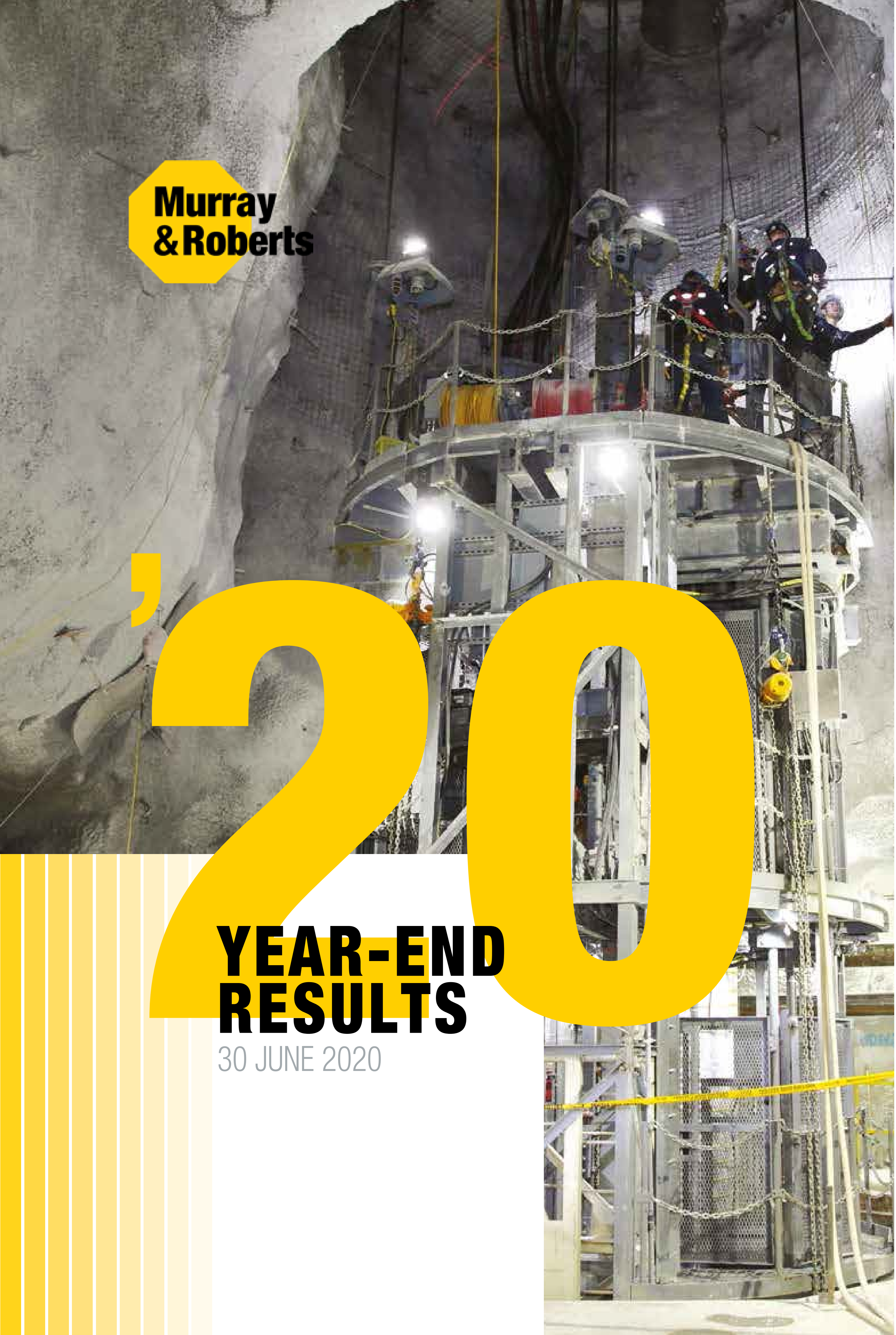

Murray & Roberts

'20 YEAR-END RESULTS

30 JUNE 2020

ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2020

’20

SALIENT FEATURES

SIGNIFICANT, QUALITY ORDER BOOK:
R54,2 BILLION
(FY2019: R46,8 BILLION)

NEAR ORDERS:
R11,4 BILLION
(FY2019: R14,4 BILLION)

ROBUST CASH POSITION:
R1,5 BILLION
OF UNRESTRICTED CASH
AND
R2,8 BILLION
OF UNUTILISED CREDIT FACILITIES

NET ASSET VALUE:
R13 PER SHARE
(FY2019: R13 PER SHARE)

FINANCIAL RESULTS

R622 MILLION	Estimated COVID-19 impact
R80 MILLION	Vendor loan impairment
R63 MILLION	Goodwill impairment
R46 MILLION	Uncertified revenue impairment
R20,8 BILLION (FY2019: R20,1 billion#)	Revenue from continuing operations
R17 MILLION (FY2019: R847 million profit#)	EBIT loss for continuing operations
R352 MILLION (FY2019: R337 million profit#)	Attributable loss
Nil (FY2019: 55 cents)	The Board has resolved not to declare a dividend
97 CENTS (FY2019: 118 cents profit#)	Diluted continuing loss per share
88 CENTS (FY2019: 114 cents profit#)	Diluted continuing headline loss per share
R0,7 BILLION (FY2019: R1,8 billion)	Net cash (FY2019: R1,8 billion), and after IFRS 16 adjustment net debt of R0,1 billion

 # Restated for discontinued operations.

Murray & Roberts

(Incorporated in the Republic of South Africa)
Registration number 1948/029826/06
JSE Share Code: MUR
ADR Code: MURZY
ISIN: ZAE000073441
(“Murray & Roberts” or “Group” or “Company”)

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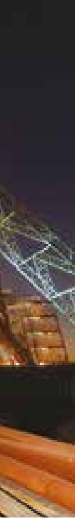

REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

As the business in the Middle East was classified as a discontinued operation during the period under review, results for the comparative prior 12-month period have been restated.

SALIENT FEATURES

- Significant, quality order book of R54,2 billion (FY2019: R46,8 billion) and near orders of R11,4 billion (FY2019: R14,4 billion)
- Robust cash position:
  - R1,5 billion of unrestricted cash
  - R2,8 billion of unutilised credit facilities
- Net asset value of R5,6 billion (R13 per share).
- No fatal incidents and a lost-time injury frequency rate of 0.88 (FY2019: 0.71)
- Financial results:
  - Results for the year were negatively impacted by:
- Estimated COVID-19 impact – R622 million
- Vendor loan impairment – R80 million
- Goodwill impairment – R63 million
- Uncertified revenue impairment – R46 million
  - Revenue from continuing operations increased marginally to R20,8 billion (FY2019: R20,1 billion)
  - EBIT loss for continuing operations of R17 million (FY2019: R847 million profit) and attributable loss of R352 million (FY2019: R337 million profit)
  - Diluted continuing headline loss per share of 88 cents (FY2019: 114 cents profit)
  - Cash, net of debt, of R0,7 billion (FY2019: R1,8 billion), and after IFRS 16 adjustment net debt of R0,1 billion.

STAKEHOLDER REPORT FOR THE YEAR ENDED 30 JUNE 2020#

Murray & Roberts is a multinational, specialised engineering and construction group, currently delivering circa 100 projects across six continents.

Implementation of the Group's *New Strategic Future* strategy over the last five years has had the desired effect of developing and diversifying the three business platforms and in rooting a culture across the Group of competitive differentiation referred to as *Engineered Excellence*. During this reporting period, despite adverse conditions in each of its markets, steady strategic gains positioned the Group well for the future. Future growth will come from organic growth supplemented by acquisitions.

