUD'000	Contract payment AUD'000	Gain on Forfeitable Share Awards AUD'000	Total AUD'000
AUD						
2017						
P Bennett	**788**	**83**	**779**	**–**	**–**	**1 650**
AUD						
2016						
P Bennett***	365	–	600	700	–	1 665
K Gallagher[3]	842	28	–	–	–	870

** *Performance bonuses are accounted for on an accrual basis to match the amount payable to the applicable financial year end. 30% (2016: 30%) of the performance bonus was deferred into forfeitable share awards.*

*** *P Bennett contract payment is in respect of previous incentives foregone.*

1 *Resigned 9 March 2017.*

2 *Resigned 31 July 2016.*

3 *Resigned 26 January 2016.*

42 RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTEREST – continued

42.3 Transactions with key management personnel – continued

Non-executive directors

The level of fees for service as director, additional fees for service on the board committees and the chairman's fee are reviewed annually.

The remuneration of non-executive directors for the year ended 30 June 2017 was:

	Directors fees R'000	Non-attendance R'000	Special board R'000	Committee fees R'000	Chairman's fee R'000	**Total 2017 R'000**	Total 2016 R'000
DD Barber	285	–	139	279	–	**703**	661
R Havenstein	285	(23)	186	522	–	**970**	593
SP Kana	285	–	186	539	–	**1 010**	616
NB Langa-Royds	285	–	186	364	–	**835**	593
JM McMahon[4]	69	–	–	95	–	**164**	692
XH Mkhwanazi	285	(23)	141	196	–	**599**	431
M Sello	–	–	–	–	1 399	**1 399**	1 333
RT Vice[5]	117	–	139	203	–	**459**	741
	1 611	(46)	977	2 198	1 399	**6 139**	5 660
AUD'000							
KW Spence	100	–	68	37	–	**205**	93

4 Retired on 30 September 2016.
5 Retired on 30 November 2016.

The remuneration of non-executive directors is submitted to the annual general meeting for approval in advance of such payment being made.

The chairman's fee includes attendance at committee meetings.

Details of service on Board committees set out in the Corporate Governance Report as included in the Annual Integrated Report. Interest of the directors in the share capital of the Company is set out in the Directors' Report.

Share option and Letsema scheme: The movements in share options and Letsema shares of executive directors during the year ended 30 June 2017 are:

Executive directors

GRANT DATE	Conditions	Outstanding options 1 July 2016	Strike price (Rands)	Lapsed during the year	**Outstanding options at 30 June 2017**	Expiry date
Bester, AJ[1]						
06 Mar 2007	Special	670 000	42,33	(670 000)	**–**	06 Mar 2017
20 Apr 2011	Hurdle	49 580	23,34	(49 580)	**–**	20 Apr 2017
30 Aug 2011	Retention	89 780	25,24	–	**89 780**	30 Aug 2017
		809 360		(719 580)	**89 780**	
Grobler, DF[2]						
20 Apr 2011	Hurdle	13 400	23,34	(13 400)	**–**	20 Apr 2017
Laas, HJ						
06 Mar 2007	Special	515 900	42,33	(515 900)	**–**	06 Mar 2017
20 Apr 2011	Hurdle	134 000	23,34	(134 000)	**–**	20 Apr 2017
30 Aug 2011	Retention	150 080	25,24	–	**150 080**	30 Aug 2017
		799 980		(649 900)	**150 080**	

1 Retired 31 March 2017.
2 Appointed 1 April 2017.

42 RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTEREST – continued

42.3 Transactions with key management personnel – continued

Prescribed officers

GRANT DATE	Conditions	Outstanding options 1 July 2016	Strike price (Rands)	Lapsed during the year	Outstanding options at 30 June 2017	Expiry date
Fenn, O						
20 Apr 2011	Hurdle	49 580	23,34	(49 580)	**–**	20 Apr 2017
30 Aug 2011	Retention	56 280	25,24	–	**56 280**	30 Aug 2017
		105 860		(49 580)	**56 280**	
Govender, JN[3]						
06 Mar 2007	Hurdle	40 200	42,33	(40 200)	**–**	06 Mar 2017
Govender, JN – Letsema[3]						
20 Apr 2011	Hurdle	25 000	25,16	–	**25 000**	31 Dec 2021
Henstock, IW						
20 Apr 2011	Hurdle	49 580	23,34	(49 580)	**–**	20 Apr 2017
30 Aug 2011	Retention	75 040	25,24	–	**75 040**	30 Aug 2017
		124 620		(49 580)	**75 040**	
Mdluli, T – Letsema						
24 Aug 2010	Standard	11 500	41,02	–	**11 500**	31 Dec 2021
20 Apr 2011	Hurdle	10 000	25,16	–	**10 000**	31 Dec 2021
30 Aug 2011	Standard	25 500	27,70	–	**25 500**	31 Dec 2021
		47 000		–	**47 000**	
Skudder, RAG[4]						
06 Mar 2007	Special	20 100	42,33	(20 100)	**–**	06 Mar 2017
20 Apr 2011	Hurdle	49 580	23,34	(49 580)	**–**	20 Apr 2017
30 Aug 2011	Retention	68 340	25,24	(68 340)	**–**	30 Aug 2017
		138 020		(138 020)	**–**	

3 Resigned 9 March 2017 due to sale of Southern African Infrastructure & Building businesses within the Infrastructure & Building platform.

