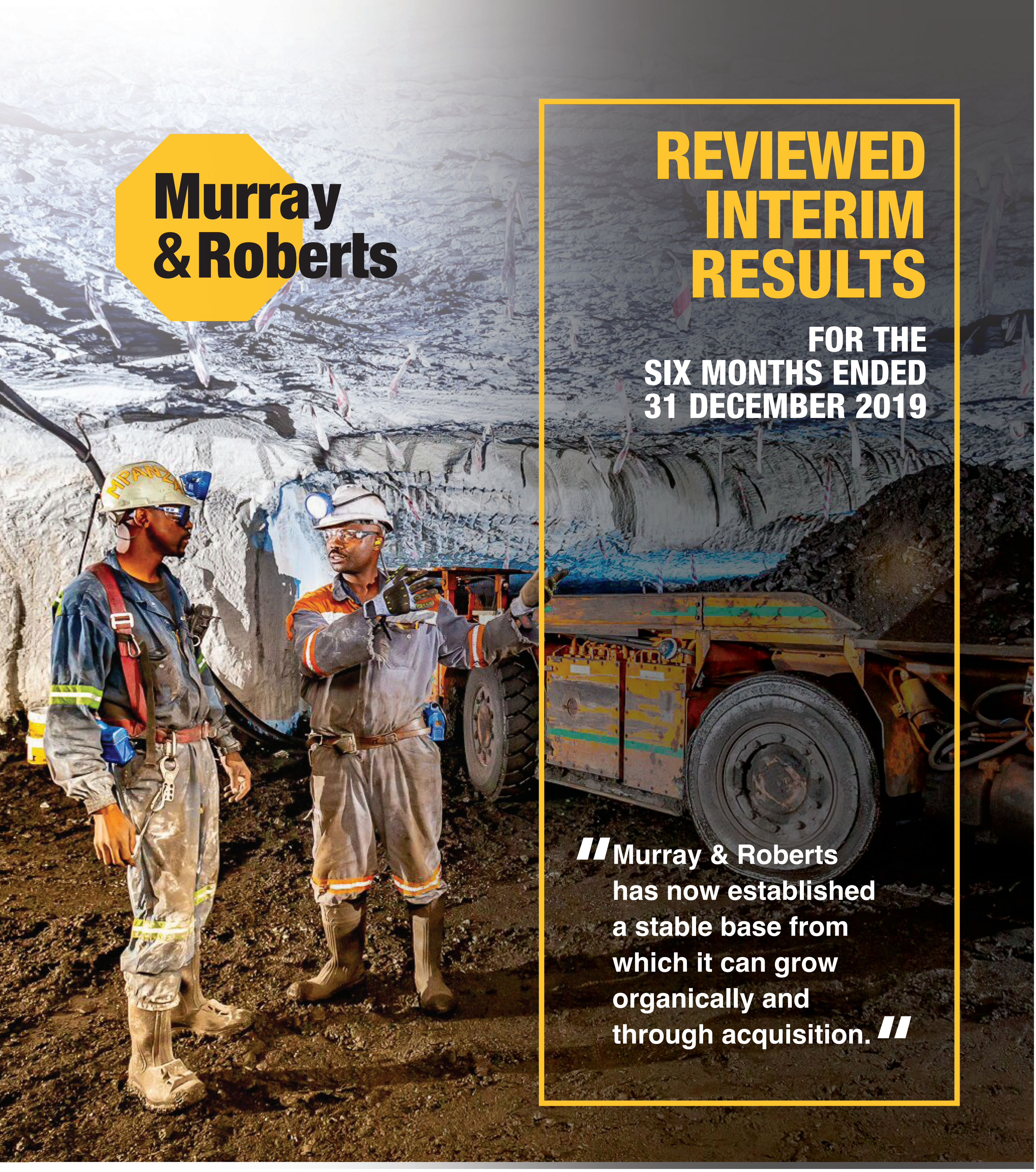
Murray & Roberts



REVIEWED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

"Murray & Roberts has now established a stable base from which it can grow organically and through acquisition."

REVIEWED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

SALIENT FEATURES

FINANCIAL RESULTS

- Revenue from continuing operations increased by 11% to
  R10,8 billion
  (FY2019 H1: R9,7 billion*)

- Earnings before interest and tax for continuing operations increased by 15% to
  R419 million
  (FY2019 H1: R365 million*)

- Diluted continuing headline earnings per share decreased by 4% to
  49 cents
  (FY2019 H1: 51 cents*)

- Cash, net of debt, before IFRS 16 adjustment, decreased to
  R758 million
  (FY2019 H1: R1,0 billion),
  and after IFRS 16 adjustment, to net debt of R128 million

- Order book increased by 60% to
  R50,8 billion
  (FY2019 H1: R31,7 billion)

** Restated for discontinued operations.*

- **The robust, quality order book includes several multi-year projects**

- **Strategic acquisitions concluded in FY2019 all performed well and in line with expectations**

- No fatal incidents recorded. The lost-time injury frequency rate ("LTIFR") deteriorated to 1.12 (FY2019 H1: 0.63)

Murray & Roberts

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(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")

STAKEHOLDER REPORT – SIX MONTHS ENDED 31 DECEMBER 2019~

A STABLE BUSINESS GAINING MOMENTUM

Over the past number of years, Murray & Roberts transformed into a multinational specialised engineering and construction Group, delivering projects across five continents. The *New Strategic Future* strategy, underpinned by the philosophy of *Engineered Excellence*, included the disposal of non-core businesses and refocused the Group on the natural resources sector. The Group returned to profitability during a period of prolonged adverse market conditions and resumed paying annual dividends.