RENAMING OF THE GROUP'S THREE BUSINESS PLATFORMS

The Group's strategy has included the successful disposal of non-core assets in order to focus the Group on the natural resources market sectors, which offer greater long-term fundamentals. During the past three years, the Group broadened its market focus to mitigate market cyclicality, which is typical of natural resources markets.

This broader market focus includes sectors that present opportunity for growth, diversification and differentiation for each of the business platforms. The resources, industrial, energy, water and specialised infrastructure sectors all form part of the Group's target market. Accordingly, the business platforms have been renamed to better describe the market sectors in which they are positioned to operate as specialist contractors.

The Oil & Gas platform has been renamed the Energy, Resources & Infrastructure platform and the Power & Water platform has been renamed the Power, Industrial & Water platform. The Underground Mining platform has been renamed the Mining platform, due to the strategic decision to extend its service offering to the open pit mining market sector.

The Group's strategic repositioning will also be better reflected in a change to its classification on the JSE, from Diversified Industrials to the Engineering and Contracting Services subsector, a new subsector to be introduced by FTSE Russell and the enhanced Industry Classification Benchmark, as from September 2020.

COVID-19 PROFIT IMPACT

As a result of the restrictions and measures imposed by governments around the globe to limit the spread of the COVID-19 pandemic, the Group's global portfolio of projects was severely impacted during the reporting period, estimated at R622 million. Only a few projects continued with little or no disruption. A number of projects were suspended and others were placed on care and maintenance. Globally, most office-based employees continue to work remotely, whilst the majority of projects have now resumed operations.

The Group entered the COVID-19 period of disruption and uncertainty with a strong balance sheet and took early and proactive action to preserve its financial position. Prudent cash and working capital management initiatives were implemented across the Group and no client has defaulted on payments as a result of COVID-19.

Support from clients has varied from compensation for costs incurred and time lost, to only allowing extensions of time for project delays resulting from COVID-19 restrictions and measures. It is expected that the commercial close-out of all COVID-19 related impacts will take some time.

The expectations for economic recovery after COVID-19 are uncertain and revised frequently. However, the relevance of natural resources – of commodities, utilities, energy and infrastructure – to a post-pandemic world, and the Group's exposure to these markets, support our view of strong growth in Group earnings, especially after FY2021.

FINANCIAL REPORT

FINANCIAL RESULTS

In terms of overall financial performance and prior to the impact of COVID-19, the Group was tracking well to meet its guidance of an improved performance in FY2020, relative to the previous reporting period. The direct profit impact of this pandemic on projects during the year is estimated at R622 million. This impact, combined with the impairment of an R80 million vendor loan relating to the sale of Genrec, now in business rescue, the impairment of R63 million relating to goodwill on two Group companies due to market uncertainty, and the impairment of R46 million of uncertified revenue on a claim, created a perfect storm for the Group. Execution challenges on a few projects, also disappointed.

Revenue from continuing operations marginally increased to R20,8 billion (FY2019: R20,1 billion). The Group reported a loss before interest and tax of R17 million (FY2019: R847 million profit) and an attributable loss of R352 million (FY2019: R337 million profit). A diluted continuing headline loss per share of 88 cents was recorded (FY2019: 114 cents profit).

Cash, net of debt, before IFRS 16 adjustment, decreased to R0,7 billion (FY2019: R1,8 billion), and after IFRS 16 adjustment, to net debt of R0,1 billion.

The effective rate of tax remains high, mainly due to withholding tax in foreign jurisdictions, as well as losses incurred in entities where future taxable earnings are uncertain. Consequently, no tax assets could be recognised on these losses.

Considering current market conditions, the Group is pleased to report a significant, quality order book of R54,2 billion (FY2019: R46,8 billion), providing a solid basis for improved future performance.

DIVIDEND

In terms of the Group's dividend policy, the board of directors of the Company ("Board") aims to maintain a stable annual dividend, which may be supplemented from time-to-time with a special dividend. A dividend is subject to the Group's financial position and market circumstances.

Considering the market uncertainty brought about by the COVID-19 pandemic, the Board has resolved not to declare a dividend for the period under review, in order to further preserve the Group's financial position.

ORDER BOOK, NEAR ORDERS AND PROJECT PIPELINE

The Group reported a significant, quality order book, which includes several multi-year contracts. The project pipeline includes a significant value of near orders, and Category 1 opportunities include four projects which are being negotiated on a sole-source basis, one in the Mining platform and three in the Energy, Resources & Infrastructure platform, with a combined value of approximately R40 billion.

		Pipeline			
R billions	Order book	Near orders	Category 1	Category 2	Category 3
Energy, Resources & Infrastructure	34,4	1,0	66,4	52,3	390,7
Mining	19,4	10,4	45,1	39,0	60,8
Power, Industrial & Water	0,4	–	9,8	32,2	18,3
30 June 2020	**54,2**	**11,4**	**121,3**	**123,5**	**469,8**
31 December 2019	50,8	6,4	70,5	81,9	515,3
30 June 2019	46,8	14,4	200,4	73,2	294,2

- **Near orders:** Tenders where the Group is the preferred bidder and final award is subject to financial/commercial close – there is more than a 95% chance that these orders will be secured
- **Category 1:** Tenders submitted or tenders the Group is currently working on (excluding near orders) – projects developed by clients to the stage where firm bids are being invited – reasonable chance of being secured as projects are a function of (1) final client approval and (2) bid win probability
- **Category 2:** Budgets, feasibilities and prequalification the Group is currently working on – project planning underway, not at a stage yet where projects are ready for tender
- **Category 3:** Leads and opportunities which are being tracked and are expected to come to market in the next 36 months – identified opportunities that are likely to be implemented, but still in pre-feasibility stage

OPERATIONAL REPORT

ENERGY, RESOURCES & INFRASTRUCTURE PLATFORM

Revenue increased marginally to R6,9 billion (FY2019: R6,7 billion) and the platform recorded a disappointing operating loss of R454 million (FY2019: R98 million loss). This loss is reflective of the estimated COVID-19 profit impact of R179 million, a goodwill impairment of R33 million, challenging market conditions which caused a delay in project awards, and losses on two projects. One of the lossmaking projects formed part of the business acquired in the USA in 2019, where project losses far exceeded the warranties provided by the seller. The platform was however successful in securing an increased and strong order book of R34,4 billion (FY2019: R23,1 billion), supporting prospects for a return to profitability in the new financial year.

	Engineering & Construction		Global Marine		Commissioning & Maintenance		Corporate & Other		Total	
R millions	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenue	**6 020**	3 905	**33**	–	**520**	2 496	**303**	327	**6 876**	6 728
Operating (loss)/ profit	**(322)**	(162)	**4**	(44)	**181**	468	**(317)**	(360)	**(454)**	(98)
Margin	**(5%)**	(4%)	**12%**	–	**35%**	19%	**–**	–	**(7%)**	(1%)
Order book	**33 414**	22 209	**443**	–	**604**	853	**–**	–	**34 461**	23 062
LTIFR (fatalities)									**0,17(0)**	0,17(0)

Even though the FY2020 financial performance was disappointing, the platform has done well by broadening its market focus and establishing strong positions in the specialist infrastructure and resources growth sectors in Australia, which are expected to remain buoyant over the next decade. The country's post-COVID economic recovery will rely heavily on state-funded investment in public infrastructure, with annual transport infrastructure expenditure expected to peak at A$22 billion in 2023. Mining majors in Australia are forecasting a collective capital project spend of over A$3,5 billion per year for the next decade.