4 Resigned 31 July 2016.

42 RELATED PARTY TRANSACTIONS, DIRECTORS' EMOLUMENTS AND INTEREST – continued

42.3 Transactions with key management personnel – continued

Executive directors and prescribed officers

The movements in FSP shares of directors and prescribed officers during the year ended 30 June 2017 are:

	Balance at 1 July 2016	Granted during the year	Vested	Forfeited	Balance at 30 June 2017
Bester, AJ[1]	817 000	476 500	(140 160)	(5 840)	**1 147 500**
Fenn, O	600 500	366 000	(96 480)	(4 020)	**866 000**
Govender, JN[3]	499 000	–	(69 120)	(160 352)	**269 528**
Grobler, DF[2]	285 000	173 000	(48 960)	(2 040)	**407 000**
Harrison, S	302 500	248 000	(57 600)	(2 400)	**490 500**
Henstock, IW	496 500	291 000	(85 440)	(3 560)	**698 500**
Laas, HJ	1 337 000	842 500	(199 680)	(8 320)	**1 971 500**
Mdluli, T	315 500	161 500	(57 600)	(2 400)	**417 000**
Skudder, RAG[4]	470 000	–	–	(470 000)	**–**

The movements in FSP-STI shares of directors during the year ended 30 June 2017 are:

	Balance at 1 July 2016	Granted during the year	Vested	Forfeited	Balance at 30 June 2017
Bester, AJ[1]	78 400	104 761	(32 647)	–	**150 514**
Fenn, O	13 798	–	(8 007)	–	**5 791**
Govender, JN[3]	54 788	–	(44 223)	(10 565)	**–**
Grobler, DF[2]	35 517	68 147	(13 845)	–	**89 819**
Harrison, S	32 624	27 506	(13 421)	–	**46 709**
Henstock, IW	15 295	–	(8 878)	–	**6 417**
Laas, HJ	112 135	176 145	(46 480)	–	**241 800**
Mdluli, T	30 045	34 152	(12 100)	–	**52 097**
Skudder, RAG[4]	45 168	–	–	(45 168)	**–**

Interest of directors in contracts

A register detailing directors interests in the Company is available for inspection at the Company's registered office.

Directors' service contracts

Executive directors and prescribed officers do not have fixed-term contracts, but are subject to notice periods of three months. Normal retirement of executive directors and senior management is at age 63, however this is subject to specific legislation in the countries within which Murray & Roberts operates.

1 Retired 31 March 2017.

2 Appointed 1 April 2017.

3 Resigned 9 March 2017 due to sale of Southern African Infrastructure & Building businesses within the Infrastructure & Building platform.

4 Resigned 31 July 2016.

43 SUBSIDIARY COMPANIES

A list of the major subsidiary companies is set out in Annexure 1.

Although the Group does not own more than half of the equity shares of the following companies, it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, via inter alia shareholder agreements and therefore has control. Consequently these companies are consolidated as subsidiaries:

	% direct ownership	
	2017	2016
Murray & Roberts Abu Dhabi LLC	**49**	49
Murray & Roberts Contractors (Middle East) LLC	**49**	49
Murray & Roberts (Qatar) LLC	**49**	49
Medupi Fabrication Proprietary Limited	**49**	49
Kusile Fabrication Proprietary Limited	**49**	49

44 EVENTS AFTER THE REPORTING PERIOD

On 29 June 2017 the board of directors of Murray & Roberts (the "Board") approved a share repurchase programme of up to R250 million through Murray & Roberts Limited, a wholly-owned subsidiary of the Company (the "Share Repurchase"). The cash position of the Company and its subsidiaries is sufficiently robust to undertake the Share Repurchase. The Share Repurchase is being undertaken as part of Murray & Roberts' broader capital allocation strategy and specifically in light of price performance in the Company's shares, which in the Board's view, continues to undervalue the Company and its prospects.

On 22 August 2017 the Group announced the conclusion of a memorandum of understanding between all parties, whereby Murray & Roberts Limited ("MRL"), a wholly owned subsidiary of the Company, will increase its effective shareholding in Bombela Concession Company (RF) (Proprietary) Limited ("BCC") by 17%, through an acquisition of shares from Bouygues Travaux Publics S.A.S ("Bouygues") and Bombardier Transportation UK Limited ("Bombardier"). The consideration payable in terms of the Transaction is R405 million. This acquisition is being undertaken as part of Murray & Roberts' broader capital allocation strategy, as the investment in BCC provides strong returns in the short to medium term, whilst the Group continue to look for potential acquisitions that would complement its three operating platforms. Post the Transaction, the investment will still be reflected at fair value through profit or loss, as the investment will still meet the requirement of IAS 28.18 with regards to venture capital organisations or similar entities, and this does not result in a change of control. The cash position of the Company and its subsidiaries is sufficiently robust to undertake the acquisition. The implementation of the transaction remains subject to approval from the Gauteng Management Agency, Competition Authorities and BCC's funders.

The directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in the Group and Company annual financial statements, which significantly affects the financial position at 30 June 2017 or the results of its operations or cash flows for the year then ended.

45 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The most significant estimates and assumptions made in the preparation of these consolidated financial statements are discussed below.

Revenue recognition and contract accounting
The Group uses certain assumptions and key factors in the management of and reporting for its contracting arrangements. These assumptions are material and relate to:

- the estimation of costs to completion and the determination of the percentage of completion;
- the recoverability of under claims;
- the recognition of penalties and claims on contracts; and
- the recognition of contract incentives.

The Group utilises experts and probabilities in determining the amount to be recognised relating to uncertified revenues and that the amounts currently recognised are recoverable. A cumulative balance of R0,9 billion (2016: R2,0 billion), has been recognised in the statement of financial position (refer to note 9).

The level of revenue recognition on construction contracts, which includes a portion of the claims submitted, is prudent and justifiable in terms of each contract, given the complexity and magnitude of claims and variation orders still to be resolved.

Update on the Group's claims processes
Following the settlement of the Gautrain development period claims, the Group's uncertified revenue as at the end of June 2017 reduced to R0,9 billion (2016: R2,0 billion). Current uncertified revenue is primarily represented by the Group's claims on projects in the Middle East (after taking into consideration a R445 million loan paid on account by a client). All claims are diligently pursued and stakeholders will be kept informed as to their progress. After a protracted legal process, the Dubai Airport claim is finally in arbitration, with an award expected in May 2018.

Grayston Pedestrian Bridge temporary works collapse
In November 2015, the Department of Labour instituted a Section 32 Inquiry ("Inquiry") into this incident to determine the cause or causes for the collapse of the temporary works structure. This formal Inquiry currently underway, is conducted in terms of the provisions of the Occupational Health and Safety Act, 1993. The Inquiry was recently paused, but is due to resume again in September 2017. The Board is disappointed at the slow pace that is delaying closure of this distressing incident for all parties involved.

All costs incurred to date have been expensed as and when incurred. This incident is one of the retained liabilities following the disposal of the Southern African Infrastructure & Building businesses, and the direct financial impact of this incident on the Group is not expected to be material considering the comprehensive insurance cover in place. The project is expected to be completed during the latter part of the 2017 calendar year, and the date by which the Inquiry will be concluded remains uncertain.

45 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – continued

Estimated impairment of goodwill
Assumptions were made in assessing any possible impairment of goodwill. Details of these assumptions and risk factors are set out in note 4.

Estimation of the fair value of share options
Assumptions were made in the valuation of the Group's share options. Details of the assumptions used are set out in note 13.

Estimated value of employee benefit plans
Assumptions were made in the valuation of the Group's retirement and other benefit plans. Details of the assumptions and risk factors used are set out in note 19.

Estimation of onerous lease provision
Present obligations arising under onerous contracts are recognised and measured as provisions. Onerous contracts are considered to exist when the expected benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligation under the contract. The provision is measured at present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing the contract. The onerous lease provision is comprised of the future costs of the vacated floor levels, being predominantly future commitments less any contributions from income derived from the sub-letting of these properties.

Clough currently holds a lease for the Alluvion Building, Perth CBD of 10 floors, expiring in June 2022.

The exit of Clough corporate from the Alluvion building in June 2014 suggests that the expected economic benefits (i.e. net cash inflows) from the Alluvion lease are significantly lower than the unavoidable costs under the contract (i.e. the obligated lease payments until FY2022).

Consequently, in assessing the onerous lease provision for the current year, for any floors that management assess are surplus to the company's requirements, management has accounted for any:

(a) Existing sub-tenants lease income already in place for several floors;

(b) Expected economic benefits from sub-leasing the remaining vacant floors – estimate calculated based on current market rental rates.

Recognition of deferred taxation assets
Deferred taxation is recognised for the carry forward of unused taxation losses and unused taxation credits to the extent that it is probable that future taxable profit will be available against which the unused taxation losses and unused taxation credits can be utilised. The assumptions and estimates made by management in raising these deferred taxation assets relate to the unpredictability of the geographical source of future profits and an evaluation of the level of taxation losses.

Other estimates made
The Group also makes estimates for the:

- calculation of the provision for doubtful debts;
- determination of useful lives and residual values of items of property, plant and equipment;
- calculation of any provision for claims, litigation and other legal matters;
- calculation of any other provisions including warrantees, guarantees and bonuses;
- assessment of impairments and the calculation of the recoverable amount of assets;
- calculation of the fair value of financial instruments including the service concession (refer to note 7); and
- calculation of the fair value of items of investment property.

