2022 Annual Results

for the year ended
30 June 2022

ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2022

SALIENT FEATURES

Revenue (continuing)
R29,9 billion
(FY2021: R21,9 billion)

EBIT
R705 million
(FY2021: R540 million)

Order book
R59,5 billion
(FY2021: R60,7 billion)

Near orders
R60,4 billion
(FY2021: R11,1 billion)

R135 MILLION (FY2021: R180 million loss)	Attributable earnings
58 CENTS (FY2021: 16 cents)	Diluted continuing headline earnings per share
R1,1 BILLION (FY2021: R0,7 billion cash net of debt)	Net debt
0.58 IMPROVED (FY2021: 0.90)	Lost-time injury frequency rate. No fatal incidents occured
39.4 IMPROVED (FY2021: 31.5) Industrial sector average score is 38.2	Group ESG score

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

Murray & Roberts

STAKEHOLDER REPORT FOR THE YEAR ENDED 30 JUNE 2022#

Over several years of market instability, Murray & Roberts has demonstrated an ability to deliver on its strategic objectives. The Group's multi-year, record-high order book and strong project pipeline speaks to the extensive transformation that Murray & Roberts has undergone to become a multinational engineering and contracting group, with three business platforms.

Over the next three years, the Group expects most of its revenue and earnings to continue to be generated by its two international business platforms, being the Mining and the Energy, Resources & Infrastructure platforms. Both platforms are well established in geographic regions and market sectors with sustainable growth prospects. South Africa's renewable energy sector is expected to provide opportunity for the third platform – the Power, Industrial & Water platform – to return to profitability in the near term.

FINANCIAL REPORT

The Group is pleased to report strong growth in revenue and in earnings in the period under review, notwithstanding the continued impact on the business from the pandemic and the war in Ukraine. Specific areas of impact include disruption in supply chains, changes to project schedules, associated deferral of milestone payments and escalating inflation, resulting in difficult commercial environments. The Group is proactively managing these challenges.

Financial Results

Revenue from continuing operations increased to R29,9 billion (FY2021: R21,9 billion). The Group reported strong growth in earnings before interest and tax from continuing operations of R705 million (FY2021: R540 million). Market conditions impacted the Group's profitability, resulting in a 2.4% operating margin, which is below the targeted range of between 3% to 5%.

Diluted continuing headline earnings per share increased to 58 cents (FY2021: 16 cents). Earnings attributable to ordinary shareholders increased to R135 million (FY2021: R180 million loss).

The Group is pleased with the continued strength of its order book at R59,5 billion (FY2021: R60,7 billion), and with near orders increasing significantly to R60,4 billion (FY2021: R11,1 billion), mainly attributable to the Inland Rail and Perdaman projects in the Energy, Resources & Infrastructure platform, with a combined value of circa R40 billion.

Delivery of the Group's order book and the associated business growth increased the levels of working capital required. In addition, certain project milestone payments were delayed as the projects progressed slower than planned, due to the continuing disruption caused by the pandemic on supply chains. This, together with escalating inflation, negatively impacted cash generation during the year and the Group reported a net debt position of R1,1 billion (FY2021: R0,7 billion cash net of debt).

The Group is well progressed in addressing the increasing working capital levels to support its growth trajectory and is in the process of establishing longer term debt facilities. The potential disposal of its 50% non-strategic shareholding in the Bombela Concession Company, will make additional cash available to invest into strategic growth.

The effective tax rate reduced to 51% (FY2021: 73%). The high tax rate is mainly due to withholding taxes in foreign jurisdictions, as well as losses incurred in entities where future taxable earnings are uncertain, and no deferred tax assets could thus be recognised on these losses. The Group expects that the tax rate will continue to revert to more acceptable levels in the medium term.

Dividend

The board of directors of the Company ("Board") considers a dividend on an annual basis. Dividends are subject to the Group's financial position and market conditions. Considering the Group's significant order book, its expected growth trajectory and future working capital requirements, the Board has resolved not to declare a dividend for the year under review.

ORDER BOOK, NEAR ORDERS AND PROJECT PIPELINE

The Group's strong order book of R59,5 billion (FY2021: R60,7 billion) and its significant near orders of R60,4 billion (FY2021: R11,1 billion), includes high-profile, multi-year projects.

			Pipeline		
R billions	Order book	Near orders	Category 1	Category 2	Category 3
Energy, Resources & Infrastructure	37,2	43,6	8,3	39,1	697,2
Mining	21,9	14,9	21,4	48,1	35,0
Power, Industrial & Water	0,4	1,9	9,1	44,0	13,3
30 June 2022	**59,5**	**60,4**	**38,8**	**131,2**	**745,5**
31 December 2021	**61,1**	**12,8**	**74,3**	**92,3**	**843,8**
30 June 2021	**60,7**	**11,1**	**84,1**	**94,7**	**583,9**

- **Near orders:** Preferred bidder status and final award is subject to financial/commercial close – more than a 95% chance that these orders will be secured
- **Category 1:** Tenders submitted or under preparation (excluding near orders) – projects developed by clients to the stage where firm bids are being invited – reasonable chance to secure, function of (1) final client approval and (2) bid win probability
- **Category 2**: Budgets, feasibility studies and prequalifications – 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 prefeasibility stage

OPERATIONAL REPORT

Energy, Resources & Infrastructure Platform

	North America		EMEA		APAC		Total	
R millions	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Revenue	**6 327**	4 139	**507**	468	**10 452**	6 758	**17 286**	11 365
Operating profit	**28**	204	**5**	3	**373**	20	**406**	227
Margin (%)	**–**	5	**1**	1	**4**	–	**2**	2
Order book	**6 068**	5 210	**378**	248	**30 822**	31 592	**37 268**	37 050
LTIFR (fatalities)							**0,32(0)**	0,16(0)

The platform, operating under the Clough brand, provides services to three main geographic regions: Asia-Pacific ("APAC"), North America ("NAM") and Europe, Middle East & Africa. Its specialised capabilities across the engineering and construction project lifecycle enable the platform to deliver high-performing and sustainable assets for clients in the energy, resources, and infrastructure industries.

Revenue and operating profit respectively increased significantly to R17,3 billion (FY2021: R11,4 billion) and R406 million (FY2021: R227 million). The substantial order book was maintained at R37,2 billion (FY2021: R37,0 billion). Near orders increased significantly to R43,6 billion (FY2021: R1,1 billion), attributable to the inclusion of the Inland Rail and Perdaman projects. Securing these two large projects remain subject to financial close and the platform's ability to provide the required bonding.