Murray & Roberts has now established a stable base from which it can grow organically and through acquisition. The decision to undertake strategic acquisitions across all three business platforms in FY2019 was well rewarded and further diversified the Group's market positioning. The current financial year is a period of consolidation for all three business platforms, with the focus on growing the order book and on successful project delivery. Although no acquisitions are planned for the current year, it remains of strategic importance for the Group to undertake further acquisitions in the future.

FINANCIAL REPORT

FINANCIAL RESULTS

Revenue from continuing operations increased by 11% to R10,8 billion (FY2019 H1: R9,7 billion*).

Earnings before interest and tax for continuing operations increased by 15% to R419 million (FY2019 H1: R365 million*). Attributable earnings decreased by 12% to R163 million (FY2019 H1: R186 million), following an increase in interest expense, due to funding of acquisitions, the implementation of IFRS 16 and a cyclical increase in working capital.

Diluted continuing headline earnings per share decreased by 4% to 49 cents (FY2019 H1: 51 cents*).

Cash, net of debt, before IFRS 16 adjustment, decreased to R758 million (FY2019 H1: R1,0 billion), and after IFRS 16 adjustment, to net debt of R128 million.

The order book increased by 60% to R50,8 billion (FY2019 H1: R31,7 billion).

The effective taxation rate of 38% (FY2019 H1: 39%*) remains high, mainly due to withholding taxes in foreign jurisdictions, as well as losses incurred in entities where future taxable earnings are not certain.

DIVIDEND

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

OPERATIONAL REPORT

ORDER BOOK, NEAR ORDERS AND PROJECT PIPELINE

		Pipeline			
R billions	**Order book**	**Near orders**	**Category 1**	**Category 2**	**Category 3**
Oil & Gas	30,6	0,1	27,4	46,0	440,3
Underground Mining	19,6	6,1	35,3	22,0	43,9
Power & Water	0,6	0,2	7,8	13,9	31,1
31 December 2019 totals	**50,8**	**6,4**	**70,5**	**81,9**	**515,3**

- 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

OIL & GAS PLATFORM

R millions	Engineering & Construction		Global Marine		Commissioning & Maintenance		Corporate & Other		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Revenue	**3 035**	1 479	**10**	–	**280**	1 667	**60**	210	**3 385**	3 356
Operating profit/(loss)	**47**	(17)	**(12)**	(9)	**155**	281	**(190)**	(255)	**–**	–
Operating margin	***2%***	*(1%)*	***(120%)***	–	***55%***	*17%*	**–**	–	**–**	–
Order book	**29 419**	3 254	**381**	–	**695**	1 122	**–**	–	**30 495**	4 376

Revenue was steady at R3,4 billion (FY2019 H1: R3,4 billion) and a break-even in earnings before interest and tax (FY2019 H1: break-even) was reported in line with expectations. Revenue in the period under review was insufficient to realise an operating profit. The order book increased significantly to R30,6 billion (FY2019 H1: R4,4 billion), mainly due to the award of the multi-year Snowy Hydro project in Australia and the Next Wave project in the United States. The order book, however, lacks orders with sufficient short-term revenue recognition potential and is expected to support revenue growth in FY2021.

Earnings from the oil and gas market sector are not expected to meet the platform's profit aspiration for the short to medium term. The platform will continue to focus on its traditional infrastructure market sectors in Australia, which currently offer encouraging prospects. Forecast annual transport-infrastructure expenditure over the next five years is expected to peak at A$22 billion in 2023, and tier one miners are forecasting a collective capital project spend of over A$3,5 billion per annum for the next 10 years. A major swing is also expected from coal to gas fired power stations in Australia, which will require additional connecting infrastructure and gas import facilities.

There is significant opportunity for new gas projects in Papua New Guinea, although material revenue from these opportunities is unlikely to arise within the next financial year due to the prevailing political uncertainty.

Clough USA has through acquisition successfully established an EPC business in North America, which is expected to become the platform's largest international market. Project opportunities for midstream pipelines and gas compression, processing, treatment and hook-up & commissioning are strong and growing.

UNDERGROUND MINING PLATFORM

R millions	Africa		Australasia		The Americas		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Revenue	**1 636**	1 340	**1 922**	1 378	**2 656**	2 231	**6 214**	4 949
Operating profit	**98**	107	**50**	77	**205**	162	**353**	346
Operating margin	***6%***	*8%*	***3%***	*6%*	***8%***	*7%*	***6%***	*7%*
Order book	**12 755**	12 177	**2 727**	4 627	**4 135**	8 866	**19 617**	25 670

The platform is performing well across all three regional businesses – Africa, Australasia and the Americas. Revenue increased to R6,2 billion (FY2019 H1: R4,9 billion) and operating profit increased to R353 million (FY2019 H1: R346 million). The order book decreased to R19,6 billion (FY2019 H1: R25,7 billion), although several large projects are reflecting in the pipeline.