NOTES TO THE AUDITED FINANCIAL STATEMENTS – CONTINUED

46 NEW STANDARDS AND INTERPRETATIONS

46.1 Standards and interpretations not yet effective

Set out below are the significant new and revised accounting standards and interpretations that apply in the future. Management is currently assessing the impact of these amendments and new interpretations.

There were no new standards or interpretations applicable for the current financial year.

STANDARD/INTERPRETATION:	Type	Effective date
IFRS 2: Share-based Payment	Amendment	Financial years commencing on or after 1 January 2018
IFRS 9: Financial Instruments	New	Financial years commencing on or after 1 January 2018
IFRS 12: Disclosure of Interests in Other Entities	Amendment	Financial years commencing on or after 1 January 2017
IFRS 15: Revenue from Contracts with Customers*	New	Financial years commencing on or after 1 January 2018
IFRS 16: Leases	New	Financial years commencing on or after 1 January 2019
IAS 7: Statement of Cash Flows	Amendment	Financial years commencing on or after 1 January 2017
IAS 12: Income Taxes	Amendment	Financial years commencing on or after 1 January 2017
IAS 28: Investments in Associates and Joint Ventures	Amendment	Financial years commencing on or after 1 January 2018
IAS 40: Investment Property	Amendment	Financial years commencing on or after 1 January 2018
IFRIC 22: Foreign Currency Transactions and Advance Consideration	New	Financial years commencing on or after 1 January 2018
IFRIC 23: Uncertainty over Income Tax Treatments	New	Financial years commencing on or after 1 January 2019

* *Early adoption of IFRS 15 is being considered.*

47 ANALYSIS OF MAJOR SHAREHOLDERS

	Number of shares	% of shares
Major Shareholders Holding 5% or More of the Company's Ordinary Shares		
Aton GmbH (DE)	133 414 339	29,99
Government Employees Pension Fund (ZA)	59 993 609	13,49
Fund Managers Holding 5% or More of the Company's Ordinary Shares		
ATM Holding GmbH (DE)	133 414 339	29,99
PIC (ZA)	54 014 008	12,15
Allan Gray Investment Council (ZA)	46 239 121	10,40
Old Mutual Plc (UK)	23 623 681	5,31

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Notes	2017	2016
ASSETS			
Non-current assets			
Investment in subsidiary company	2	**43,4**	43,4
Total non-current assets		**43,4**	43,4
Current assets			
Amount due from subsidiary company	2	**3 588,7**	3 587,7
Amount due from the Murray & Roberts Trust	3	**–**	–
Cash and cash equivalents		**0,7**	0,8
Total current assets		**3 589,4**	3 588,5
Total assets		**3 632,8**	3 631,9
EQUITY AND LIABILITIES			
Equity			
Stated capital	4	**3 582,8**	3 582,8
Non-distributable reserves		**43,9**	43,9
Retained earnings		**1,5**	1,8
Total ordinary shareholders' equity		**3 628,2**	3 628,5
Current liabilities			
Trade and other payables		**4,6**	3,3
Current taxation liability		**–**	0,1
Total current liabilities		**4,6**	3,4
Total equity and liabilities		**3 632,8**	3 631,9

COMPANY STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2017

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Revenue		
Fees received from subsidiary company	**8,6**	7,7
Sundry revenue	**0,3**	0,2
Dividend received	**200,0**	223,0
Total expenses	**(9,0)**	(8,8)
Impairment of loan	**–**	(0,5)
Auditor's remuneration	**(0,1)**	(0,1)
JSE fees	**(0,3)**	(0,3)
Other	**(8,6)**	(7,9)
Profit before taxation	**199,9**	222,1
Taxation expense	**(0,1)**	–
Profit for the year	**199,8**	222,1
Other comprehensive income	**–**	–
Total comprehensive income for the year	**199,8**	222,1

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Stated capital	Capital redemption reserve	Share-based payment reserve	Retained earnings	Attributable to owners of Murray & Roberts Holdings Limited
Balance at 30 June 2015	3 582,8	0,9	28,6	2,1	3 614,4
Total comprehensive income for the year	–	–	–	222,1	222,1
Dividends declared and paid	–	–	–	(222,4)	(222,4)
Other movements	–	–	14,4	–	14,4
Balance at 30 June 2016	**3 582,8**	**0,9**	**43,0**	**1,8**	**3 628,5**
Total comprehensive income for the year	**–**	**–**	**–**	**199,8**	**199,8**
Dividends declared and paid	**–**	**–**	**–**	**(200,1)**	**(200,1)**
Balance at 30 June 2017	**3 582,8**	**0,9**	**43,0**	**1,5**	**3 628,2**