Several large projects in APAC and NAM are currently underway and although there are no loss-making projects in the portfolio, the impact from supply chain disruption and escalating inflation was most evident in this platform. The unprecedented challenges apparent in today's commercial environment has placed increasing pressure on the Group's working capital requirements, however, project plans and cash flows are regularly reviewed and updated to ensure potential risks are identified early.

In APAC, the platform continued to demonstrate its capabilities in transport infrastructure, emerging energies and power generation, transmission and storage. The resources market is expected to gain momentum in the near term, in step with the uptake of new and low emissions technologies. Australia's exports of commodities central to these technologies — lithium, nickel, and copper — continue to surge, and the APAC region is expected to remain the largest contributor to the platform's revenue and earnings for the foreseeable future.

In NAM, more specifically the United States, due to the continuing impacts of the 2015 record oil price crash (and subsequent price volatility), followed by the global pandemic and more recently geopolitical issues, it will take time for the Gulf Coast oil and gas market to fully recover. During the year, however, the acquisition of JJ White Inc. was successfully concluded and has extended the platform's market penetration in the world's most important developed market and diversified its project capabilities into the industrial maintenance and construction services sectors. JJ White has a solid order book and is expected to generate good returns while the Gulf Coast market recovers.

The platform's order book and market prospects support the expectation of robust earnings growth over the next three years. Management is acutely aware of the working capital requirements associated with rapid growth and will remain focused on cash generation and management.

Mining Platform

	Africa		Australasia		The Americas		Total	
R millions	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Revenue	**3 819**	3 442	**3 828**	2 768	**4 122**	3 326	**11 769**	9 536
Operating profit	**149**	255	**203**	86	**97**	132	**449**	473
Margin (%)	**4**	7	**5**	3	**2**	4	**4**	5
Order book	**9 770**	11 845	**4 715**	4 349	**7 400**	7 024	**21 885**	23 218
LTIFR (fatalities)	**1,10(0)**	1,69(0)	**0,00(0)**	0,83(0)	**1,17(0)**	0,78(0)	**0,76(0)**	1,26(0)

This multinational business platform comprises three regional businesses in Africa, the Americas and Australasia. The platform's service offering spans the project lifecycle for a range of specialised mining project services, including feasibility studies, engineering, shaft construction, mine development, contract mining and material handling solutions.

Revenue increased to R11,8 billion (FY2021: R9,5 billion) and operating profit reduced marginally to R449 million (FY2021: R473 million), as the prior year included upside from the close-out of certain commercial matters. The order book reduced to R21,9 billion (FY2021: R23,2 billion), although near orders increased significantly to R14,9 billion (FY2021: R9,7 billion).

In Southern Africa, Murray & Roberts Cementation experienced a challenging year. Two material contracts were terminated by mutual agreement, affecting revenue and earnings. The residual order book value of these contracts was withdrawn from the order book, resulting in a reduction in order book value. However, as replacement work, the business was successful in securing a significant production mining contract, as well as a large shaft sinking and development contract.

While the pipeline of prospective projects remains robust in NAM, the order book was negatively impacted by the timing of investment decisions by major clients located in the region. The order book improved with the award of two significant projects late in the second half of the financial year, which is expected to positively impact earnings for FY2023.

In Australia, RUC Cementation Mining ("RUC") delivered an exceptional performance, with revenue and earnings significantly higher than the prior year. The demand for vertical shaft sinking, drilling and mine construction has been steadily increasing in the Australian market and RUC has been successful in winning significant work in this sector. This region is expected to present the best growth potential.

This business competes globally with major mining services providers and is implementing a strategy to enhance its competitiveness. This includes in-house developed digital applications to improve efficiencies in mine operation, and a central asset company for the procurement, financing and management of capital equipment for the entire platform.

The platform is established in most of the world's key growth areas for metals and minerals extraction and production. In the short term, it will benefit from investment driven by robust commodity prices and in the longer term, by increasing demand for "future-facing" metals and minerals.

Power, Industrial & Water Platform

	Power & Industrial		Water		Solar, Transmission & Distribution		Other		Total	
R millions	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Revenue	**325**	756	**18**	27	**467**	195	**–**	–	**810**	978
Operating profit/(loss)	**38**	62	**(13)**	(33)	**(44)**	(68)	**(136)**	(136)	**(155)**	(175)
Margin (%)	**12**	8	**(72)**	(122)	**(9)**	(35)	**–**	–	**(19)**	(18)
Order book	**119**	200	**2**	124	**268**	146	**–**	–	**389**	470
LTIFR (fatalities)									**0,68(0)**	1,01(1)

This sub-Saharan-focused platform provides complete project lifecycle services in the power generation, transmission & distribution, water, oil & gas, petrochemical and resources & industrial markets.

During the year, the business continued to face challenging market conditions due to a lack of investment in the region and the delay of project awards in South Africa's renewable energy and transmission & distribution sectors. Increasing investment in utility scale renewable energy projects is expected to enable the platform to return to profitability in the near term.

Revenue was lower at R0,8 billion (FY2021: R1,0 billion) and the platform recorded a reduced operating loss of R155 million (FY2021: R175 million operating loss). The order book decreased to R0,4 billion (FY2021: R0,5 billion) and near orders increased significantly to R1,9 billion (FY2021: R0,3 billion).

Murray & Roberts Power & Energy continued to perform small packages of maintenance and outage works at the Medupi and Kusile power plants but reported low revenue due to limited opportunity for structural, mechanical, piping and electrical & instrumentation construction services. It is, however, actively engaging with Independent Power Producers that have been shortlisted for projects in the South African renewable energy sector and is confident that several work packages will be secured in the near term. The platform's Wade Walker business will also benefit from electrical & instrumentation opportunities in the renewable energy sector.

South Africa's constrained transmission and distribution infrastructure requires urgent investment to support additional capacity. This presents significant longer term potential for OptiPower Projects, given its specialised capability in high and medium voltage transmission and distribution lines, as well as substation infrastructure. Tendering activity for projects in this sector is increasing and new project awards are expected in the near term.

During the year, Murray & Roberts Water transferred its Organica wastewater treatment demonstration plant from eThekwini Municipality to the V&A Waterfront in Cape Town, to deliver water under a 10-year supply contract. This is significant as it will be the first commercialised application of the environmentally friendly Organica technology in South Africa. The eThekwini Municipality has embarked on a Public Private Partnership programme for two wastewater treatment plants and the platform's water business will respond to the Request for Proposal, which is expected towards the end of 2022.

Wade Walker Solar, which services the commercial and industrial photovoltaic solar sector, has successfully completed several small projects during the year and is positioned to grow its current portfolio of projects in FY2023.