The growth experienced in capital investment in the mining sector over the past three years appears to be levelling off and the commodity cycle might have reached a plateau. Capital investment is mainly targeted at brownfield expansions, with few greenfield projects coming to market. It is expected that the current level of capital investment will be sufficient to maintain the order book at current levels, but prospects for organic growth are limited considering changing market conditions.

The integration of the recently acquired Terra Nova Technologies ("TNT") into the business in the Americas is complete and the focus has now shifted to extending the footprint of the company. TNT is well established in the Americas and there are good opportunities to expand its services to other mining territories such as Africa and Australasia, where the platform is well established.

The Boipelo coal-mining joint venture, which was recently established to undertake mining projects exclusively in the South African coal fields, is performing well. The joint venture is currently operating on a single project, but there is a strong project pipeline developing as several mines are preparing to increase production in order to meet demand from Eskom.

POWER & WATER PLATFORM

R millions	Power[1]		Water		Transmission & Distribution		Other[2]		Corporate		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Revenue	**615**	1 143	**7**	14	**136**	–	**414**	251	**–**	–	**1 172**	1 408
Operating profit/(loss)	**61**	131	**(1)**	1	**22**	–	**(4)**	(74)	**(59)**	(55)	**19**	3
Operating margin	***10%***	*11%*	***(14%)***	*7%*	***16%***	–	***(1%)***	*(29%)*	**–**	–	***2%***	–
Order book	**153**	968	**–**	–	**266**	–	**225**	617	**–**	–	**644**	1 585

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

Revenue decreased to R1,2 billion (FY2019 H1: R1,4 billion) and the order book decreased to R0,6 billion (FY2019 H1: R1,6 billion). Operating profit of R19 million (FY2019 H1: R3 million) was reported. The decrease in revenue and order book is reflective of the Medupi and Kusile projects reaching completion, with limited new fixed direct investment occurring in the primary markets in which the platform operates in South Africa.

The exception is the transmission, distribution and substation markets where several projects in South Africa, Mozambique, Botswana, Namibia and Angola are at advanced stages of development and implementation. Eskom currently has 800km of 400kV and 200km of 132kV out on enquiry, with overland transmission tenders to an estimated value of R2,5 billion under adjudication. The recently acquired OptiPower Projects is expected to benefit from this opportunity over the next number of years.

The liquefied natural gas projects in Mozambique are proceeding and present substantial opportunity for the platform, albeit only as from late FY2021. The projects have to meet minimum South African content requirements which are a condition of their funding arrangements. The platform is well positioned to respond to tenders for a number of work packages on these projects.

The platform's complementary markets also remain constrained, with current projects nearing completion and new projects being postponed. Investment in the local water sector continues to be limited and fragmented, notwithstanding increasing pressure to upgrade dysfunctional municipal wastewater treatment plants. The platform has been awarded the Athlone wastewater project for the City of Cape Town, which will contribute towards earnings in the new financial year.

INVESTMENTS

R millions	Bombela Investments	
	2019	2018
Revenue	**–**	–
Operating profit	**197**	114

The Group's investment in the Bombela Concession Company delivered earnings of R197 million (FY2019 H1: R114 million). This follows a revaluation of the concession after several operational risks were successfully mitigated.

DISCONTINUED OPERATIONS

R millions	Middle East		Other		Total	
	2019	2018[3]	**2019**	2018	**2019**	2018[3]
Revenue	**126**	66	**35**	45	**161**	111
Operating (loss)/profit	**(31)**	11	**(17)**	(37)	**(48)**	(26)

[3] Middle East has been classified as a discontinued operation in the current period and the prior period is restated.

The operating loss from discontinued operations was R48 million (FY2019 H1: R26 million*) and related mainly to the Middle East.

In FY2016, the Board resolved to close the business in the Middle East. As the residual four projects have now been completed, the business has been classified as a discontinued operation during the current period. For the period under review, this business reported an operating loss of R31 million (FY2019 H1: R11 million operating profit), primarily due to negative exchange rate movements, ongoing legal costs and a small overhead cost.

A concerted effort to finalise all outstanding commercial matters in the Middle East continues. The critical matters to be settled relate to the long outstanding Dubai International Airport project and the recently completed Mafraq Hospital project in Abu Dhabi. It is expected that final commercial outcomes will support the accounting position adopted.

CLAIMS TAKEN TO BOOK

Uncertified revenue on claims (including the Middle East) increased marginally to R0,8 billion (FY2019 H1: 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.

HEALTH AND SAFETY

No fatal incidents were recorded although the lost-time injury frequency rate deteriorated to 1.12 (FY2019 H1: 0.63), mainly due to an increase in the number of incidents in the Underground Mining platform. Intensive interventions are underway to arrest and reverse this deterioration.

POTENTIAL IMPACT OF COVID-19 DISEASE

The COVID-19 disease is affecting the progress of certain projects in Australia and Asia, due to delays experienced at fabrication yards in China and travel restrictions. Management is assessing the potential impact of these delays, as well as developing mitigating actions. Shareholders will be informed of any material impact.

GRAYSTON TEMPORARY WORKS COLLAPSE – UPDATE

On 19 November 2019, Murray & Roberts and other parties who participated in the inquiry, received a copy of the administrative report issued by the Department of Labour relating to the collapse of the Grayston pedestrian bridge temporary works in October 2015. This report has been submitted to the National Prosecuting Authority for its consideration.