The signs seen last year of a new capital investment in the global oil and gas market have translated into a number of projects entering the planning stages, but further delays in final investment decisions are set to persist in the short to medium term. However, as a cleaner feedstock for power generation, LNG demand is expected to recover as the global transition to a carbon-neutral economy gathers momentum. In the United States, the energy market presents significant opportunity and Clough USA is considering several partnerships that will make it a strong contender for engineering, procurement and construction projects.

MINING PLATFORM

The platform delivered a commendable result considering the R206 million COVID-19 profit impact. Revenue increased to R12,0 billion (FY2019: R10,9 billion) and operating profit decreased to R630 million (FY2019: R814 million). The order book decreased to R19,4 billion (FY2019: R22,8 billion), but is supported by a strong project pipeline.

	Africa		Australasia		The Americas		Total	
R millions	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenue	**3 210**	2 853	**3 628**	3 148	**5 134**	4 860	**11 972**	10 861
Operating profit	**242**	239	**–**	253	**388**	322	**630**	814
Margin	**8%**	8%	**–**	8%	**8%**	7%	**5%**	7%
Order book	**12 888**	13 812	**3 024**	3 391	**3 483**	5 613	**19 395**	22 816
LTIFR (fatalities)	**1,88(0)**	1,73(0)	**0,38(0)**	0,21(0)	**1,81(0)**	0,87(0)	**1,37(0)**	1,08(0)

The Mining platform continued to perform well in the global metals and minerals market. Capital investment in the mining sector, mainly in brownfield expansions, has held up even as concerns of a plateau in investment were exacerbated by the disruption and uncertainty accompanying COVID-19.

Given the platform's leading position in most major regional underground mining markets in the western world, expanding its service offering to include open pit mining services will provide the step-change required to grow this business into the future. Establishing a meaningful position in this market segment will require an acquisition, which will enable the platform to further diversify its revenue stream and secure a greater proportion of its total income from contract mining projects, in line with its strategic objective to derive at least 50% of total earnings from this annuity type income.

The decision to extend the platform's project services to more segments of the mining sector was implemented last year with the acquisition of California-based Terra Nova Technologies, which supplies material handling solutions to underground and open pit mining operations. Terra Nova Technologies is well established in the Americas and expanding its offerings into Africa and Australasia, by leveraging the platform's regional positions and relationships, presents a strong opportunity.

The performance of the Boipelo joint venture, established last year, has also met expectation. This joint venture works exclusively in the South African coal mining sector.

POWER, INDUSTRIAL & WATER PLATFORM

Revenue and order book decreased to R2,0 billion (FY2019: R2,5 billion) and R0,4 billion (FY2019: R0,9 billion) respectively. Given the platform's relatively low revenue base, goodwill impairment of R29 million, uncertified revenue impairment of R46 million and the COVID-19 profit impact of R43 million, the platform recorded an operating loss of R44 million (FY2019: R32 million loss).

	Power[1]		Water		Transmission & Distribution		Other[2]		Corporate		Total	
R millions	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenue	**1 052**	2 025	**11**	21	**312**	–	**612**	471	**–**	–	**1 987**	2 517
Operating profit/(loss)	**171**	228	**(62)**	(21)	**21**	–	**(55)**	(148)	**(119)**	(91)	**(44)**	(32)
Margin	**16%**	11%	**(564%)**	(100%)	**7%**	–	**(9%)**	(31%)	**–**	–	**(2%)**	(1%)
Order book	**15**	419	**114**	–	**112**	–	**131**	516	**–**	–	**372**	935
LTIFR (fatalities)											**0,16(0)**	0,40(0)

[1] *All power sector projects, including Power Programme (Medupi & Kusile).*
[2] *Includes Resources & Industrial and Electrical & Instrumentation projects.*

This platform is focused on South Africa and sub-Saharan Africa. Its scope of work at Medupi and Kusile is largely complete and considering the low order book, the business has been restructured in line with the reduced project activity expected in the short to medium term.

No projects of any material value were secured during the year and opportunity for new project awards within the next six-month period is limited, other than in the overland power transmission and distribution sector, where Eskom has tenders under adjudication to an estimated value of R2,5 billion. OptiPower Projects is well positioned to secure a sizable share of this opportunity.

Apart from the LNG investments in Mozambique, which will present opportunity as from FY2022, capital investment in the platform's target market sectors across sub-Saharan Africa is expected to remain limited.

Investment in the South African water sector continues to be limited and fragmented. The successful performance of the Organica wastewater treatment demonstration plant at Verulam has positioned this technology favourably in the local market. An in-principle agreement to relocate the facility to the V&A Waterfront has been reached. During the year, the platform was awarded the Athlone wastewater project in Cape Town.

INVESTMENTS

	Bombela Investments	
R millions	**2020**	2019
Revenue	**–**	–
Operating profit/(loss)	**119**	306
Margin	**–**	–
Order book	**–**	–

The Group's 50% investment in the Bombela Concession Company was severely impacted by COVID-19 and the restrictions and measures government enacted to limit the spread of the pandemic. The Gautrain was shut down for a period of 38 days in accordance with the South African lockdown regulations and has since commenced operations, although with capacity restrictions. Ridership remains very low and the duration of the impact is uncertain. Following a COVID-19 related R194 million impact of Murray & Roberts' investment in the concession, a profit of R119 million was reported for the year (FY2019: R306 million).

DISCONTINUED OPERATIONS

The operating profit from discontinued operations was R19 million (FY2019: R146 million operating loss). This included an impairment of a vendor loan extended to the purchasers of Genrec, now in business rescue. This impairment and operating costs incurred in the Middle East, was offset by an exchange rate gain on intercompany loans to the business in the Middle East. Considering the progress made with the complex legal processes required to close-out commercial matters in the Middle East, the Group expects to exit this region within the next calendar year.

	I&B Businesses & Other[3]		Clough Properties		Genrec Engineering		Middle East[4]		Total	
R millions	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Revenue	**–**	–	**–**	23	**63**	68	**119**	54	**182**	145
Operating (loss)/profit	**(18)**	(60)	**–**	(8)	**(83)**	(22)	**120**	(56)	**19**	(146)

[3] *Includes Construction Products Africa, Gautrain and CMR Marine.*

[4] *The Middle East business was reclassified to Discontinued Operations with effect 1 July 2019 and the comparative financial results have been restated.*

UPDATE ON THE GROUP'S CLAIMS PROCESSES

Uncertified revenue increased to R1,1 billion (FY2019: R0,7 billion). The Group remains confident that all revenue recognised as uncertified will be certified and paid once attendant commercial matters have been resolved.

The arbitration award for the Dubai Airport claim was inconclusive and the claims and counter claims will have to be finally settled by agreement between the parties.

HEALTH AND SAFETY REVIEW

The Group recorded a second consecutive year without any fatalities and the lost-time injury frequency rate remains at an industry-leading level of 0.88 (FY2019: 0.71).

Regrettably, we lost a colleague on the first day of the new financial year. Wilfred Moleofi, who worked for newly acquired OptiPower Projects on a project in the North West province, South Africa, sustained injuries whilst he and colleagues were performing their duties at one of the Group's projects. The Board deeply regrets Wilfred's death and again offers its deepest sympathies to his family and friends.

Fatalities and injuries at work are avoidable and therefore unacceptable. The Group continues to focus on understanding and managing the complex interplay of factors required to ensure Zero Harm to our employees, service providers and communities.