Investments

R millions	Bombela Investments 2022	2021
Revenue	–	–
Operating profit	193	209

The Group recorded a fair value profit adjustment of R193 million (FY2021: R209 million) on its 50% shareholding in the Bombela Concession Company, that holds the concession for Gautrain. In August 2022, Gautrain ridership was circa 26 000 passengers per day, compared to circa 20 000 passengers per day as reported in March 2022. The work-from-home model adopted during the pandemic still retained by various employers and a constrained international travel sector, continue to impact ridership numbers.

As mentioned previously, the potential disposal of the Group's 50% non-strategic shareholding in the Bombela Concession Company, will make additional cash available to invest into strategic growth. The Group will provide further updates to stakeholders as appropriate.

Discontinued Operations

	Middle East		Other		Total	
R millions	2022	2021	2022	2021	2022	2021
Revenue	–	–	–	35	–	35
Operating loss	(62)	(110)	(51)	(146)	(113)	(256)

The Group recorded a reduced operating loss from discontinued operations of R113 million (FY2021: R256 million loss).

As previously announced, the Group has entered into a sale and purchase agreement for the sale of two of its companies in the Middle East, comprising the bulk of its operations in the region. This transaction remains subject to regulatory approval and as previously communicated, a foreign currency translation reserve ("FCTR") adjustment of circa R360 million (based on the exchange rate as at 30 June 2022) will be accounted for as part of discontinued operations, as and when this transaction is concluded. This FCTR adjustment is a non-cash item that will not impact the Group's equity nor its net asset value.

After the conclusion of the sale of these two companies, costs for discontinued operations are expected to further reduce significantly and will mainly be for managing the remaining potential contingent liabilities in the Middle East.

EFFECTIVE RISK MANAGEMENT

Risk management is critical for an engineering and contracting company to achieve tendered margin. Transfer of risks from clients to contractors, and the increasing challenge to receive compensation for unforeseen risk events, such as pandemics and escalating inflation, continue to be a feature of the global contracting environment.

It is expected that the pendulum of imposing more risk and increasing financial constraints on contractors may soon revert to equilibrium, as demand for the services of engineering and contracting companies is starting to exceed available capacity. However, less onerous commercial arrangements will initially be confined to instances where the Group has strong, longstanding client relationships or where its capabilities as a specialist contractor are unmatched.

With minimal project losses in the period under review, the Group's systems and processes that govern how Group companies manage opportunities from the bidding stage through to project delivery and close-out, should provide shareholders with the needed assurance that risk management is effective and that excessive risk is avoided without compromising growth potential.

UPDATE ON THE GROUP'S CLAIMS PROCESSES

The Group has a significant order book and recorded growth from delivering multiple projects around the world, including several mega projects. These projects are being delivered during unprecedented times during which the Group's entire project portfolio, and that of its competitors, is exposed to the impacts of a global pandemic. Consequently, it is to be expected that there should be many commercial issues with clients that require resolution, and this is reflected in the Group's uncertified revenue which increased to R2,9 billion (FY2021: R1,3 billion), of which R1,7 billion has been recognised against amounts raised in excess of work completed. The increase is attributable mainly to the Energy, Resources & Infrastructure platform, which predominantly contracts on a fixed price, lump sum commercial basis.

The recognition of uncertified revenue is common practice for engineering and contracting companies and the Group is confident that revenue recognised as uncertified, will be certified and paid once attendant commercial matters have been resolved.

HEALTH AND SAFETY

The Group aspires to deliver projects with Zero Harm to its people, local communities and the environment, and is pleased to report a considerably improved lost-time injury frequency rate of 0.58 (FY2021: 0.90). There were no fatalities and no serious environmental incidents in the year.

The improved safety record is a remarkable achievement, especially considering the difficult circumstances under which our employees have worked during the period of pandemic-related restrictions.

GROUP ESG PERFORMANCE

Stakeholders around the world expect organisations to continually improve their environmental, social and governance ("ESG") outcomes. These outcomes are important as they are being increasingly factored into capital allocation or investment decisions by financial institutions and investors.

In FY2021, CEN-ESG, a United Kingdom-based disclosure specialist, assessed the Group's ESG performance and disclosure. The Group scored 31.5 out of 100, with the average score for the industrials sector being 30.2.

From this baseline, the Group enhanced its measurements and disclosure and achieved an improved rating of 39.4 in FY2022. CEN-ESG confirmed that this is a strong score, in line with companies which have a firm grip on the broad range of ESG issues.

CHANGES TO THE BOARD

Alexandra Muller was appointed to the Board as an independent non-executive director and member of the audit, the social & ethics and the health, safety & environment committees, with effect from 1 July 2022. The directors welcome Alexandra to the Board.

Billy Mawasha resigned from the Board as an independent non-executive director with effect from 31 August 2022. The Board thanks Billy for his contribution and wishes him well in his future endeavours.

Lwazi Bam will be appointed to the Board as an independent non-executive director and member of the audit and risk management committees (chairing the audit committee), with effect from 1 January 2023. Lwazi is a Chartered Accountant and was the chief executive officer of Deloitte from 2012 to 2022. The directors welcome his appointment to the Board.

Diane Radley will be retiring by rotation at the annual general meeting ("AGM") to be held on 3 November 2022 and will not stand for re-election. Ntombi Langa-Royds will also be retiring by rotation at the AGM, having served the Board for nine years. The Board would like to thank Diane and Ntombi for their contributions and wishes them well in their future endeavours.

As a result of the upcoming rotations, the following changes will apply to the Board's committees after the AGM:

- Clifford Raphiri will be the acting chair of the audit committee until Lwazi's appointment.
- Alex Maditse becomes a member of the nomination & governance committee and will chair the social & ethics committee.
- Suresh Kana will become a member of the social & ethics committee.

PROSPECTS STATEMENT

The Group's strategic efforts over the past five years are bearing fruit as demonstrated by its strong and consistent order book. Its order book, near orders and project pipeline underpin our expectation that the Group will continue its multi-year earnings growth trajectory. In the context of the current commercial environment, the Group's operating margin is expected to improve as from FY2024.

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

On behalf of the directors:

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

Bedfordview
31 August 2022

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SPONSOR

The Standard Bank of South Africa Limited

MURRAY & ROBERTS HOLDINGS LIMITED

Registration No: 1948/029826/06

DIRECTORS:

SP Kana* (Chairman) HJ Laas (Managing & Chief Executive)
DF Grobler JA Boggenpoel* R Havenstein* NB Langa-Royds*
AK Maditsi* B Mawasha* A Muller* DC Radley* CD 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 twelve months ended 30 June 2021.