The Department of Labour Presiding Inspectors have made findings regarding alleged transgressions of health and safety statutory obligations by various parties, including Murray & Roberts Construction (Pty) Limited, a former subsidiary of Murray & Roberts. The Company and its advisers do not agree in many respects with the analyses, conclusions and recommendations contained in the report.

All costs relating to this matter have been previously accounted for and no further financial impact is expected.

CHANGES TO THE BOARD

As previously announced, Dr Xolani Mkhwanazi sadly passed away on 4 January 2020 following a short illness and he is sorely missed.

Keith Spence and Emma Mashilwane resigned as directors effective 5 March 2020. The Board acknowledges Keith and Emma's contribution and wish them well with their future endeavours.

Two new directors, Clifford Raphiri and Billy Mawasha will be appointed to the Board. Clifford will be appointed as member of the audit & sustainability and risk committees and as chairman of the risk committee. Billy will be appointed to the health, safety & environment and social & ethics committees. Ralph Havenstein will step down from the social & ethics committee and will be appointed to the risk committee. These appointments will be effective 5 March 2020.

PROSPECTS STATEMENT

Over the past few years, a stable foundation was established through the implementation of the Group's *New Strategic Future* plan and the Group is starting to gain momentum as evidenced by the significant growth in its order book.

The strong order book is expected to support growth as from FY2021 as the Oil & Gas platform has now secured a base load of work for the new financial year, which should enable it to again become a meaningful contributor towards Group earnings in the medium term. The Underground Mining platform is expected in the short term, to at least maintain earnings at current levels.

We remain optimistic about the longer-term outlook for the natural resources markets and the selected infrastructure markets should bring some mitigation to the impact of cyclicality in the natural resources market.

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**	**Daniël Grobler**
Chairman of the Board	*Group Chief Executive*	*Group Financial Director*

Bedfordview
4 March 2020

IMPORTANT INFORMATION

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MURRAY & ROBERTS HOLDINGS LIMITED REGISTRATION NUMBER
1948/029826/06

DIRECTORS
SP Kana≠ (Chairman) HJ Laas (Managing and Chief Executive) DF Grobler R Havenstein≠ NB Langa-Royds≠
AK Maditsi≠ TE Mashilwane≠ DC Radley≠ KW Spence≠@

SECRETARY
L Kok

@ *Australian*
≠ *Independent non-executive*
~ *The operating performance information disclosed has been extracted from the Group's operational reporting systems. The Corporate and 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 six months ended 31 December 2018.*
* *Restated for discontinued operations.*

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.

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

for the six months ended 31 December 2019

R millions	Reviewed 6 months to 31 December 2019	Reviewed Restated 6 months to 31 December 2018*	Audited Restated Annual 30 June 2019*
Continuing operations			
Revenue (note 2)	**10 772**	9 716	20 113
Profit before interest, depreciation and amortisation	**812**	589	1 324
Depreciation	**(346)**	(204)	(418)
Amortisation of intangible assets	**(47)**	(20)	(59)
Profit before interest and taxation (note 3)	**419**	365	847
Interest expense+	**(133)**	(49)	(126)
Interest income+	**42**	40	70
Profit before taxation	**328**	356	791
Taxation	**(124)**	(140)	(297)
Profit after taxation	**204**	216	494
Loss from equity accounted investments	**(2)**	(1)	(4)
Profit from continuing operations	**202**	215	490
Loss from discontinued operations (note 4)	**(53)**	(27)	(144)
Profit for the period	**149**	188	346
Attributable to:			
– Owners of Murray & Roberts Holdings Limited	**163**	186	337
– Non-controlling interests	**(14)**	2	9
	149	188	346
Earnings per share from continuing and discontinued operations (cents)			
– Diluted	**40**	46	83
– Basic	**41**	47	85
Earnings per share from continuing operations (cents)			
– Diluted	**50**	52	118
– Basic	**51**	54	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.*

+ In previous periods, amounts disclosed net, current period reflects gross movements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2019

R millions	Reviewed 6 months to 31 December 2019	Reviewed 6 months to 31 December 2018	Audited Annual 30 June 2019
Profit for the period	**149**	188	346
Items that will not be reclassified subsequently to profit or loss:			
Effects of remeasurements on retirement benefit obligations	**–**	–	(3)
Items that will be reclassified subsequently to profit or loss:			
Exchange (losses)/gains on translating foreign operations and realisation of reserve	**(4)**	14	(28)
Total comprehensive income for the period	**145**	202	315
Attributable to:			
– Owners of Murray & Roberts Holdings Limited	**158**	199	305
– Non-controlling interests	**(13)**	3	10
	145	202	315