The Group continues to focus on the health and wellbeing of all employees amidst the COVID-19 pandemic. To date, the Group has reported 237 confirmed cases, 221 recoveries and three deaths as a result of the pandemic. Where required, support is being provided to employees to assist them in dealing with the mental and emotional impacts of COVID-19. We are also maintaining regular communication with employees on how best to protect themselves and their families from infection.

GRAYSTON TEMPORARY WORKS COLLAPSE

Stakeholders are referred to the Group's interim results announcement released on SENS on 4 March 2020. All costs relating to this matter have been previously accounted for and no further financial impact is expected.

MANDATORY OFFER BY ATON GMBH ("ATON")

Shareholders of Murray & Roberts are referred to the various announcements published by both the Company and ATON regarding ATON's mandatory offer. ATON decided to abandon its approach by not extending the end-September 2019 long stop date on the mandatory offer, ahead of the expected ruling of the Competition Tribunal.

CHANGES TO THE BOARD

Stakeholders are referred to the Group's interim results announcement released on SENS on 4 March 2020. The Group appointed three new directors to the Board: Clifford Raphiri; Billy Mawasha and Jesmane Boggenpoel. Clifford was appointed as a member of the audit & sustainability committee and of the risk committee, and as chairman of the risk committee. Billy was appointed as a member of the health, safety & environment committee and the social & ethics committee. Jesmane was appointed as a member of the audit & sustainability committee and the risk committee.

PROSPECTS STATEMENT

Despite the uncertainty in the global economic outlook, the Group believes its *New Strategic Future* strategy, and the assumptions on which it is based, remains sound.

A significant, quality order book of R54,2 billion and near orders of R11,4 billion, underscore the Board's confidence in the Group's strategy. The Group's financial position is robust and sufficient to fund its growth plans, and debt is within its targeted range.

In the year ahead, the focus will be on growing the order book, improving project execution, improving liquidity, progressing digitalisation, and exiting the Middle East – which the Board believes will support a return to profitability in FY2021 and a path to earnings growth beyond.

Any forward-looking information contained in this announcement has not been audited and reported on by the Group's external auditors.

On behalf of the directors:

Suresh Kana	**Henry Laas**	**Daniël Grobler**
Chairman of the Board	*Group Chief Executive*	*Group Financial Director*

Bedfordview

26 August 2020

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MURRAY & ROBERTS HOLDINGS LIMITED
Registration No. 1948/029826/06

DIRECTORS
SP Kana* (Chairman) HJ Laas (Managing & Chief Executive)
DF Grobler J Boggenpoel* R Havenstein* NB Langa-Royds*
AK Maditsi* B Mawasha* DC Radley* C Raphiri*

SECRETARY
L Kok

** Independent non-executive*
 # The operating performance information disclosed has been extracted from the Group's operational reporting systems. The Corporate & Properties segment has been excluded from the operational narrative. Unless otherwise noted, all comparisons are to the Group's performance as at and for the 12 months ended 30 June 2019.

DISCLAIMER

This announcement includes certain various "forward-looking statements" within the meaning of Section 27A of the US Securities Act 10 1933 and Section 21 E of the Securities Exchange Act of 1934 that reflect the current views or expectations of the Board with respect to future events and financial and operational performance. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: the Group's strategy; the economic outlook for the industry; and the Group's liquidity and capital resources and expenditure. These forward-looking statements speak only as of the date of this announcement and are not based on historical facts, but rather reflect the Group's current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "expect", "anticipate", "intend", "should", "planned", "may", "potential" or similar words and phrases. The Group undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this announcement or to reflect the occurrence of any unexpected events. Neither the content of the Group's website, nor any website accessible by hyperlinks on the Group's website is incorporated in, or forms part of, this announcement.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2020

R millions	Annual 30 June 2020	Restated* Annual 30 June 2019
Continuing operations		
Revenue (note 2)	20 838	20 113
Profit before interest, depreciation and amortisation	834	1 324
Depreciation	(759)	(418)
Amortisation of intangible assets	(92)	(59)
(Loss)/profit before interest and taxation (note 3)	(17)	847
Interest expense+	(301)	(126)
Interest income+	80	70
(Loss)/profit before taxation	(238)	791
Taxation	(151)	(297)
(Loss)/profit after taxation	(389)	494
Profit/(loss) from equity accounted investments	2	(4)
(Loss)/profit from continuing operations	(387)	490
Profit/(loss) from discontinued operations (note 4)	16	(144)
(Loss)/profit for the period	(371)	346
Attributable to:		
– Owners of Murray & Roberts Holdings Limited	(352)	337
– Non-controlling interests	(19)	9
	(371)	346
Earnings per share from continuing and discontinued operations (cents)		
– Diluted	(89)	83
– Basic	(89)	85
Earnings per share from continuing operations (cents)		
– Diluted	(97)	118
– Basic	(97)	121

Refer to note 5 for the reconciliation of weighted average number of shares and note 6 for headline earnings per share.
** Restated for discontinued operations. Refer to note 4 for further details.*
+ Comparatives have been represented to disclose gross amounts.

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

R millions	Annual 30 June 2020	Annual 30 June 2019
(Loss)/profit for the period	(371)	346
Items that will not be reclassified subsequently to profit or loss:		
Effects of remeasurements on retirement benefit obligations	(3)	(3)
Items that will be reclassified subsequently to profit or loss:		
Exchange gains/(losses) on translating foreign operations and realisation of reserve	599	(28)
Total comprehensive income for the period	225	315
Attributable to:		
– Owners of Murray & Roberts Holdings Limited	247	305
– Non-controlling interests	(22)	10
	225	315

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

R millions	Annual 30 June 2020	Restated# Annual 30 June 2019
ASSETS		
Non-current assets	7 094	5 718
Property, plant and equipment	3 374	2 203
Goodwill (note 7)	1 125	958
Deferred taxation assets	689	422
Investments in associate companies	5	5
Investment in joint ventures	72	111
Other non-current assets (note 9)	1 829	2 019
Current assets	11 805	10 651
Inventories	360	337
Trade and other receivables	1 897	1 669
Amounts due from contract customers (note 8)	6 039	5 176
Current taxation assets	21	14
Cash and cash equivalents	3 415	3 455
Other current assets	73	–
Assets classified as held for sale	–	21
Total assets	18 899	16 390
EQUITY AND LIABILITIES		
Total equity	5 619	5 751
Attributable to owners of Murray & Roberts Holdings Limited	5 611	5 717
Non-controlling interests	8	34
Non-current liabilities	1 515	1 423
Long-term liabilities[5]	1 198	1 127
Long-term provisions	91	80
Deferred taxation liabilities	104	74
Other non-current liabilities	122	142
Current liabilities	11 765	9 216
Amounts due to contract customers (note 8)	3 543	2 820
Trade and other payables	5 707	5 729
Current taxation liabilities	191	135
Bank overdrafts[5]	1 111	36
Short-term liabilities[5]	1 213	496
Total equity and liabilities	18 899	16 390

[5] Interest-bearing borrowings.
 # Restated for prior year measurement period adjustment. Refer to note 13.2 for further details.