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DISCLAIMER

This announcement includes certain various "forward-looking statements" within the meaning of Section 27A of the US Securities Act 10 1933 and Section 21E 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 2022

R millions	Annual 30 June 2022	Annual 30 June 2021
Continuing operations		
Revenue (note 2)	**29 869**	21 882
Profit before interest, depreciation and amortisation	**1 806**	1 423
Depreciation	**(1 004)**	(806)
Amortisation of intangible assets	**(97)**	(77)
Profit before interest and taxation (note 3)	**705**	540
Interest expense	**(224)**	(241)
Interest income	**23**	33
Profit before taxation	**504**	332
Taxation expense	**(258)**	(243)
Profit after taxation	**246**	89
Loss from equity accounted investments	**–**	(1)
Profit for the year from continuing operations	**246**	88
Loss from discontinued operations (note 4.1)	**(113)**	(255)
Profit/(loss) for the year	**133**	(167)
Attributable to:		
– Owners of Murray & Roberts Holdings Limited	**135**	(180)
– Non-controlling interests	**(2)**	13
	133	(167)
Earnings/(loss) per share from continuing and discontinued operations (cents)		
– Diluted	**33**	(45)
– Basic	**34**	(46)
Earnings per share from continuing operations (cents)		
– Diluted	**61**	18
– Basic	**62**	19

Refer to note 5 for the reconciliation of weighted average number of shares and note 6 for headline earnings/(loss) per share.

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2022

R millions	Annual 30 June 2022	Annual 30 June 2021
Profit/(loss) for the year	**133**	(167)
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit or loss:		
Effects of remeasurements on retirement benefit obligations	**–**	7
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**483**	(437)
Other comprehensive income/(loss) for the year net of taxation	**483**	(430)
Total comprehensive income/(loss) for the year	**616**	(597)
Total comprehensive income/(loss) attributable to:		
– Owners of Murray & Roberts Holdings Limited	**618**	(613)
– Non-controlling interests	**(2)**	16
	616	(597)

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022

R millions	Annual 30 June 2022	Annual 30 June 2021
ASSETS		
Non-current assets	**8 431**	7 101
Property, plant and equipment (note 10)	**4 397**	3 548
Goodwill (note 7)	**1 372**	1 102
Deferred taxation assets	**563**	609
Investments in associate companies	**2**	2
Other non-current assets (note 9)	**2 097**	1 840
Current assets	**10 860**	11 805
Inventories	**495**	407
Trade and other receivables	**1 768**	2 054
Amounts due from contract customers (note 8)	**6 292**	5 545
Taxation assets	**47**	36
Cash and cash equivalents	**2 256**	3 697
Other current assets	**2**	66
Assets classified as held for sale (note 4.3)	**1 012**	833
TOTAL ASSETS	**20 303**	19 739
EQUITY AND LIABILITIES		
Total equity	**5 713**	4 985
Attributable to owners of Murray & Roberts Holdings Limited	**5 662**	4 961
Non-controlling interests	**51**	24
Non-current liabilities	**1 390**	1 040
Long term loans[1]	**1 193**	786
Long term provisions	**25**	45
Deferred taxation liabilities	**89**	110
Other non-current liabilities	**83**	99
Current liabilities	**12 355**	12 942
Amounts due to contract customers (note 8)	**2 514**	4 229
Trade and other payables	**7 505**	6 361
Taxation liabilities	**187**	126
Bank overdrafts[1]	**1 526**	1 430
Short term loans[1]	**623**	796
Liabilities classified as held for sale (note 4.3)	**845**	772
TOTAL EQUITY AND LIABILITIES	**20 303**	19 739

[1] *Interest-bearing borrowings.*

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2022

R millions	Annual 30 June 2022	Annual 30 June 2021
Cash generated by operations	255	2 878
Interest received	23	35
Interest paid	(223)	(231)
Taxation paid	(253)	(288)
Taxation refund	23	28
Operating cash flow	**(175)**	2 422
Net cash (outflow)/inflow from operating activities	**(175)**	2 422
Purchase of intangible assets other than goodwill	(113)	(35)
Purchase of property, plant and equipment	(884)	(1 154)
– Replacements	(97)	(46)
– Additions	(1 703)	(1 316)
– Acquisition of assets by means of a lease (non-cash)	916	208
Proceeds on disposal of property, plant and equipment	81	50
Proceeds on disposal of intangible assets	9	–
Payment for acquisition of subsidiaries, net of cash acquired**	(288)	(6)
Dividends received from the Bombela Concession Company	185	–
Proceeds on disposal of assets held for sale	3	–
Other	(2)	1
Net cash outflow from investing activities	**(1 009)**	(1 144)
Disposal of treasury shares	94	21
Acquisition of treasury shares	(5)	(77)
Net movement in borrowings	(631)	(798)
– Loans raised	635	614
– Loans repaid	(845)	(931)
– Leases repaid	(421)	(481)
Net cash outflow from financing activities	**(542)**	(854)
Total (decrease)/increase in net cash and cash equivalents	**(1 726)**	424
Net cash and cash equivalents at beginning of year	2 291	2 304
Effect of foreign exchange rates	178	(437)
Net cash and cash equivalents at end of year^	**743**	2 291
^ Cash and cash equivalents balance comprises:		
– Cash	2 256	3 697
– Reclassification to held for sale	13	24
– Overdraft	(1 526)	(1 430)

***Refer to note 17 for details relating to the business acquisition for the period.*

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2022

R millions	Stated capital	Other reserves	Retained earnings	Attributable to owners of Murray & Roberts Holdings Limited	Non-controlling interests	Total equity
Balance at 1 July 2020	2 596	1 621	1 394	**5 611**	8	**5 619**
Total comprehensive (loss)/income for the year	–	(433)	(180)	**(613)**	16	**(597)**
Treasury shares acquired	(76)	–	–	**(76)**	–	**(76)**
Treasury shares disposed	21	–	–	**21**	–	**21**
Recognition of share-based payment	–	18	–	**18**	–	**18**
Utilisation of share-based payment reserve	20	(20)	–	**–**	–	**–**
Acquisition of businesses	–	–	–	**–**	–	**–**
Transfer from retained earnings	–	2	(2)	**–**	–	**–**
Balance at 30 June 2021	2 561	1 188	1 212	**4 961**	24	**4 985**
Total comprehensive income/(loss) for the year	–	483	135	**618**	(2)	**616**
Treasury shares acquired	(6)	–	–	**(6)**	–	**(6)**
Treasury shares disposed	94	–	–	**94**	–	**94**
Recognition of share-based payment	–	24	–	**24**	–	**24**
Utilisation of share-based payment reserve	37	(37)	–	**–**	–	**–**
Increase in shareholding of subsidiary	–	–	(29)	**(29)**	29	**–**
Balance at 30 June 2022	2 686	1 658	1 318	**5 662**	51	**5 713**