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2019

R millions	Reviewed 6 months to 31 December 2019	Reviewed 6 months to 31 December 2018	Audited Restated Annual 30 June 2019#
ASSETS			
Non-current assets	**6 352**	5 049	5 718
Property, plant and equipment	**2 833**	2 139	2 203
Goodwill (note 7)	**1 004**	617	958
Deferred taxation assets	**370**	315	422
Investments in associate companies	**4**	3	5
Investment in joint ventures	**68**	71	111
Amounts due from contract customers (note 8)	**–**	345	–
Other non-current assets (note 9)	**2 073**	1 559	2 019
Current assets	**11 342**	8 545	10 651
Inventories	**421**	345	337
Trade and other receivables	**1 570**	1 147	1 669
Amounts due from contract customers (note 8)	**6 154**	4 791	5 176
Current taxation assets	**42**	22	14
Cash and cash equivalents	**3 097**	2 240	3 455
Other current assets	**58**	–	–
Assets classified as held for sale	**–**	51	21
TOTAL ASSETS	**17 694**	13 645	16 390
EQUITY AND LIABILITIES			
Total equity	**5 527**	5 615	5 751
Attributable to owners of Murray & Roberts Holdings Limited	**5 506**	5 588	5 717
Non-controlling interests	**21**	27	34
Non-current liabilities	**1 931**	848	1 423
Long-term liabilities[4]	**1 648**	526	1 127
Long-term provisions	**93**	113	80
Deferred taxation liabilities	**76**	71	74
Other non-current liabilities	**114**	138	142
Current liabilities	**10 236**	7 182	9 216
Amounts due to contract customers (note 8)	**3 484**	1 782	2 820
Trade and other payables	**5 088**	4 684	5 729
Current taxation liabilities	**87**	39	135
Bank overdrafts[4]	**613**	102	36
Short-term liabilities[4]	**964**	575	496
Liabilities classified as held for sale	**–**	–	–
TOTAL EQUITY AND LIABILITIES	**17 694**	13 645	16 390

[4] Interest-bearing borrowings.

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

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2019

R millions	Stated capital	Other reserves	Retained earnings	Attributable to owners of Murray & Roberts Holdings Limited	Non-con trolling interests	Total equity
Balance at 30 June 2018 (Audited)	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 income for the period	–	13	186	**199**	3	**202**
Treasury shares acquired+	(71)	–	–	**(71)**	–	**(71)**
Treasury shares disposed+	42	–	–	**42**	–	**42**
Recognition of share-based payment	–	14	–	**14**	–	**14**
Utilisation of share-based payment reserve+	31	(31)	–	**–**	–	**–**
Dividends declared and paid	–	–	(211)	**(211)**	–	**(211)**
Balance at 31 December 2018 (Reviewed)	2 593	1 055	1 940	**5 588**	27	**5 615**
Total comprehensive (loss)/income for the period	–	(45)	151	**106**	7	**113**
Treasury shares acquired+	(11)	–	–	**(11)**	–	**(11)**
Treasury shares disposed+	11	–	–	**11**	–	**11**
Recognition of share-based payment	–	18	–	**18**	–	**18**
Utilisation of share-based payment reserve+	1	(1)	–	**–**	–	**–**
Transfer to retained earnings	–	(1)	1	**–**	–	**–**
Dividends declared and paid	–	–	5	**5**	–	**5**
Balance at 30 June 2019 (Audited)	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 (loss)/income for the period	–	(5)	163	**158**	(13)	**145**
Treasury shares acquired	(94)	–	–	**(94)**	–	**(94)**
Treasury shares disposed	60	–	–	**60**	–	**60**
Recognition of share-based payment	–	16	–	**16**	–	**16**
Utilisation of share-based payment reserve	27	(27)	–	**–**	–	**–**
Dividends declared and paid	–	–	(227)	**(227)**	–	**(227)**
Balance at 31 December 2019 (Reviewed)	2 587	1 010	1 909	**5 506**	21	**5 527**

+ *In previous periods, amounts disclosed net, current period reflects gross movements.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2019

R millions	Reviewed 6 months to 31 December 2019	Reviewed 6 months to 31 December 2018	Audited Annual 30 June 2019
Cash (utilised from)/generated by operations	**(509)**	(422)	1 563
Interest received	**37**	41	74
Interest paid	**(116)**	(51)	(120)
Taxation paid+	**(147)**	(140)	(276)
Taxation refund+	**9**	97	70
Operating cash flow	**(726)**	(475)	1 311
Dividends paid	**(227)**	(211)	(206)
Net cash (outflow)/inflow from operating activities	**(953)**	(686)	1 105
Purchase of intangible assets other than goodwill	**(22)**	(28)	(50)
Purchase of property, plant and equipment	**(136)**	(128)	(142)
– Replacements	**(33)**	(17)	(41)
– Expansions	**(940)**	(340)	(775)
– Acquisition of assets by means of a lease (non-cash)	**837**	229	674
Proceeds on disposal of property, plant and equipment	**27**	20	208
Proceeds on disposal of intangible assets other than goodwill	**6**	–	–
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**	–	–
Proceeds from realisation of investment	**205**	153	184
Realisation of other investments	**–**	1	–
Other	**–**	1	(2)
Net cash inflow/(outflow) from investing activities	**150**	19	(469)
Net acquisition of treasury shares	**(34)**	(29)	(36)
– Acquisition of treasury shares+	**(94)**	(71)	(82)
– Disposal of treasury shares+	**60**	42	46
Net movement in borrowings	**(58)**	484	550
– Loans raised^	**415**	595	877
– Loans repaid^	**(91)**	(40)	(162)
– Leases repaid^	**(382)**	(71)	(165)
Net cash (outflow)/inflow from financing activities	**(92)**	455	514
Total (decrease)/increase in net cash and cash equivalents	**(895)**	(212)	1 150
Net cash and cash equivalents at beginning of period	**3 419**	2 353	2 353
Effect of foreign exchange rates	**(40)**	(3)	(84)
Net cash and cash equivalents at end of period	**2 484**	2 138	3 419
Net cash and cash equivalents comprises:			
Cash and cash equivalents	**3 097**	2 240	3 455
Bank overdrafts	**(613)**	(102)	(36)
Net cash and cash equivalents at end of period	**2 484**	2 138	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 period.*