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Loss before taxation	**(0,1)**	(0,9)
Adjustment for:		
Impairment of loan	**–**	0,5
Changes in working capital	**1,3**	0,6
Increase in trade and other payables	**1,3**	0,6
Operating cash flow	**1,2**	0,2
Taxation (paid)/received	**(0,2)**	0,1
Dividend paid	**(200,1)**	(222,4)
Cash flows from operating activities	**(199,1)**	(222,1)
Dividend received	**200,0**	223,0
Cash flow from investing activities	**200,0**	223,0
Increase in amounts due from subsidiary company	**(1,0)**	(0,9)
Cash flow from financing activities	**(1,0)**	(0,9)
Net cash and cash equivalents at the beginning of the year	**0,8**	0,8
Net cash and cash equivalents at the end of the year	**0,7**	0,8

NOTES TO THE COMPANY FINANCIAL STATEMENTS

AS AT 30 JUNE 2017

1 ACCOUNTING POLICIES

These financial statements are prepared according to the same accounting policies used in preparing the consolidated financial statements of the Group other than accounting policy 1.3 which deals with the basis of consolidation.

The accounting policies are set out on pages 20 to 32.

2 INVESTMENT IN SUBSIDIARY COMPANY

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Shares at cost	**6,3**	0,4
Investment in shares – Forfeitable Share Plan	**37,1**	43,0
Amount due	**3 588,7**	3 587,7
	3 632,1	3 631,1

The amount due from the subsidiary company is unsecured, interest free and does not have any fixed repayment terms (Annexure 1).

3 AMOUNT OWING FROM THE MURRAY & ROBERTS TRUST

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Amount due	**235,6**	235,6
Impairment of amount owing	**(235,6)**	(235,6)
	–	–

The amount due from the Murray & Roberts Trust ("Trust") is unsecured, interest free and does not have any fixed repayment terms.

The Company has subordinated its claims against the Trust in favour of all other creditors of the Trust. The agreement between the Trust and the Company will remain in force and effect for as long as the liabilities of the Trust exceed its assets, fairly valued.

4 STATED CAPITAL

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Authorised		
750 000 000 shares of no par value		
Issued and fully paid		
444 736 118 shares of no par value		
Net stated capital	**3 582,8**	3 582,8

5 EMOLUMENTS OF DIRECTORS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Executive directors (paid by subsidiary companies)	**14,8**	22,5
Non-executive directors (paid by the Company)	**8,2**	6,6
Number of directors at year end	**9**	11

Executive directors

DF Grobler appointed on 1 April 2017.

AJ Bester retired on 31 March 2017.

Non-executive directors

JM McMahon retired on 30 September 2016.

RT Vice retired on 30 November 2016.

Details of individual director emoluments are disclosed in note 42 in the consolidated financial statements.

6 CONTINGENT LIABILITIES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
There are contingent liabilities in respect of limited and unlimited guarantees covering loans, banking facilities and other obligations of joint operations, subsidiary companies and other persons. The contingent liabilities at 30 June 2017 covered by such guarantees amounts to:	**2 655,9**	2 655,9

7 DERIVATIVE FINANCIAL INSTRUMENTS: CALL OPTIONS

In terms of the Broad-Based Black Economic Empowerment transaction approved by shareholders on 21 November 2005, the Company has one call option to repurchase the shares in Murray & Roberts Letsema Khanyisa Proprietary Limited and Murray & Roberts Letsema Sizwe Proprietary Limited ("BBBEE subsidiary companies") at market value and on the following condition:

- 31 December 2015 call option

The lock-in period date of 31 December 2015 has been extended to 31 December 2020, which is the date on which the lock-in period expires, if the value of the shares owned by the BBBEE subsidiary companies is less than the aggregate redemption amount of the funding.

No value has been placed on this call option as it provides the Company with an option to repurchase the shares at market value and therefore does not expose the Company to any potential loss or gain.

Following a review, the 31 December 2010 call option was not exercised as the structure at that date was still economically viable.

8 EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in the Group and Company annual financial statements, which significantly affects the financial position at 30 June 2017 or the results of its operations or cash flows for the year then ended.

ANNEXURE 1
MAJOR OPERATING SUBSIDIARIES AND ASSOCIATE COMPANIES

a) Direct

	Issued share capital in Rands	Interest in issued share capital		Cost of investment		Loan account	
		2017 %	2016 %	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
Murray & Roberts Investments Limited	68 000	**100**	100	**6,3**	0,4	**3 588,7**	3 587,7