SUMMARISED CONSOLIDATED SEGMENTAL ANALYSIS

for the year ended 30 June 2022

R millions	Annual 30 June 2022	Annual 30 June 2021
Revenue[2]		
Bombela	–	–
Power, Industrial & Water	810	978
– Construction contracts	641	947
– Sale of goods	169	31
Mining	11 769	9 536
– Construction contracts	11 520	9 191
– Rendering of services	249	345
Energy, Resources & Infrastructure	17 286	11 365
– Construction contracts	16 560	10 854
– Other	726	511
Corporate & Properties	4	3
– Properties	4	3
Continuing operations	29 869	21 882
Discontinued operations	–	35
	29 869	21 917
Continuing operations		
Profit/(loss) before interest and taxation[3]		
Bombela	193	209
Power, Industrial & Water	(155)	(175)
Mining	449	473
Energy, Resources & Infrastructure	406	227
Corporate & Properties	(188)	(194)
Profit before interest and taxation	705	540
Interest expense	(224)	(241)
Interest income	23	33
Profit before taxation	504	332
Discontinued operations		
Loss before interest and taxation[3]	(113)	(256)
Interest expense	(1)	(1)
Interest income	1	2
Loss before taxation	(113)	(255)

[2] *Revenue is disclosed net of inter-segmental revenue. Inter-segmental revenue for the Group is R110 million (FY2021: R90 million).*
[3] *The chief operating decision makers, being the Group Executives, utilise profit/(loss) before interest and taxation in the assessment of a segment's performance.*

SUMMARISED SEGMENTAL ASSETS (CONTINUING & DISCONTINUED)

at 30 June 2022

R millions	Annual 30 June 2022	Annual 30 June 2021
Bombela	1 444	1 438
Power, Industrial & Water	649	840
Mining	5 913	5 143
Energy, Resources & Infrastructure	8 225	6 826
Corporate & Properties[4]	81	119
Continuing operations	16 312	14 366
Discontinued operations[5]	1 125	1 031
	17 437	15 397
Reconciliation of segmental assets		
Total assets	20 303	19 739
Deferred taxation assets	(563)	(609)
Current taxation assets	(47)	(36)
Cash and cash equivalents	(2 256)	(3 697)
	17 437	15 397

SUMMARISED SEGMENTAL LIABILITIES (CONTINUING & DISCONTINUED)

at 30 June 2022

R millions	Annual 30 June 2022	Annual 30 June 2021
Bombela	214	264
Power, Industrial & Water	466	492
Mining	3 432	2 761
Energy, Resources & Infrastructure	7 227	8 077
Corporate & Properties[4]	405	411
Continuing operations	11 744	12 005
Discontinued operations[5]	1 043	1 084
	12 787	13 089
Reconciliation of segmental liabilities		
Total liabilities	14 589	14 755
Deferred taxation liabilities	(89)	(110)
Current taxation liabilities	(187)	(126)
Bank overdrafts	(1 526)	(1 430)
	12 787	13 089

[4] *Corporate segmental assets and liabilities include the inter-segment eliminations of Group balances and transactions.*
[5] *Discontinued operations include the Middle East Operation as well as retained assets and liabilities, following the sale of Genrec operations and the Southern African Infrastructure & Building businesses in prior years.*

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 2022 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 are derived are in accordance with IFRS and are consistent in all material respects with those applied in the audited consolidated financial statements for the year ended 30 June 2021.

The external auditors, PricewaterhouseCoopers Inc., have issued their opinion on the consolidated financial statements for the year ended 30 June 2022. 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, which includes key audit matters, on the consolidated financial statements. A copy of the auditor's report 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.

The consolidated financial statements have been prepared on a going concern basis. Refer to note 18 for further commentary on liquidity and working capital.

2. REVENUE

2.1 Revenue in terms of type of good or service for the Group's continuing operations has been recognised as follows:

R millions	30 June 2022	30 June 2021
Construction contracts (over time)	28 720	20 992
Sale of goods (point in time)	169	31
Rendering of services (over time)	250	345
Properties (over time)	4	3
Other revenue[6] (over time)	726	511
	29 869	21 882

Revenue is recognised at a point in time for the sale of goods and over time for all other categories of revenue.

Orderbook time distribution is as follows: (FY2023: R29,8 billion; FY2024: R15,1 billion; >FY2024: R14,6 billion).

[6] Other revenue includes the provision of labour, information technology and other services to joint arrangements.

2.2 Revenue in terms of geographic region for the Group's continuing operations has been recognised as follows:

R millions	30 June 2022	30 June 2021
South Africa	4 106	4 123
Rest of Africa	536	301
Australasia & South East Asia	14 299	10 003
North America & other	10 928	7 455
	29 869	21 882

Refer to the summarised consolidated segmental analysis for revenue disaggregation per platform.

3. PROFIT BEFORE INTEREST AND TAXATION

R millions	30 June 2022	30 June 2021
Items by function		
Revenue	29 869	21 882
Cost of sales	(26 970)	(19 340)
Distribution and marketing expenses	(36)	(20)
Administration costs	(2 599)	(2 529)
Other operating income	441	547
Profit before interest and taxation	705	540

Depreciation of R791 million is included in cost of sales and R213 million in administration costs.

Amortisation of R17 million is included in cost of sales and R80 million in administration costs.

4. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

Discontinued operations in the current year comprise the Middle East Operations, businesses included within the previous Southern Africa Infrastructure & Buildings Platform and the Genrec operations.

Middle East Operations

The Middle East Operations were classified as a discontinued operation in the 2020 financial year as a result of being abandoned, as defined in terms of IFRS 5. Towards the end of the prior financial year, the Group entered into discussions with a UAE-based investment company to dispose of its investments in Murray & Roberts Contractors (Abu Dhabi) LLC and Murray & Roberts Contractors (Middle East) LLC (which together constitute a significant part of its Middle East Operations). By 30 June 2021, the discussions had progressed to an advanced stage of negotiations and as a result thereof these companies met the criteria, in terms of IFRS 5, to be classified as a disposal group held for sale.

A sale and purchase agreement (SPA) for the companies in question has been concluded and the transfer of shares to the UAE-based investment company is pending regulatory approval. The SPA longstop date has been extended to 15 September 2022 due to delays in achieving regulatory approval. The Middle East Operations continue to meet the criteria to be classified as a disposal group held for sale in terms of IFRS 5, even though the one-year period has been exceeded as the delay in sale is due to circumstances beyond the Group's control. The Group remains committed to its plan to dispose of the shares to the UAE-based investment company. Included in the current year from discontinued operations are operating costs incurred in the Middle East amounting to R62 million.