+ *In previous periods, amounts disclosed net, current period reflects gross movements.*

CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS

for the six months ended 31 December 2019

R millions	Reviewed 6 months to 31 December 2019	Reviewed Restated 6 months to 31 December 2018*	Audited Restated Annual 30 June 2019*
Revenue[5]			
Bombela	–	–	–
Power & Water	1 172	1 408	2 517
Underground Mining	6 214	4 949	10 861
Oil & Gas	3 385	3 356	6 728
Corporate & Properties	1	3	7
Continuing operations	10 772	9 716	20 113
Discontinued operations	161	111	145
	10 933	9 827	20 258
Continuing operations			
Profit/(loss) before interest and taxation[6]			
Bombela	197	114	306
Power & Water	19	3	(32)
Underground Mining	353	346	814
Oil & Gas	–	–	(98)
Corporate & Properties	(150)	(98)	(143)
Profit before interest and taxation	419	365	847
Interest expense[+]	(133)	(49)	(126)
Interest income[+]	42	40	70
Profit before taxation	328	356	791
Discontinued operations			
Loss before interest and taxation[6]	(48)	(26)	(146)
Interest expense[+]	(1)	(2)	(4)
Interest income[+]	3	1	4
Loss before taxation	(46)	(27)	(146)

[5] Revenue is disclosed net of inter-segmental revenue. Inter-segmental revenue for the Group is R87 million (FY2019 H1: R104 million).
[6] The chief operating decision maker utilises profit/(loss) before interest and taxation in the assessment of a segment's performance.
** Restated for discontinued operations. Refer to note 4 for further details.*
[+] In previous periods, amounts disclosed net, current period reflects gross movements.

CONDENSED SEGMENTAL ASSETS (CONTINUING & DISCONTINUED)

at 31 December 2019

R millions	Reviewed 6 months to 31 December 2019	Reviewed Restated 6 months to 31 December 2018*	Audited Restated Annual 30 June 2019#*
Bombela	1 434	1 295	1 441
Power & Water	1 114	775	709
Underground Mining	6 454	4 781	5 580
Oil & Gas	3 809	2 525	3 272
Corporate & Properties[7]	317	378	428
Continuing operations	13 128	9 754	11 430
Discontinued operations[8]	1 057	1 314	1 069
	14 185	11 068	12 499
Reconciliation of segmental assets			
Total assets	17 694	13 645	16 390
Deferred taxation assets	(370)	(315)	(422)
Current taxation assets	(42)	(22)	(14)
Cash and cash equivalents	(3 097)	(2 240)	(3 455)
	14 185	11 068	12 499

CONDENSED SEGMENTAL LIABILITIES (CONTINUING & DISCONTINUED)

at 31 December 2019

R millions	Reviewed 6 months to 31 December 2019	Reviewed Restated 6 months to 31 December 2018*	Audited Restated Annual 30 June 2019#*
Bombela	286	361	379
Power & Water	1 105	873	937
Underground Mining	3 751	2 702	3 534
Oil & Gas	4 507	2 019	3 863
Corporate & Properties[7]	376	355	352
Continuing operations	10 025	6 310	9 065
Discontinued operations[8]	1 366	1 508	1 329
	11 391	7 818	10 394
Reconciliation of segmental liabilities			
Total liabilities	12 167	8 030	10 639
Deferred taxation liabilities	(76)	(71)	(74)
Current taxation liabilities	(87)	(39)	(135)
Bank overdrafts	(613)	(102)	(36)
	11 391	7 818	10 394

[7] Corporate segmental assets and liabilities include the inter-segment eliminations of Group balances and transactions.
[8] 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, oil & gas and power & 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 condensed consolidated interim financial statements for the period ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standard IAS 34 (Interim Financial Reporting), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The condensed consolidated financial information was compiled under the supervision of DF Grobler (CA)SA, Group financial director.

The accounting policies used in the preparation of these results are in accordance with International Financial Reporting Standards (IFRS) and are consistent in all material respects with those used 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 independent auditor's review has been conducted in accordance with International Standards on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor, PricewaterhouseCoopers Inc., and their unmodified review report is available for inspection at the Company's registered office. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's external auditors. The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the registered office.

The information presented in the financial statements and notes below represent audited results for 30 June 2019 and reviewed results for 31 December 2018 and 31 December 2019. The restatements in the prior periods with respect to discontinued operations and the measurement period adjustment have not been reviewed or audited.

