pwc

# INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS

### *To the Shareholders of Murray & Roberts Holdings Limited*

We have reviewed the condensed consolidated interim financial statements of Murray & Roberts Holdings Limited in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 31 December 2019 and the related condensed consolidated statements of financial performance, comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes.

### *Directors' Responsibility for the Interim Financial Statements*

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting,* the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Murray & Roberts Holdings Limited for the six months ended 31 December 2019 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: JFM Kotze
Registered Auditor
Waterfall City
4 Lisbon Lane
Jukskei View
2090
4 March 2020

# 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^ | **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^ | **613** | 102 | 36 |
| Short-term liabilities^ | **964** | 575 | 496 |
| Liabilities classified as held for sale | **–** | – | – |
| **TOTAL EQUITY AND LIABILITIES** | **17 694** | 13 645 | 16 390 |

*^ Interest-bearing borrowings.*
*# Restated for prior year measurement period adjustment. Refer to note 13.2 for further details.*

## 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.