b) Indirect

		Issued share capital (in Rands unless otherwise stated)	Proportion ownership interest		Proportion of voting power held	
			2017 %	2016 %	**2017 %**	2016 %
Murray & Roberts Limited		59	**100**	100	**100**	100
Bombela & Middle East						
Murray & Roberts (Botswana) Limited (incorporated in Botswana)*	BWP	2	**100**	100	**100**	100
Murray & Roberts Contractors (Middle East) LLC (incorporated in Dubai)	AED	2 000 000	**49**	49	**100**	100
Murray & Roberts Abu Dhabi LLC (incorporated in Abu Dhabi)	AED	2 000 000	**49**	49	**100**	100
Underground Mining						
Cementation Canada Inc. (incorporated in Canada)	CAD	2 700 010	**100**	100	**100**	100
Murray & Roberts Cementation Proprietary Limited		1 750 000	**100**	100	**100**	100
Cementation USA Inc. (incorporated in Nevada, United States of America)	USD	5 000	**100**	100	**100**	100
RUC Mining Cementation Contractors Proprietary Limited (incorporated in Australia)	AUD	808 754	**100**	100	**100**	100
Murray & Roberts Cementation (Zambia) Limited (incorporated in Zambia)	ZMW	50	**100**	100	**100**	100
Oil & Gas						
Clough Limited (incorporated in Australia)	AUD	219 973 000	**100**	100	**100**	100
Corporate & Properties						
Murray & Roberts Australia Pty Ltd (incorporated in Australia)	AUD	632 223 872	**100**	100	**100**	100
Associate companies						
Bombela TKC Proprietary Limited		100	**25,0**	25,0	**25,0**	25,0
Bombela Operating Company Proprietary Limited		100	**23,9**	23,9	**23,9**	23,9

Southern African Infrastructure & Building businesses have been disposed of in the current financial year. Refer to note 35.

* *Selected assets and liabilities have been sold as part of the sale of the Southern African Infrastructure & Building businesses.*

ANNEXURE 2
INTEREST BEARING BORROWINGS

	Financial year of redemption	Closing interest rate (effective NACM)		Amount	
		2017 %	2016 %	**2017 Rm**	2016 Rm
Secured					
PPC Funding – repayment on receipt of funds from client	2017	**5,25**	9,00	**20,4**	77,8
Equal monthly instalments	2017	**3,70**	5,00	**3,2**	36,1
No fixed terms of repayment	–	**–**	3,00	**–**	3,6
3 Year reducing Revolving Credit Facility*	2018	**–**	3,05	**–**	384,9
				23,6	502,4
Unsecured					
Equal monthly instalments	2017 – 2018	**–**	4,67	**–**	29,4
No fixed terms of repayment		**3,43**	3,45	**65,6**	73,9
No fixed terms of repayment		**3,25**	4,00	**64,0**	144,8
Various obligations each under R20 million at varying rates of interest and on varying terms of repayment				**27,0**	46,5
Bank overdrafts				**117,5**	76,0
				274,1	370,6
Capitalised finance leases					
Varying rates of interest		**4,43 – 9,50**	8,50 – 9,60		
Specific project plant and equipment				**282,9**	166,8
Total Group				**580,6**	1 039,8
Reflected in the notes under:					
Long term loans (note 18)					
Interest bearing secured loans*				**3,2**	388,5
Interest bearing unsecured loans				**64,0**	174,4
Capitalised finance leases				**152,5**	87,5
Bank overdrafts (note 11)				**117,5**	76,0
Short term loans (note 24)					
Current portion of long term borrowings				**113,0**	234,1
Current portion of capitalised finance leases				**130,4**	79,3
				580,6	1 039,8

* *The Group has a restrictive funding arrangement in place with regards to its revolving credit facility in Australia with National Australia Bank, Commonwealth Bank Australia and HSBC. It's a credit facility of AUD120 million, reducing by AUD10 million every six months. It's a three-year facility, which commenced 31 March 2015. The Group is restricted as to the amount of money that can be moved out of Australia and also obtaining the banks' permission for acquisitions over AUD25 million.*

ANNEXURE 3
GROUP SEGMENTAL REPORT

The operating segments reflect the management structure of the Group and the manner in which performance is evaluated and resources allocated as managed by the Group's chief decision maker, as required per revised IFRS 8: *Operating Segments*.

The Group's operating segments are categorised as follows:

Southern African Construction, Bombela & Middle East

- **Southern African Construction**

The platform has participated in some of the largest and most significant construction projects in Africa and comprises the following businesses: Murray & Roberts Buildings (Gauteng, Western Cape, Namibia and Botswana); Murray & Roberts Developments; Murray & Roberts Infrastructure (incorporating Roads & Earthworks and Civil Construction) and Concor Opencast Mining. The platform's operations are supported by shared administration and plant services, Murray & Roberts Plant. In the prior year the Board had taken the decision that Southern African construction is no longer part of the strategic future of the Group and has been presented as discontinued operations in the Group's statement of financial performance and assets and liabilities were transferred to held-for-sale. Discontinued operations include the Southern African Infrastructure & Building businesses that were sold during the current financial year.

- **Middle East**

This operation is coordinated out of Dubai in the United Arab Emirates and projects are engaged through separate companies established in each jurisdiction and in joint operations with appropriate local partners. The primary market focus is major commercial facilities and selected infrastructure projects. No further tendering has taken place in the current financial year.