2. REVENUE

R millions	31 December 2019	Restated 31 December 2018*	Restated 30 June 2019*
Construction contracts	**10 548**	9 297	19 158
Sale of goods	**7**	12	18
Rendering of services	**157**	194	603
Properties	**1**	3	7
Other revenue[9]	**59**	210	327
	10 772	9 716	20 113

[9] Other revenue includes the provision of labour, information technology and other services to joint arrangements.
** Restated for discontinued operations. Refer to note 4 for further details.*

3. PROFIT BEFORE INTEREST AND TAXATION

R millions	31 December 2019	Restated 31 December 2018*	Restated 30 June 2019*
Items by function			
Revenue	**10 772**	9 716	20 113
Cost of sales	**(9 413)**	(8 557)	(17 655)
Distribution and marketing expenses	**(10)**	(3)	(15)
Administration costs	**(1 233)**	(986)	(2 104)
Other operating income	**303**	195	508
Profit before interest and taxation	**419**	365	847

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

4. LOSS FROM 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. LOSS FROM DISCONTINUED OPERATIONS continued

4.1 LOSS FROM DISCONTINUED OPERATIONS

R millions	31 December 2019	Restated 31 December 2018*	Restated 30 June 2019*
Revenue	**161**	111	145
Loss before interest, depreciation and amortisation	**(48)**	(26)	(146)
Depreciation and amortisation	**–**	–	–
Loss before interest and taxation	**(48)**	(26)	(146)
Interest expense+	**(1)**	(2)	(4)
Interest income+	**3**	1	4
Loss before taxation	**(46)**	(27)	(146)
Taxation (expense)/credit	**(7)**	–	2
Loss after taxation	**(53)**	(27)	(144)
Income from equity accounted investments	**–**	–	–
Loss from discontinued operations	**(53)**	(27)	(144)
Attributable to:			
– Owners of Murray & Roberts Holdings Limited	**(38)**	(26)	(143)
– Non-controlling interests	**(15)**	(1)	(1)
	(53)	(27)	(144)

+ In previous periods, amounts disclosed net, current period reflects gross movements.

4.2 CASH FLOWS FROM DISCONTINUED OPERATIONS INCLUDE THE FOLLOWING:

R millions	31 December 2019	Restated 31 December 2018*	Restated 30 June 2019*
Cash flow from operating activities	**(40)**	(165)	(244)
Cash flow from investing activities	**21**	–	1
Cash flow from financing activities	**–**	–	–
Net decrease in cash and cash equivalents	**(19)**	(165)	(243)

** Restated for discontinued operations.*

5. WEIGHTED AVERAGE NUMBER OF SHARES

	31 December 2019	31 December 2018	30 June 2019
Number of ordinary shares in issue ('000)	**444 736**	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	444 736
Less: Weighted average number of shares held by the Letsema BBBEE trusts	**(31 696)**	(31 696)	(31 696)
Less: Weighted average number of shares held by the subsidiary companies	**(16 219)**	(15 386)	(15 564)
Weighted average number of shares used for basic per share calculation	**396 821**	397 654	397 476
Add: Dilutive adjustment	**8 073**	8 053	8 485
Weighted average number of shares used for diluted per share calculation	**404 894**	405 707	405 961

6. RECONCILIATION OF HEADLINE EARNINGS

R millions	31 December 2019	Restated 31 December 2018*	Restated 30 June 2019*
Profit attributable to owners of Murray & Roberts Holdings Limited	**163**	186	337
Profit on disposal of property, plant and equipment+	**(6)**	(5)	(29)
Loss on disposal of property, plant and equipment+	**1**	–	1
Taxation effects on adjustments	**2**	1	8
Headline earnings	**160**	182	317
Adjustments for discontinued operations:			
Loss from discontinued operations	**38**	26	143
Headline earnings from continuing operations	**198**	208	460
Headline earnings per share from continuing and discontinued operations (cents)			
– Diluted	**40**	45	78
– Basic	**40**	46	80
Headline earnings per share from continuing operations (cents)			
– Diluted	**49**	51	114
– Basic	**50**	53	116

** Restated for discontinued operations. Refer to note 4 for further details.*
+ In previous periods, amounts disclosed net, current period reflects gross movements.

7. GOODWILL

R millions	31 December 2019	31 December 2018	Restated 30 June 2019#
At beginning of year	**958**	616	616
Acquisition of businesses[10]	**47**	–	349
Foreign exchange movements	**(1)**	1	(7)
	1 004	617	958

[10] 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, an amount of R36 million relates to goodwill that has been recognised as part of the acquisition of OptiPower Projects. Refer to note 13.1 for further details.

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.

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

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired. Based on the assessment performed as at 30 June 2019, no impairment was recorded.

8. CONTRACTS-IN-PROGRESS AND CONTRACT RECEIVABLES

R millions	31 December 2019	31 December 2018	Restated 30 June 2019#
Contracts-in-progress (cost incurred plus recognised profits, less recognised losses)	**1 984**	1 439	1 716
Uncertified claims and variations less payments received on account of R288 million (FY2019: R290 million)	**802**	650	637
Amounts receivable on contracts (net of impairment provisions)	**3 105**	2 751	2 571
Retentions receivable (net of impairment provisions)	**263**	296	252
	6 154	5 136	5 176
Amounts received in excess of work completed	**(3 527)**	(1 782)	(2 916)
Uncertified claims and variations included in amounts received in excess of work completed	**43**	–	96
	2 670	3 354	2 356
Disclosed as:			
Amounts due from contract customers – non-current	**–**	345	–
Amounts due from contract customers – current	**6 154**	4 791	5 176
Amounts due to contract customers – current	**(3 484)**	(1 782)	(2 820)
	2 670	3 354	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 as at the end of 31 December 2019 increased to R0,8 billion (FY2019 H1: R0,7 billion), largely represented by claims on projects in the Middle East, Power & Water and the Oil & Gas platforms.