4.1 Loss from discontinued operations:

R millions	30 June 2022	30 June 2021
Revenue	–	35
Loss before interest, depreciation and amortisation	(113)	(256)
Depreciation and amortisation	–	–
Loss before interest and taxation	(113)	(256)
Interest expense	(1)	(1)
Interest income	1	2
Loss before taxation	(113)	(255)
Taxation	–	–
Loss after taxation	(113)	(255)
Income from equity accounted investments	–	–
Loss from discontinued operations	(113)	(255)
Attributable to:		
– Owners of Murray & Roberts Holdings Limited	(113)	(254)
– Non-controlling interests	–	(1)
	(113)	(255)

4.2 Cash flows from discontinued operations include the following:

R millions	30 June 2022	30 June 2021
Cash flow from operating activities	(209)	(154)
Cash flow from investing activities	–	–
Cash flow from financing activities	–	–
Net decrease in cash and cash equivalents	(209)	(154)

4.3 Assets and liabilities classified as held for sale:

The assets and liabilities classified as held for sale below relate mainly to the Middle East Operation as detailed above, as well as Cementation Africa where property, plant and equipment has been classified as held for sale after meeting the requirements of IFRS 5.

R millions	30 June 2022	30 June 2021
Major classes of assets comprising the assets held for sale		
Property, plant and equipment	114	28
Other receivables	3	4
Investment in joint ventures	33	33
Amounts due from contract customers	849	744
Cash and cash equivalents	13	24
	1 012	833

R millions	30 June 2022	30 June 2021
Major classes of liabilities comprising the liabilities held for sale		
Trade and other payables	143	159
Subcontractor liabilities	18	62
Short term borrowings	684	551
	845	772

5. WEIGHTED AVERAGE NUMBER OF SHARES

	30 June 2022	30 June 2021
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	(28 922)	(31 696)
Less: Weighted average number of shares held by the subsidiary companies	(17 671)	(19 379)
Weighted average number of shares in issue used in the determination of basic per share figures	398 143	393 661
Add: Dilutive adjustment	7 416	10 246
Weighted average number of shares in issue used in the determination of diluted per share figures	405 559	403 907

6. RECONCILIATION OF HEADLINE EARNINGS/(LOSS)

R millions	30 June 2022	30 June 2021
Profit/(loss) attributable to owners of Murray & Roberts Holdings Limited	135	(180)
Profit on disposal of property, plant and equipment	(15)	(19)
Loss on disposal of property, plant and equipment	1	7
Reversal of impairment on property, plant and equipment	(1)	–
Impairment of investment in joint venture classified as held for sale	–	39
Impairment of disposal group	–	96
Fair value gain on investment in associate	–	(1)
Taxation effects on adjustments	4	3
Headline earnings/(loss)	124	(55)
Adjustments for discontinued operations:		
Loss from discontinued operations	113	254
Impairment of investment in joint venture classified as held for sale	–	(39)
Impairment of disposal group	–	(96)
Other	–	(1)
Headline earnings/(loss) from continuing operations	237	63
Headline earnings/(loss) per share from continuing and discontinued operations (cents)		
– Diluted	31	(14)
– Basic	31	(14)
Headline earnings per share from continuing operations (cents)		
– Diluted	58	16
– Basic	60	16

7. GOODWILL

R millions	30 June 2022	30 June 2021
Goodwill	1 436	1 166
Accumulated impairment losses	(64)	(64)
	1 372	1 102
At beginning of year	1 102	1 125
Acquisition of businesses**	110	8
Foreign exchange movements	160	(31)
	1 372	1 102

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired. COVID-19 was considered as an impairment indicator and it was concluded that goodwill was not impacted. No goodwill has been impaired in the current year.

***Refer to note 17 for details relating to the business acquisition for the year.*

8. AMOUNTS DUE FROM/TO CONTRACT CUSTOMERS

R millions	30 June 2022	30 June 2021
Contracts-in-progress (cost incurred plus recognised profits, less recognised losses)	1 742	1 216
Uncertified claims and variations[7]	1 159	1 260
Amounts receivable on contracts (net of impairment provisions)	2 656	2 413
Retentions receivable (net of impairment provisions)	735	656
	6 292	5 545
Amounts received in excess of work completed (overclaims and advances)[7]	(2 514)	(4 229)
	3 778	1 316
Disclosed as:		
Amounts due from contract customers	6 292	5 545
Amounts due to contract customers	(2 514)	(4 229)
	3 778	1 316

[7] Uncertified claims and variations of R1,2 billion exclude uncertified balances of R1,7 billion, which have been recognised against milestone payments (included in overclaims and advances) received on the project.

The decrease in amounts due to contract customers is due to the ramp up of work performed in the ERI platform, which resulted in an unwind of working capital positions.

The Group uses legal experts, engineers and quantity surveyors to assess and apply probabilities when necessary in determining the amounts to be recognised relating to underclaims, uncertified revenue and contract debtors. The recoverability of amounts recognised are considered highly probable and where amounts are not considered to be highly probable, such amounts are impaired. The assessment of recoverability and impairment of the amounts due from contract customers has been performed, taking into account the impact of COVID-19. The impairments recognised in the current year were not significant. The Group remains confident that revenue recognised as uncertified will be certified and paid once attendant commercial matters have been resolved.

9. OTHER NON-CURRENT ASSETS

R millions	30 June 2022	30 June 2021
Investment at fair value through profit or loss (note 10.1)	1 442	1 434
Intangible assets excluding goodwill	650	400
Other non-current receivables	2	1
Net investment in lease	1	3
Other investments	2	2
	2 097	1 840

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment increase is mainly due to additions and foreign exchange movements.

11. 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 at 30 June 2022.