- **PPP Investments & Services**

This element includes the infrastructure concession investment and previously the Tolcon group of companies.

Power & Water
The platform comprises four businesses: Power, Water, Oil & Gas and Electrical & Instrumentation. The platform is structured as a project execution business in the power and water sectors, offering EPC as well as operations and maintenance services. The platform's offerings are supported by its existing capability, capacity and experience, complemented by its strategic partnerships and joint ventures. In the prior year the Board had taken the decision that Genrec Engineering is no longer part of the strategic future of the Group and has been presented as discontinued operations in the Group's statement of financial performance and the assets and liabilities were transferred to held-for-sale in the prior year.

Construction Products Africa
The businesses have been largely disposed of during the 2014 financial year. The remaining assets are expected to be collected in the 2018 financial year.

Underground Mining
The platform comprises the following businesses: Murray & Roberts Cementation (Johannesburg-based); Cementation Canada (North Bay-based); Cementation USA (Salt Lake City-based); Cementation Sudamérica (Santiago-based) and RUC Cementation Mining (Perth-based). Its geographic footprint is one of the largest in its industry, with a service offering that spans the project value chain including specialist engineering, shaft construction, mine development, raise drilling and contract mining.

Oil & Gas
The platform operates from offices in Australia, South Africa, Scotland and the USA and comprises the following businesses: Clough (Perth-based), e2o (Adelaide-based), CMR Marine (Cape Town-based), Booth Welsh (Ayrshire-based) and CH-IV (Hanover, Maryland-based).

Inter-segment transfers
Segment revenue, segment expenses and segment results include transfers between operating segments and between geographical segments. Such transfers are accounted for at arm's length prices. These transfers are eliminated on consolidation.

Segmental revenue and expenses
Segmental revenue and expenses are directly attributable to the segments.

Segmental assets
All operating assets used by a segment comprise principally of property, plant and equipment, investments, inventories, contracts-in-progress and receivables, net of allowances. Cash and taxation balances are excluded. Segment assets are allocated to the geographic segments based on where the assets are located.

Segmental liabilities
All operating liabilities of a segment comprise of principally accounts payable, subcontractor liabilities and external interest bearing borrowings. Bank overdrafts and taxation balances are excluded.

GROUP SEGMENTAL REPORT – CONTINUED

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Bombela & Middle East	Power & Water	Construction Products Africa	Underground Mining	Oil & Gas	Corporate & Properties	Group
2017							
Revenue*	**729**	**5 908**	**–**	**8 046**	**6 714**	**–**	**21 397**
Intersegmental revenue	**–**	**–**	**–**	**34**	**–**	**36**	**70**
Gross revenue	**729**	**5 908**	**–**	**8 080**	**6 714**	**36**	**21 467**
Results							
(Loss)/profit before interest and taxation	**(149)**	**171**	**–**	**464**	**217**	**(216)**	**487**
Net interest income/(expense)	**1**	**19**	**–**	**19**	**101**	**(182)**	**(42)**
(Loss)/profit before taxation	**(148)**	**190**	**–**	**483**	**318**	**(398)**	**445**
Taxation (expense)/credit	**(64)**	**(52)**	**–**	**(177)**	**(130)**	**262**	**(161)**
(Loss)/profit after taxation	**(212)**	**138**	**–**	**306**	**188**	**(136)**	**284**
Income from equity accounted investments	**(1)**	**–**	**–**	**–**	**–**	**8**	**7**
(Loss)/profit from discontinued operations	**(45)**	**(50)**	**17**	**–**	**(4)**	**(171)**	**(253)**
Non-controlling interests	**10**	**(8)**	**–**	**–**	**8**	**–**	**10**
	(248)	**80**	**17**	**306**	**192**	**(299)**	**48**
2016[1]							
Revenue*	1 872	4 276	–	8 788	11 212	–	26 148
Intersegmental revenue	–	–	–	61	–	37	98
Gross revenue	1 872	4 276	–	8 849	11 212	37	26 246
Results							
Profit before interest and taxation	6	27	–	506	525	211	1 275
Net interest (expense)/income	(5)	38	–	1	177	(282)	(71)
Profit/(loss) before taxation	1	65	–	507	702	(71)	1 204
Taxation (expense)/credit	(7)	(67)	–	(178)	17	(61)	(296)
(Loss)/profit after taxation	(6)	(2)	–	329	719	(132)	908
Income from equity accounted investments	18	–	–	–	–	–	18
(Loss)/profit from discontinued operations	(41)	(79)	12	–	(28)	–	(136)
Non-controlling interests	(33)	(10)	–	2	4	–	(37)
	(62)	(91)	12	331	695	(132)	753

1 *A 38% investment in Forum SA Trading 284 (Pty) Ltd (Property development) was not included in the sale of the Southern African Infrastructure & Building businesses and has therefore been reclassified from discontinued operations in the prior year and included as income from continuing operations for all periods presented.*