9. OTHER NON-CURRENT ASSETS

R millions	31 December 2019	31 December 2018	Restated 30 June 2019#
Other non-current assets comprise the following:			
Investment at fair value through profit or loss	**1 427**	1 270	1 434
Intangible assets excluding goodwill	**448**	178	475
Other non-current receivables	**106**	108	108
Finance lease receivable	**90**	–	–
Other investments	**2**	3	2
	2 073	1 559	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 31 December 2019.

R millions	31 December 2019	31 December 2018	Restated 30 June 2019#
Categories of financial instruments			
Financial assets			
Financial assets designated as fair value through profit or loss (level 3)	**1 427**	1 270	1 434
Amortised cost	**7 879**	6 389	7 734
Financial liabilities			
Amortised cost	**6 544**	5 202	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	31 December 2019	31 December 2018	30 June 2019
Investment in infrastructure service concession (level 3)[11]			
At beginning of year	**1 434**	1 308	1 308
Realisation of investment	**(205)**	(153)	(183)
Fair value adjustment recognised in the statement of financial performance	**198**	115	309
	1 427	1 270	1 434

[11] 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% (FY2019: 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 Proprietary Limited ("BOC"), the company responsible for the operation and maintenance of Gautrain. The fee payable to BOC is subject to annual inflationary increases. The contract is subject to review every fifth year where increases of more than inflation are considered.

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 R330 million (FY2019: 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. Due to the predictable nature of revenue it is not considered to be a significant unobservable input and therefore no quantitative information is provided.

A decrease of 1% in the discount rate would result in an increase in the value of the concession investment of approximately R42 million (FY2019: R42,3 million).

The above investment is included in other non-current assets on the statement of financial position.

11. CONTINGENT LIABILITIES

As a contracting Group, Murray & Roberts in the ordinary course of its business is 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 advisers 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	31 December 2019	31 December 2018	30 June 2019
Operating lease commitments[12]	**–**	1 173	1 082
Contingent liabilities	**3 397**	2 691	3 490
Financial institution and Murray & Roberts guarantees granted to third parties	**8 373**	6 640	7 644

[12] Operating lease commitments for the six months ended 31 December 2019 are Rnil due to the implementation of IFRS 16. Refer to note 12.1 for further details.

11. CONTINGENT LIABILITIES continued

GRAYSTON TEMPORARY WORKS COLLAPSE – UPDATE

On 19 November 2019, Murray & Roberts and other parties who participated in the inquiry, received a copy of the administrative report issued by the Department of Labour relating to the collapse of the Grayston pedestrian bridge temporary works in October 2015. This report has been submitted to the National Prosecuting Authority for its consideration.

The Department of Labour Presiding Inspectors have made findings regarding alleged transgressions of health and safety statutory obligations by various parties, including Murray & Roberts Construction (Pty) Limited, a former subsidiary of Murray & Roberts. The Company and its advisers do not agree in many respects with the analyses, conclusions and recommendations contained in the report.

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 21% was applied to lease liabilities of the Group. The right-of-use assets were measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised on the condensed consolidated 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.

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	2019 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:

R millions	2019
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 lease liabilities	(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 six months ended 31 December 2019.

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	2019 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 condensed consolidated statement of financial performance for the six months ended 31 December 2019.

The application of the Interpretation for the six months to 31 December 2019 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 & 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 & Water platform the capability to undertake work in the transmission, distribution and substation subsectors of the power market.

The acquisition of OptiPower Projects was structured through an acquisition of assets. In accordance with the asset purchase agreement, the seller is entitled to an additional payment over and above the initial purchase price should the average three-year after tax profits exceed R10 million (contingent consideration range of between Rnil and R212 million). At acquisition date, the contingent consideration has been calculated by estimating the future three-year after tax profits taking into account historical achievements, current order book and the project pipeline resulting in the recognition of an amount of R37 million.

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

13. ACQUISITION OF BUSINESSES continued

13.1 ACQUISITION OF OPTIPOWER PROJECTS continued

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

R millions	2019 Fair value
Property, plant and equipment	38
(Amounts due to contract customers)/work in progress/inventories	(27)
Loan receivable	49
Long-term liabilities	(1)
Trade and other payables	(20)
Contingent consideration	(37)
Net identifiable assets acquired	2
Add: Goodwill	36
Net outflow on acquisition of business	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 four months to 31 December 2019, the acquiree contributed revenue of R135 million and a profit of R12 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.

Goodwill is attributable to the entry of the Power & Water platform into the transmission and distribution market sector so as to enable growth as OptiPower Projects is expected to benefit from this opportunity over the next number of years.

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

13.2 ACQUISITION OF GULF COAST DIVISION

On 15 February 2019, Clough USA Inc., which forms part of the Oil & Gas 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 Oil & Gas 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 RECLASSIFICATION OF INVESTMENT IN CONSORCIO TNT VIAL Y VIVIES DSD CHILE LIMITADA FROM JOINT VENTURE TO JOINT OPERATION

On 1 July 2019, the Group reclassified 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	2019 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

A gross annual dividend, relating to the 30 June 2019 financial year, of 55 cents per share was declared in August 2019. In line with the approved dividend policy, the Board of directors will only consider paying an annual dividend.

16. SUPPLEMENTARY INFORMATION

	31 December 2019	31 December 2018	30 June 2019
Net asset value per share (Rands)	12	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 matter or circumstance arising after the period ended 31 December 2019, not otherwise dealt with in the Group's interim results, which significantly affects the financial position at 31 December 2019 or the results of its operations or cash flows for the period then ended.