R millions	30 June 2022	30 June 2021
Categories of financial instruments		
Financial assets		
Financial assets at fair value through profit or loss (level 3)	1 442	1 434
Financial assets measured at amortised cost	7 036	8 471
Financial assets measured at amortised cost – held for sale	862	707
Financial liabilities		
Financial liabilities measured at amortised cost	9 427	7 882
Financial liabilities measured at amortised cost – held for sale	845	772

11.1 Financial assets at fair value through profit or loss:

R millions	30 June 2022	30 June 2021
Investment in infrastructure service concession (level 3)[8]		
At beginning of year	1 434	1 225
Realisation of investment	(185)	–
Fair value adjustment recognised in the statement of financial performance[9]	193	209
	1 442	1 434

[8] *The fair value of the investment in Bombela Concession Company Proprietary Limited ("BCC") has been determined using level 3 inputs per IFRS 13: Fair Value Measurement. The investment is reflected at fair value through profit or loss as the investment meets the requirements of IAS 28.18 with regards to venture capital organisations or similar entities. The fair value of the BCC is calculated using discounted cash flow models and an effective market discount rate of 13,41% (FY2021: 11,78%). 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 higher discount rate in the current financial year is believed appropriate following the increase in the R186 bond rate. A decrease of 1% in the discount rate would result in an increase in the value of the concession investment of approximately R29 million (FY2021: R38 million).*

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 final review was completed in June 2022. An annual increase of 1% in the operating fee, above inflation, would result in a decrease in the value of the concession investment of approximately R16 million (FY2021: R11 million).

Operating cost 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, the result would be a decrease in the value of the concession investment of R210 million (FY2021: R196 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 Concessionaire Demand Forecast ("CDF") in each month. Revenue below the CDF is a BCC risk. A 1% shortfall in patronage revenue below the CDF reduces the value of the concession investment by approximately R14,5 million (FY2021: R14 million). The impact of COVID-19 for financial periods ending after 30 June 2022 is included in the cash flows in the discounted cash flow model. In this instance, the COVID-19 impact was based on assessment and analysis of the patronage over the full remaining period of the concession and the time it would take patronage to return to pre-COVID levels bearing in mind the Patronage Guarantee. In this regard, annual revenue, prior to COVID-19, was predictable in nature and was in excess of CDF. Furthermore, to date, the Gauteng Province has honoured its Patronage Guarantee.

[9] *Fair value adjustment is included in other operating income (note 3).*

12. 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 counsel, 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. In relation to contingent liabilities, the reduction noted is due to a resolution of certain intimated claims. 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. 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 (R1,4 billion).

The increase in financial institution guarantees is mainly attributable to the ERI platform due to the raising of bonds to support the orderbook.

R millions	30 June 2022	30 June 2021
Contingent liabilities	5 334	6 812
Financial institution guarantees given to third parties	8 518	7 911
Contingent liabilities and guarantees given to third parties arising from interest in joint operations included above amounted to[10]	2 916	3 011

[10] *Until the airport claim in the Middle East is resolved, which is now 14 years post delivery of the project, through existence of a parent company guarantee, the Group has a potential contingent liability for any adverse determination against the Group by a Tribunal. No such tribunal has been established and it is the Group's expectation that the matter should be resolved in its favour. No amount is included above due to the unlikelihood of any such claim and no tribunal being established to determine any such amount.*

13. DIVIDEND

Consistent with prior years, the board of directors of the Company ("Board") considers a dividend on an annual basis. Dividends are subject to the Group's financial position and market conditions. Considering the Group's significant order book, its expected growth trajectory and future working capital requirements, the Board has resolved not to declare a dividend for the year under review.

14. COVENANTS

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 balances.

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

The Group has a target gearing ratio of 30% – 45% determined on the proportion of debt to equity. The gearing ratio for the current financial year is 33% (excluding the impact of previously recognised operating leases and project specific asset-based finance).

COVID-19 impacted earnings in the current and prior financial periods, which indirectly had an impact on covenant triggers and cash flows for the period ended 30 June 2022. Covenants in RUC Cementation Mining Contractors (Pty) Ltd and Cementation Canada Inc. were met at 30 June 2022.

Clough Limited renegotiated their HSBC facility in the current year and the facility no longer contains covenants.

Should a covenant be at risk of breach, a waiver will be requested from the bank in advance of a breach. However, no such instances were noted in the current financial year.

Details of all covenants in the Group have been reflected in the table below:

Facility	HSBC Facility – RUC Cementation Mining Contractors (Pty) Ltd	Toronto Dominion Bank Facility – Cementation Canada Inc.
Covenant Trigger and Proximity to being breached	1) Tangible Net Worth: Requirement – minimum AUD60 million; Actual – AUD79 million 2) Leverage Ratio: Requirement – less than 2.0 times; Actual – 0.90 times 3) Debt Service Cover Ratio: Requirement – exceeds 1.4 times; Actual – 1.93 times Sufficient headroom deemed available for all debt covenants reflected above.	1) Current Ratio: Requirement – equals or exceeds 1.25:1; Actual – 2.19:1 2) Debt Service Coverage Ratio: Requirement – equals or exceeds 1.25:1; Actual – 1.85:1 3) Total Funded Debt/EBITDA Ratio: Requirement – does not exceed 2.5:1; Actual – 1.92:1 4) Concentration of EBITDA and fixed assets in Obligors: Requirement – minimum of 85%; Actual – 103.5% 5) Capital Expenditures: Requirement – maximum of CAD40 million; Actual – CAD7 million 6) Investments: Requirement – maximum of CAD15 million; Actual – CAD9 million 7) Acquisitions: Requirement – maximum of CAD25 million; Actual – CADnil Sufficient headroom deemed available for all debt covenants reflected above.

The Board reviews the Group's debt usage and considers the risk thereof. The Group is subject to externally imposed capital requirements in the form of financial covenants, which are actively managed by the Board. The Group was able to fulfil all covenants across its various subsidiaries at 30 June 2022.

15. SUPPLEMENTARY INFORMATION

	30 June 2022	30 June 2021
Net asset value per share (Rands)	13	11
Dividends per share (cents)	–	–

16. RELATED PARTY TRANSACTIONS

There have been no significant changes to the nature of related party transactions since 30 June 2021 or any transactions outside the normal course of business.

17. ACQUISITION OF BUSINESS

17.1 Acquisition of JJ White Inc.

On 20 October 2021, Clough Limited acquired a 100% shareholding in JJ White Inc. in Philadelphia, USA. JJ White is a 100 year old business that was privately owned by Jim White IV (directly and via two family trusts). JJ White is actively operating in 11 states and licenced in 22 states. JJ White's primary economic environment in which the entity operates is the USA and it has therefore determined the USD as their functional currency. Their core business encompasses petrochemical facility maintenance and support services, general contracting and infrastructure construction. JJ White is a 100% union operated business. This was a key attraction for Clough as it allows us to broaden our sphere of operations across the US to the union labour, northern states that our Houston based non-union business cannot access. The consideration for this acquisition was R346 million (subject to working capital true up at close as per Stock Purchase Agreement). The JJ White acquisition creates significant potential for growth in the North America market by substantially increasing the size of the addressable market to which Clough's enlarged business can now access.