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

R millions	Annual 30 June 2020	Annual 30 June 2019
Cash (utilised from)/generated by operations	(53)	1 563
Interest received[+]	85	74
Interest paid[+]	(295)	(120)
Taxation paid[+]	(273)	(276)
Taxation refund[+]	9	70
Operating cash flow	(527)	1 311
Dividends paid	(227)	(206)
Dividends paid to non-controlling interests	(4)	–
Net cash (outflow)/inflow from operating activities	(758)	1 105
Purchase of intangible assets other than goodwill	(21)	(50)
Purchase of property, plant and equipment	(655)	(142)
– Replacements	(113)	(41)
– Expansions	(1 480)	(775)
– Acquisition of assets by means of a lease (non-cash)	938	674
Proceeds on disposal of property, plant and equipment	117	208
Proceeds on disposal of intangible assets other than goodwill	5	–
Acquisition of businesses	(38)	(665)
Cash received from reclassification of joint venture to joint operation	87	–
Acquisition of associate	–	(2)
Proceeds on sale of non-current assets held for sale	21	–
Dividends received on Bombela Concession Company	328	184
Other	–	(2)
Net cash (outflow)/inflow from investing activities	(156)	(469)
Disposal of treasury shares[+]	105	46
Acquisition of treasury shares[+]	(136)	(82)
Net movement in borrowings	(685)	550
– Loans raised[^]	699	877
– Loans repaid[^]	(665)	(162)
– Leases repaid[^]	(719)	(165)
Net cash (outflow)/inflow from financing activities	(716)	514
Total (decrease)/increase in net cash and cash equivalents	(1 630)	1 150
Net cash and cash equivalents at beginning of period	3 419	2 353
Effect of foreign exchange rates	515	(84)
Net cash and cash equivalents at end of period	2 304	3 419
Net cash and cash equivalents comprises:		
Cash and cash equivalents	3 415	3 455
Bank overdrafts	(1 111)	(36)
Net cash and cash equivalents at end of period	2 304	3 419

[^] In previous years the net movement in borrowings has been reflected in the cash flow with a supporting note reflecting the gross movement thereof.
In the current period, the gross movements have been reflected separately in the cash flow above for the current and prior year.
[+] Comparatives have been represented to disclose gross amounts.

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

R millions	Stated capital	Other reserves	Retained earnings	Attributable to owners of Murray & Roberts Holdings Limited	Non-controlling interests	Total equity
Balance at 30 June 2018	2 591	1 059	3 046	6 696	48	6 744
Impact of IFRS 9 adjustment	–	–	(9)	(9)	–	(9)
Impact of IFRS 15 adjustment	–	–	(1 072)	(1 072)	(24)	(1 096)
Balance at 1 July 2018 (Restated)	2 591	1 059	1 965	5 615	24	5 639
Total comprehensive (loss)/income for the year	–	(32)	337	305	10	315
Treasury shares acquired[+]	(82)	–	–	(82)	–	(82)
Treasury shares disposed[+]	53	–	–	53	–	53
Recognition of share-based payment	–	32	–	32	–	32
Utilisation of share-based payment reserve[+]	32	(32)	–	–	–	–
Transfer to retained earnings	–	(1)	1	–	–	–
Dividends declared and paid	–	–	(206)	(206)	–	(206)
Balance at 30 June 2019	2 594	1 026	2 097	5 717	34	5 751
Impact of IFRIC 23 adjustment	–	–	(33)	(33)	–	(33)
Impact of IFRS 16 adjustment	–	–	(91)	(91)	–	(91)
Balance at 1 July 2019 (Restated)	2 594	1 026	1 973	5 593	34	5 627
Total comprehensive income/(loss) for the year	–	599	(352)	247	(22)	225
Treasury shares acquired[+]	(136)	–	–	(136)	–	(136)
Treasury shares disposed[+]	105	–	–	105	–	105
Recognition of share-based payment	–	29	–	29	–	29
Utilisation of share-based payment reserve[+]	33	(33)	–	–	–	–
Dividends declared and paid	–	–	(227)	(227)	(4)	(231)
Balance at 30 June 2020	2 596	1 621	1 394	5 611	8	5 619

[+] Comparatives have been represented to disclose gross amounts.

SUMMARISED CONSOLIDATED SEGMENTAL ANALYSIS

FOR THE YEAR ENDED 30 JUNE 2020

R millions	Annual 30 June 2020	Restated Annual 30 June 2019
Revenue[6]		
Bombela	–	–
Power, Industrial & Water	1 987	2 517
– Construction contracts	1 976	2 499
– Sale of goods	11	18
Mining	11 972	10 861
– Construction contracts	11 552	10 259
– Rendering of services	420	602
Energy, Resources & Infrastructure	6 876	6 728
– Construction contracts	6 572	6 400
– Rendering of services	–	1
– Other	304	327
Corporate & Properties	3	7
– Properties	3	7
Continuing operations	20 838	20 113
Discontinued operations*	182	145
	21 020	20 258
Continuing operations		
Profit/(loss) before interest and taxation[7]		
Bombela	119	306
Power, Industrial & Water	(44)	(32)
Mining	630	814
Energy, Resources & Infrastructure	(454)	(98)
Corporate & Properties	(268)	(143)
(Loss)/profit before interest and taxation	(17)	847
Interest expense[+]	(301)	(126)
Interest income[+]	80	70
(Loss)/profit before taxation	(238)	791
Discontinued operations		
Profit/(loss) before interest and taxation[7]	19	146
Interest expense[+]	(1)	(4)
Interest income[+]	5	4
Profit/(loss) before taxation	23	(146)

** Restated for discontinued operations. Refer to note 4 for further details.*
[6] Revenue is disclosed net of inter-segmental revenue. Inter-segmental revenue for the Group is R214 million (FY2019: R189 million).
[7] The chief operating decision makers, being the Group Executives, utilise profit/(loss) before interest and taxation in the assessment of a segment's performance.
[+] Comparatives have been represented to disclose gross amounts.

SUMMARISED SEGMENTAL ASSETS (CONTINUING & DISCONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

R millions	Annual 30 June 2020	Restated#* Annual 30 June 2019
Bombela	**1 225**	1 441
Power, Industrial & Water	**935**	709
Mining	**6 257**	5 580
Energy, Resources & Infrastructure	**5 044**	3 272
Corporate & Properties[8]	**221**	428
Continuing operations	**13 682**	11 430
Discontinued operations[9]	**1 092**	1 069
	14 774	12 499
Reconciliation of segmental assets		
Total assets	**18 899**	16 390
Deferred taxation assets	**(689)**	(422)
Current taxation assets	**(21)**	(14)
Cash and cash equivalents	**(3 415)**	(3 455)
	14 774	12 499

SUMMARISED SEGMENTAL LIABILITIES (CONTINUING & DISCONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

R millions	Annual 30 June 2020	Restated#* Annual 30 June 2019
Bombela	**258**	379
Power, Industrial & Water	**739**	937
Mining	**3 666**	3 534
Energy, Resources & Infrastructure	**5 541**	3 863
Corporate & Properties[8]	**411**	352
Continuing operations	**10 615**	9 065
Discontinued operations[9]	**1 259**	1 329
	11 874	10 394
Reconciliation of segmental liabilities		
Total liabilities	**13 280**	10 639
Deferred taxation liabilities	**(104)**	(74)
Current taxation liabilities	**(191)**	(135)
Bank overdrafts	**(1 111)**	(36)
	11 874	10 394

[8] Corporate segmental assets and liabilities include the inter-segment eliminations of group balances and transactions.

[9] Discontinued operations includes the close out of retained assets and liabilities, following the sale of Genrec operations and the Southern African Infrastructure & Building businesses in prior financial years. The Middle East has been classified as a discontinued operation in the current period.

 # Restated for prior year measurement period adjustment. Refer to note 13.2 for further details.

** Restated for discontinued operations. Refer to note 4 for further details.*

NOTES

1. BASIS OF PREPARATION

The Group operates in the mining, energy, resources & infrastructure and power, industrial & water markets and as a result the revenue is not seasonal in nature but is influenced by the nature of the contracts that are currently in progress. Refer to commentary for a more detailed report on the performance of the different operating platforms within the Group.