* *Segmental revenue reported above includes revenue generated from external customers.*

GROUP SEGMENTAL REPORT – CONTINUED

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	Notes	Bombela & Middle East[1]	Power & Water[2]	Construction Products Africa[3]	Underground Mining	Oil & Gas	Corporate & Properties[4]	Group
Operating segments								
2017								
Statement of financial position								
Segmental assets	**1**	**2 846**	**1 813**	**–**	**3 615**	**2 528**	**422**	**11 224**
Segmental liabilities	**2**	**1 605**	**1 406**	**–**	**1 909**	**1 978**	**422**	**7 320**
Investments in associate companies*		**3**	**–**	**–**	**–**	**–**	**5**	**8**
Assets classified as held-for-sale*		**79**	**286**	**–**	**–**	**32**	**–**	**397**
Liabilities classified as held-for-sale		**77**	**65**	**–**	**–**	**–**	**–**	**142**
Other information								
Purchases of property, plant and equipment		**–**	**28**	**–**	**464**	**11**	**8**	**511**
Purchases of other intangible assets		**–**	**7**	**–**	**1**	**16**	**–**	**24**
Depreciation		**3**	**49**	**–**	**316**	**46**	**19**	**433**
Amortisation of other intangible assets		**–**	**1**	**–**	**3**	**28**	**13**	**45**
Impairment of property, plant and equipment		**–**	**–**	**–**	**–**	**12**	**–**	**12**
Impairment of receivables		**58**	**3**	**–**	**–**	**7**	**–**	**68**
Number of employees		**4 272**	**6 936**	**–**	**7 450**	**1 895**	**67**	**20 620**
2016								
Statement of financial position								
Segmental assets	1	5 454	1 702	19	3 631	2 919	797	14 522
Segmental liabilities	2	4 195	1 346	2	1 873	2 072	898	10 386
Investments in associate companies*		4	–	–	–	–	14	18
Assets classified as held-for-sale*		1 825	234	–	–	43	233	2 335
Liabilities classified as held-for-sale		1 808	62	–	–	–	20	1 890
Other information								
Purchases of property, plant and equipment		59	10	–	353	9	–	431
Purchases of other intangible assets		–	–	–	1	54	7	62
Depreciation		91	66	–	301	79	19	556
Amortisation of other intangible assets		2	1	–	4	33	13	53
Impairment of property, plant and equipment		–	36	–	13	–	–	49
Impairment of receivables		4	14	–	–	12	–	30
Number of employees		19 075	5 847	–	7 374	1 464	133	33 893

** Amounts included in segmental assets and liabilities.*

1 Bombela & Middle East platform includes amounts for discontinued operations Tolcon & Southern African Infrastructure & Building businesses.

2 Power & Water platform includes amounts for Genrec Engineering that is classified as part of discontinued operations.

3 Construction Products Africa operating platform is classified as discontinued operations.

4 Corporate segmental assets include the inter-segment eliminations of group loans and receivables.

1 RECONCILIATION OF SEGMENTAL ASSETS

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Total assets	**14 203**	17 965
Cash and cash equivalents	**(2 371)**	(2 813)
Current taxation assets	**(23)**	(26)
Deferred taxation assets	**(585)**	(604)
Segmental assets	**11 224**	14 522

2 RECONCILIATION OF SEGMENTAL LIABILITIES

ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016
Total liabilities	**7 598**	10 701
Bank overdrafts	**(118)**	(76)
Current taxation liabilities	**(39)**	(60)
Deferred taxation liabilities	**(121)**	(179)
Segmental liabilities	**7 320**	10 386

Group segmental report

Geographical information

The Group operates in four principal geographical areas – Southern Africa, with South Africa as the country of domicile, Middle East, Australasia & South East Asia and North America & other.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue		Non-current assets*	
ALL MONETARY AMOUNTS ARE EXPRESSED IN MILLIONS OF RANDS	2017	2016	2017	2016
Southern Africa	**9 794**	8 107	**2 059**	2 466
Middle East	**608**	1 703	**542**	612
Australasia & South East Asia	**8 242**	12 582	**1 100**	1 503
North America & other	**2 753**	3 756	**763**	910
	21 397	26 148	**4 464**	5 491

* *Non-current assets exclude deferred taxation assets.*

Major customers

In the year under review revenue generated from Customer A of R4,4 billion individually makes up more than 20% of the Group's revenue.

THE WHEATSTONE PROJECT, WESTERN AUSTRALIA

The Chevron-operated Wheatstone Project is one of Australia's largest resource developments and is located west of Onslow on the Pilbara coast of Western Australia. The Wheatstone platform is one of the biggest offshore gas-processing platforms ever installed in Australia, with a topside weight of approximately 37 000 metric tonnes. Clough, part of the Murray & Roberts Oil & Gas business platform, provided its client, Chevron Australia, with an independent team to assist with pre-commissioning, commissioning of integrated float over deck systems, offshore hook-up, and start-up assistance on the project.