At close, Clough paid a cash consideration of R288 million. In accordance with the Stock Purchase Agreement, the seller is entitled to an additional contingent consideration of R33 million (dependent on achieving above R73 million EBITDA over the three year period 2022 to 2024). At acquisition date, Clough recognised R25 million of this contingent consideration (60% probability of achieving EBITDA target). Additionally, there is a deferred consideration component of R51 million to be paid in three equal instalments on each anniversary date of acquisition.

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

	30 June 2022 R millions
Property, plant and equipment	53
Inventory	1
Trade and other receivables	309
Amounts due from contract customers	143
Trade and other payables	(404)
Amounts due to contract customers	(50)
Deferred tax liability	(39)
Net identifiable assets acquired	**13**
Add: Customer relationships	145
Add: Trade name	20
Add: Goodwill	110
Net outflow on acquisition of business	**288**
Contingent consideration	**25**
Deferred consideration	**51**
Working capital true up due	**(18)**
Total consideration on acquisition	**346**

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.

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 for midstream pipelines and gas compression, processing, treatment and hook-up and commissioning are strong and growing.

In the eight months to 30 June 2022, the acquiree contributed revenue of R2,25 billion and a profit before tax of R18 million to the Group's results. If the acquisition had occurred on 1 July 2021, management estimates that the revenue would have been an additional R1,50 billion and a profit before tax for the 12 months ending 30 June 2022 would have been an additional R73 million.

In determining these amounts, management have assumed that the fair value adjustments, determined provisionally that arose on the date of the acquisition would have been the same if the acquisition had occurred on 1 July 2021. The carrying value of assets and liabilities recognised approximates their fair value.

The total goodwill amount is capital and therefore not deductible for tax purposes in South Africa.

18. LIQUIDITY AND WORKING CAPITAL

The Group experienced strong growth in revenue and in earnings in the year under review. However, the Group's liquidity came under pressure due to the impacts of the residual but ongoing effects of the pandemic and the effects of the conflict in Ukraine. Specific areas of impact include, amongst others, the disruption in supply chains, delays to project schedules and the associated deferral of milestone payments, as well as the effects of unplanned price escalations caused by higher levels of global inflation which all add to an already difficult commercial environment. The Group is proactively managing all of these challenges.

In the ERI platform, several large projects are currently underway and although there is no loss-making project in the portfolio, the impact from supply chain disruption and price escalations was most evident. The unprecedented challenges prevalent in today's commercial environment have placed increasing pressure on the Group's working capital requirements. However, project plans and cash flows are regularly reviewed and updated to ensure potential risks are identified and appropriately mitigated. The platform's order book and market prospects support the expectation of robust earnings growth over the next three years. Management is acutely aware of the working capital requirements associated with rapid growth, as well as compounding external influences, and will remain focused on cash generation and management.

As a mature business, the mining platform does not experience the same level of demands on working capital.

During the year, the Power, Industrial & Water platform continued to face challenging market conditions due to a lack of public sector-led investment in the region and the delay of project awards in South Africa's renewable energy and transmission and distribution sectors. The platform continues to retain capacity in anticipation of growth in the renewable energy sector.

Robust cash flow forecasts for each platform to the end of the 2023 financial year have been stress-tested for key judgements and estimates relating to cash flows including restrictions on the transferring of funds between statutory entities and territories.

Based on these robust cash flow forecasts, the Group has taken the following considerations into account in addressing its liquidity needs for working capital purposes and the impact on assessing going concern:

- Subsequent to year end and as documented in note 19, the Group signed a term sheet with a consortium of lenders in order to restructure the South African overdraft facilities. The longstop date of the term sheet for completion of the restructure is expected to be mid-September 2022. The current overdraft facilities of R1,675 billion (of which R1,506 billion was drawn at year end) are to be restructured into a term loan facility of R1,35 billion and short term overdraft facility of R0,65 billion, totalling a combined facility of R2 billion. The term loan facility is repayable in three instalments, being R0,1 billion on 15 March 2023, R0,1 billion on 15 September 2023 and R1,15 billion on termination date, 18 months after the effective date.
- At year end, the Group had direct local banking facilities (including asset-based finance) in place of R3,1 billion, with R0,5 billion of unutilised facilities. The direct foreign banking facilities (including asset-based finance) in place were R3 billion with R2,3 billion of unutilised facilities. The indirect local banking facilities in place were R3,8 billion with R1,7 billion of unutilised facilities. The indirect foreign banking facilities in place were R9,5 billion with R3,2 billion of unutilised facilities. Some of these facilities have limited availability for Group-wide use due to dividend distribution and intra-group limitations.
- The Group's order book of R59,5 billion (FY2021: R60,7 billion), includes high-profile, multi-year projects.
- The Group is considering disposing of its 50% shareholding in BCC.
- The Group could sell circa 26 million shares, previously acquired for various Company share schemes, in the open market.
- The ERI platform is in discussions for potential working capital facilities.

Taking into account the above, the Group continually monitors its financial position and liquidity structure and implements actions as and when necessary in order to ensure that the Group has adequate working capital resources. The Board is satisfied that the consolidated and separate financial statements comply with IFRS on a going concern basis, following a detailed and robust assessment of solvency and liquidity requirements.

The Board is of the opinion that the Company and the Group have adequate working capital resources to continue in operation for the foreseeable future based on 18-month forecasts, and available cash resources, and accordingly the annual financial statements have been prepared on a going concern basis.

During the FY2022 financial year, civil unrest and protest action occurred in many parts of South Africa. The sites which were affected experienced minimal impact due to the fact that we were demobilising with reduced labour on one affected site, and on a few other sites, labour was only halted for a short period of time. Hence, the impact was assessed to not be significant.

19. EVENTS AFTER REPORTING DATE

On 19 August 2022 the Group signed a term sheet with a consortium of lenders in order to restructure the South African overdraft facilities. The longstop date of the term sheet for completion of the restructure is expected to be mid-September 2022. The current overdraft facilities of R1 675 million are to be restructured into a term loan facility of R1 350 million and short term overdraft facilities of R650 million totalling a combined facility of R2 billion. The term loan facility is repayable in three instalments, R100 million on 15 March 2023, R100 million on 15 September 2023 and R1 150 million on termination date, 18 months after the effective date. This was considered to be a non-adjusting event.

The directors are not aware of any other matter or circumstance, other than noted above, 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 2022 or the results of its operations or cash flows for the year then ended. Events that occurred after the reporting period were indicative of conditions that arose after the reporting period in the normal course of business and did not have a material impact on the current financial year results.

NOTES

Engineered Excellence demands that we strive for **excellence** in everything that we do. This requires deliberate planning, measurement and control to drive continuous improvement towards our aim of being a **contractor of choice** in our markets.

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