The summarised consolidated financial statements for the year ended 30 June 2020 have been prepared in compliance with the Listings Requirements of the JSE Limited, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the minimum requirements of the International Accounting Standards ("IAS") 34, Interim Financial Reporting, SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act, No. 71 of 2008 ("Act"). These summarised consolidated financial statements were compiled under the supervision of DF Grobler (CA)SA, Group financial director. The directors take full responsibility for the preparation of the summarised consolidated financial statements and that the financial information has been correctly extracted from the underlying consolidated financial statements.

The accounting policies applied in the preparation of the consolidated financial statements from which the summarised financial statements were derived are in terms of International Financial Reporting Standards (IFRS) and are consistent in all material respects with those applied in the audited consolidated financial statements for the year ended 30 June 2019. IFRS 16 (Leases) and IFRIC 23 (Uncertainty over Income Tax Treatments) have been implemented in the current financial year, refer to note 12 for further details.

The external auditors, PricewaterhouseCoopers Inc., have issued their opinion on the consolidated financial statements for the year ended 30 June 2020. The audit was conducted in accordance with International Standards on Auditing. The auditor responsible for the audit is JFM Kotzé. They have issued an unmodified audit opinion on the consolidated financial statements. A copy of the auditor's reports together with a copy of audited consolidated financial statements are available for inspection at the Company's registered office. These summarised consolidated financial statements have been derived from the audited consolidated financial statements but are not audited itself.

2. REVENUE

Revenue for the Group has been recognised as follows:

R millions	30 June 2020	Restated* 30 June 2019
Construction contracts	20 101	19 158
Sale of goods	11	18
Rendering of services	420	603
Properties	3	7
Other revenue[10]	303	327
	20 838	20 113

[10] *Other revenue includes the provision of labour, information technology and other services to joint arrangements. Revenue is recognised at a point in time for the sale of goods and over time for all other categories of revenue.*

* *Restated for discontinued operations. Refer to note 4 for further details.*

3. PROFIT/(LOSS) BEFORE INTEREST AND TAXATION

R millions	30 June 2020	Restated* 30 June 2019
Items by function		
Revenue	20 838	20 113
Cost of sales	(18 557)	(17 655)
Distribution and marketing expenses	(22)	(15)
Administration costs	(2 640)	(2 104)
Other operating income	364	508
(Loss)/profit before interest and taxation	(17)	847

* *Restated for discontinued operations. Refer to note 4 for further details.*

Included in expenses above for the current period are impairments of property, plant and equipment (R12 million), inventory (R76 million), goodwill (R63 million), trade receivables (R5 million) and contracts-in-progress and contract receivables (R92 million).

4. DISCONTINUED OPERATIONS

Discontinued operations include the close out of retained assets and liabilities, following the sale of Genrec operations and the Southern African Infrastructure & Building businesses in prior financial years. In the current financial year, the Middle East operation was classified as a disposal group that was abandoned and as such has been classified as a discontinued operation. The results and cash flows of the disposal group have met the requirements of IFRS 5 and have hence been presented as discontinued operations in the current period and all comparative periods have been restated.

4.1 Profit/(loss) from discontinued operations

R millions	30 June 2020	Restated* 30 June 2019
Revenue	182	145
Profit/(loss) before interest, depreciation and amortisation	19	(146)
Depreciation and amortisation	–	–
Profit/(loss) before interest and taxation	19	(146)
Interest expense+	(1)	(4)
Interest income+	5	4
Profit/(loss) before taxation	23	(146)
Taxation (expense)/credit	(7)	2
Profit/(loss) after taxation	16	(144)
Income from equity accounted investments	–	–
Profit/(loss) from discontinued operations	16	(144)
Attributable to:		
– Owners of Murray & Roberts Holdings Limited	32	(143)
– Non-controlling interests	(16)	(1)
	16	(144)

Included in expenses above for the current period is an impairment of an R80 million vendor loan.

4.2 Cash flows from discontinued operations include the following:

R millions	30 June 2020	Restated* 30 June 2019
Cash flow from operating activities	(429)	(244)
Cash flow from investing activities	21	1
Cash flow from financing activities	–	–
Net decrease in cash and cash equivalents	(408)	(243)

* *Restated for discontinued operations.*

\+ *Comparatives have been represented to disclose gross amounts.*

5. WEIGHTED AVERAGE NUMBER OF SHARES

	30 June 2020	30 June 2019
Number of ordinary shares in issue ('000)	444 736	444 736
Reconciliation of weighted average number of shares in issue ('000)		
Weighted average number of ordinary shares in issue	444 736	444 736
Less: Weighted average number of shares held by the Letsema BBBEE trusts	(31 696)	(31 696)
Less: Weighted average number of shares held by the subsidiary companies	(15 785)	(15 564)
Weighted average number of shares used for basic per share calculation	397 255	397 476
Add: Dilutive adjustment	5 725	8 485
Weighted average number of shares used for diluted per share calculation	402 980	405 961

6. RECONCILIATION OF HEADLINE EARNINGS

R millions	30 June 2020	Restated* 30 June 2019
(Loss)/profit attributable to owners of Murray & Roberts Holdings Limited	(352)	337
Profit on disposal of property, plant and equipment+	(49)	(29)
Loss on disposal of property, plant and equipment+	1	1
Impairment on property, plant and equipment	12	–
Impairment of goodwill	63	–
Taxation effects on adjustments	8	8
Headline earnings	(317)	317
Adjustments for discontinued operations:		
(Profit)/loss from discontinued operations	(32)	143
Headline earnings from continuing operations	(349)	460
Headline earnings per share from continuing and discontinued operations (cents)		
– Diluted	(80)	78
– Basic	(80)	80
Headline earnings per share from continuing operations (cents)		
– Diluted	(88)	114
– Basic	(88)	116

* *Restated for discontinued operations. Refer to note 4 for further details.*
\+ *Comparatives have been represented to disclose gross amounts.*

7. GOODWILL

R millions	30 June 2020	Restated# 30 June 2019
At beginning of year	958	616
Acquisition of businesses[11]	11	349
Impairment of goodwill	(63)	–
Foreign exchange movements	219	(7)
	1 125	958

[11] *Acquisition of businesses movement in the 2019 financial year has been restated for the measurement period adjustment relating to the acquisition of Saulsbury Industries Inc. in the prior financial year. The provisional accounting was finalised in the current financial year and an adjustment of R42 million was raised at acquisition with respect to final accounting positions at acquisition date. Refer to note 13.2 for further details.*

In the current period, a goodwill adjustment of R11 million was also made with respect to the amendment of the joint venture agreement. Refer to note 14.1 for further details.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. An assessment was performed as at 30 June 2020.

Impairment testing performed in the current year resulted in the impairment of the Aquamarine business which is part of the Power, Industrial & Water business and on the CH-IV business which is part of the Energy, Resources & Infrastructure business based on uncertainty in the Aquamarine and LNG markets respectively. The impairment charge of R62,5 million has been recorded as an impairment loss in the consolidated statement of financial performance.

No changes in key assumptions for the remaining cash generating units that would cause the carrying amount to exceed the recoverable amount were noted.

\# *Restated for prior year measurement period adjustment. Refer to note 13.2 for further details.*

8. CONTRACTS-IN-PROGRESS AND CONTRACT RECEIVABLES

R millions	30 June 2020	Restated# 30 June 2019
Contracts-in-progress (cost incurred plus recognised profits, less recognised losses and amounts invoiced)	1 817	1 716
Uncertified claims and variations less payments received on account of R357 million (FY2019: R290 million)	1 084	637
Amounts receivable on contracts (net of impairment provisions)	2 699	2 571
Retentions receivable (net of impairment provisions)	439	252
	6 039	5 176
Amounts received in excess of work completed	(3 543)	(2 916)
Uncertified claims and variations included in amounts received in excess of work completed	–	96
	2 496	2 356
Disclosed as:		
Amounts due from contract customers – current	6 039	5 176
Amounts due to contract customers – current	(3 543)	(2 820)
	2 496	2 356

\# *Restated for prior year measurement period adjustment. Refer to note 13.2 for further details.*

Update on the Group's claim processes

Uncertified revenue increased to R1,1 billion (FY2019: R0,7 billion). The group remains confident that all revenue recognised as uncertified will be certified and paid once attendant commercial matters have been resolved.

The arbitration award for the Dubai Airport claim was inconclusive and the claims and counter claims will have to be finally settled by agreement between the parties.

9. OTHER NON-CURRENT ASSETS

R millions	30 June 2020	Restated# 30 June 2019
Other non-current assets comprise of the following:		
Investment at fair value through profit or loss	1 225	1 434
Intangible assets excluding goodwill	506	475
Other non-current receivables	20	108
Finance lease receivable	76	–
Other investments	2	2
	1 829	2 019

\# *Restated for prior year measurement period adjustment. Refer to note 13.2 for further details.*

10. FINANCIAL INSTRUMENTS

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable and interest-bearing borrowings.

The fair value of the Group's financial instruments approximate their carrying values as at 30 June 2020.

R millions	30 June 2020	Restated# 30 June 2019
Categories of financial instruments		
Financial assets		
Financial assets designated as fair value through profit or loss (level 3)	1 225	1 434
Amortised cost	8 085	7 734
Financial liabilities		
Amortised cost	7 208	6 517

\# *Restated for prior year measurement period adjustment. Refer to note 13.2 for further details.*

10.1 Financial assets designated as fair value through profit or loss

R millions	30 June 2020	30 June 2019
Investment in infrastructure service concession (level 3)[12]		
At beginning of year	1 434	1 308
Dividends received	(328)	(183)
Fair value adjustment recognised in the statement of financial performance	119	309
	1 225	1 434

[12] *The investment is reflected at fair value through profit or loss as the investment meets the requirements of IAS28.18 with regards to venture capital organisations or similar entities, as the transaction did not result in a change of control. The fair value of the Bombela Concession Company Proprietary Limited ("BCC") is calculated using discounted cash flow models and a market discount rate of 16,25% (2019: 18%). 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. The lower discount rate in the current financial year is considered appropriate owing to further clarification of elements of the concession contract after several operational risks were successfully mitigated.*

Operating cost includes an operating fee that is payable to the Bombela Operating Company (Pty) Ltd ("BOC"), the company responsible for the operation and maintenance of Gautrain. The fee payable to BOC, although predictable, is subject to annual inflationary increases and is subject to review every 5th year where increases of more than inflation are considered. The next review is due in 2023.

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 concessionaire's 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 R282 million (2019: R306 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. Revenue below the MRTR is a BCC risk. A 1% shortfall in patronage revenue below the MRTR reduces the value of the concession investment by approximately R12,2 million. The impact of COVID-19 for the financial year ended 30 June 2021 is included in the discounted cash flow model. Thereafter, it is assumed that patronage will return to pre-COVID levels and owing to the Patronage Guarantee, no further revenue reductions were forecast for the subsequent years. In this regard, annual revenue, prior to COVID-19, was predictable in nature and was in excess of MRTR. Furthermore, to date, the Gauteng Province has honoured its Patronage Guarantee. The impact of COVID-19 is lessened by a business interruption policy taken out by BCC. Management has taken a view, based on Senior Counsel opinion, that it is probable the policy will be honoured and a discounted value of R100 million is included in the fair value calculation.

A decrease of 1% in the discount rate would result in an increase in the value of the concession investment of approximately R42,3million (2019: R42,3 million).

11. CONTINGENT LIABILITIES

As a contracting Group, Murray & Roberts is in the ordinary course of its business involved in various disputes, a number of which arise when operations and projects are closed out and finalised. Depending on the merits, disputes can translate into claims and legal proceedings, which Murray & Roberts always rigorously defends. Where Murray & Roberts, in consultation with its legal advisors and counsels, believes the claims are predicated on weak and/or spurious grounds, and Murray & Roberts has sound and strong defences, no provision is made for any such claim, and they are aggregated and disclosed as contingent liabilities. 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.

R millions	30 June 2020	30 June 2019
Contingent liabilities	4 782	3 490
Financial institution guarantees	7 970	7 644

Grayston Temporary Works Collapse – update

Stakeholders are referred to the Group's interim results announcement released on SENS on 4 March 2020. All costs relating to this matter have been previously accounted for and no further financial impact is expected.

12. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

12.1 Implementation of IFRS 16 (Leases)

IFRS 16 (Leases) requires lessees to account for all leases under a single statement of financial position model in a similar way to finance leases under IAS 17 (Leases).

The Group has elected to apply IFRS 16 (Leases) under the transitional provisions retrospectively, with the cumulative effect of initially applying the Standard being recognised at 1 July 2019, being the date of initial application.

The Group's leasing activities relate mainly to the rental of office space and other premises, equipment for project and contractual work and other equipment.

On adoption of IFRS 16 (Leases), the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as operating leases under IAS 17 (Leases). The lease liabilities are measured at the present value of the remaining lease payments, discounted using the rate implicit in the lease where determinable and the incremental borrowing rate where the rate implicit in the lease is not easily determinable. A rate of between 3% and 16% was applied to lease liabilities of the Group. The right-of-use assets were measured on a lease-by-lease basis at either its carrying amount as if the Standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application or at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position as at 30 June 2019.

The right-of-use assets will thereafter be amortised over the lease term whilst the lease liabilities will unwind per the rate implicit in the lease or the incremental borrowing rate.

In applying IFRS 16 (Leases), the Group has used the following practical expedients permitted by the Standard:

- Short-term leases (lease term less than 12 months at commencement date) applied on a lease-by-lease basis.
- Low valued assets (determined based on the nature of the assets) applied on a lease-by-lease basis.
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review.

Impact of adoption

The implementation of IFRS 16 (Leases) impacted the following items on the statement of financial position on 1 July 2019:

Financial Statement line item	Description	R millions
Property, plant and equipment	Right-of-use assets	570
Deferred taxation assets	Deferred taxation assets	28
Other non-current assets/other current assets	Net investment in the lease	175
Long-term liabilities/short-term liabilities	Lease liabilities	(864)
Total equity attributable to owners of Murray & Roberts Holdings Limited	Retained earnings	91

A reconciliation of the operating lease commitments disclosed at 30 June 2019 to the lease liabilities recognised on 1 July 2019 has been provided below:	
Operating lease commitments disclosed at 30 June 2019	1 082
Discounted using the lessee's incremental borrowing rate as at the date of initial application	(83)
Less: Short-term leases and low valued assets recognised on a straight-line basis as an expense	(30)
Less: Reassessment of contracts not deemed to be leases per IFRS 16 (Leases)	(76)
Less: Variable lease payments excluded from the measurement of the lease liability	(127)
Add: Reassessment of leases deemed to be leases per IFRS 16 (Leases)	98
Lease liabilities recognised at 1 July 2019	**864**

12.2 IFRIC 23 (Uncertainty over Income Tax Treatments)

IFRIC 23 (Uncertainty over Income Tax Treatments) is deemed to have an impact on the Group for the year ended 30 June 2020.

Interpretation 23 clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates ("tax amounts"), where there is uncertainty over income tax treatments under IAS 12 (Income Taxes).

The Interpretation requires the Group to:

- Use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together;
- Assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so;
- Determine tax amounts on a basis that is consistent with the tax treatment included in its income tax filings if an entity concludes that it is probable that a particular tax treatment will be accepted by the taxation authorities; and
- Determine tax amounts using the most likely amount or expected value of the tax treatment (whichever provides better predictions of the resolution of the uncertainty) where an entity concludes that it is not probable that a particular tax treatment will be accepted by the taxation authorities.

Impact of adoption

The Group has elected under the transitional provisions to apply the Interpretation retrospectively, with the cumulative effect of initially applying the Interpretation being recognised at 1 July 2019, being the date of initial application.

The Group's initial application of the Interpretation resulted in the recognition of an additional tax provision totalling R33 million. The following financial statement line items were impacted at 1 July 2019:

Financial Statement line item	Description	R millions
Current taxation liabilities	Current taxation liabilities	(33)
Total equity attributable to owners of Murray & Roberts Holdings Limited	Retained earnings	33

There has been no impact to the summarised consolidated statement of financial performance for the year ended 30 June 2020.

The application of the Interpretation for the year ended 30 June 2020 did not result in any changes to the opening value of uncertain tax positions recognised on initial adoption.

13. ACQUISITION OF BUSINESSES

13.1 Acquisition of OptiPower Projects

On 1 September 2019, the Power, Industrial & Water platform acquired OptiPower Projects, whose capabilities are largely in the construction of MV and HV power lines, construction of MV and HV substations and construction of overhead and underground fibre optic networks, for a consideration of R38 million.

The acquisition of OptiPower Projects has given the Power, Industrial & Water platform the capability to undertake work in the transmission, distribution and substation subsectors of the power market. This transaction was structured through an acquisition of assets.

Management is in the process of finalising the at acquisition accounting in the current financial year and this has resulted in the revision of accounting positions at acquisition. Changes in net asset value related to remeasurements of contract positions that existed at acquisition date, which directly impacted the loan receivable, derived from the working capital position. Contingent consideration was assessed as relating to benefits accruing to the combined entity post acquisition.

The net cash outflow arising from the acquisition was R38 million.

The adjustment to the assets and liabilities recognised as a result of the acquisition are as follows:

R millions	Fair value	Measurement period adjustment	Adjusted Fair value
Property, plant and equipment	38	–	38
(Amounts due to contract customers)/work in progress/inventories	(27)	(12)	(39)
Loan receivable	49	10	59
Long-term liabilities	(1)	1	–
Trade and other payables	(20)	–	(20)
Contingent consideration	(37)	37	–
Net identifiable assets acquired	2	36	38
Add: Goodwill	36	(36)	–
Net outflow on acquisition of business	38	–	38

The amounts above have been measured on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

In the 10 months to 30 June 2020, the acquiree contributed revenue of R311 million and a profit of R21 million to the Group's results. If the acquisition had occurred on 1 July 2019, management estimates that the consolidated revenue would have been an additional R62 million and the consolidated profit for the year would have been an additional Rnil million.

13.2 Acquisition of Gulf Coast Division

On 15 February 2019, Clough USA Inc., which forms part of the Energy, Resources & Infrastructure platform, acquired the business of Saulsbury Industries Inc., Gulf Coast division for a consideration of R79 million.

The assets and liabilities recognised as a result of the acquisition were measured on a provisional basis at 30 June 2019.

In accordance with the asset purchase agreement additional consideration of up to approximately R42,3 million may have been payable to Saulsbury Industries Inc., subject to the successful award of a significant contract within the US to Clough USA Inc. R38,6 million of this amount was recognised as contingent consideration at 30 June 2019.

With respect to the above mentioned contingent consideration, in August 2019, Clough US Inc. was awarded a petrochemical engineering, procurement and construction contract (EPC) in the US, valued at $620 million. Clough received the full notice to proceed with the Next Wave EPC project in mid-November 2019.

During the due diligence review and finalisation of accounting in the current financial year, certain project positions on selected contracts resulted in the revision of accounting positions at acquisition. The positions on these projects were as a result of facts and circumstances that existed at acquisition date and have therefore resulted in a measurement period adjustment. The measurement period adjustment has resulted in a restatement of the prior financial year statement of financial position.

Goodwill is attributable to the establishment of an EPC business in North America, which is expected to become the Energy, Resources & Infrastructure platform's largest international market. Project opportunities such as the Next Wave project, and other project opportunities for midstream pipelines and gas compression, processing, treatment and hook-up & commissioning are strong and growing.

The adjustment to the assets and liabilities recognised as a result of the acquisition is as follows:

R millions	2019 Fair value	Measurement period adjustment	Adjusted 2019 Fair value
Plant and equipment	2	–	2
Intangible assets – Customer relationships	56	(9)	47
(Amounts due to contract customers)/ work in progress/inventories	(11)	19	8
Trade and other payables	(1)	(52)	(53)
Contingent consideration	(39)	–	(39)
Net identifiable assets/(liabilities) acquired	7	(42)	(35)
Add: Goodwill	72	42	114
Net assets acquired	79	–	79

14. JOINT ARRANGEMENTS

14.1 Contractual change resulting in share of assets and liabilities recognised for previously equity accounted investment

On 1 July 2019, the Group amended its 50% investment in Consorcio TNT Vial y Vivies DSD Chile Limitada from a joint venture to a joint operation to reflect an amendment in the joint venture agreement whereby the joint operators now have rights to assets and obligations for the liabilities of the arrangement.

The impact of the change from equity accounting to recognising the Group's share of the assets and liabilities of the joint operation at 1 July 2019 is as follows:

R millions	Fair value
Cash and cash equivalents	87
Trade and other receivables	115
Deferred taxation assets	36
Trade and other payables	(212)
Current taxation liabilities	(5)
Goodwill	11
Other intangible assets	10
Net assets acquired	42
Reduction in the investment in joint venture	(42)

15. DIVIDEND

In terms of the Group's dividend policy, the board of directors of the Company ("Board") aims to maintain a stable annual dividend, which may be supplemented from time-to-time with a special dividend. A dividend is subject to the Group's financial position and market circumstances.

Considering the market uncertainty brought about by the COVID-19 pandemic, the Board has resolved not to declare a dividend for the period under review, in order to further preserve the Group's financial position.

16. SUPPLEMENTARY INFORMATION

	30 June 2020	30 June 2019
Net asset value per share (Rands)	13	13
Dividends per share (cents)	–	55

17. RELATED PARTY TRANSACTIONS

There have been no significant changes to the nature of related party transactions since 30 June 2019 or any transactions outside the normal course of business.

18. EVENTS AFTER REPORTING DATE

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 2020 or the results of its operations or cash flows for the year then ended. Post the reporting period, notice to draw down on two guarantees (worth R745m) for a completed project was issued by a client in the Middle East. Management's legal team is vigorously defending our position. In the unlikely event that the claim is successful, based on our current assessment of the status and likely outcome of the final account position, this will not have an income statement impact.

NOTES

The principle of ***Engineered Excellence*** informs all our decision-making. It means we **engineer** or plan everything we do in such a way that we achieve an outcome of **excellence**.

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ADR Code: MURZY
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