Murray & Roberts

ENGINEERED EXCELLENCE

REVIEWED
INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

SALIENT FEATURES

Revenue from continuing operations decreased by 17% to

R9,8 billion

(FY2018 H1: R11,8 billion)

Cash, net of debt, decreased to

R1,0 billion

(FY2018 H1: R1,3 billion; FY2018: R2,0 billion)

Diluted continuing HEPS decreased by 2% to

54 cents

(FY2018 H1: 55 cents)

Order book for continuing operations increased to

R31,7 billion

(FY2018 H1: R22,1 billion; FY2018: R30,1 billion)

Attributable earnings increased by 69% to

R186 million

(FY2018 H1: R110 million)

- **Lower contributions from Oil & Gas and Power & Water platforms, partly offset by strong Underground Mining performance. Underground Mining platform order book increased to R25,7 billion (FY2018 H1: R15,3 billion).**
- **Strong balance sheet and cash position.**
- **Lost time injury frequency rate ("LTIFR") improved to 0.63 (FY2018 H1: 1.19). No fatal injuries occurred.**
- **Independent Board maintains its view that a fair value price range for control is between ZAR20.00 and ZAR22.00 per ordinary share.**

STAKEHOLDER REPORT – SIX MONTHS TO DECEMBER 2018#

The Group has been transformed from being a predominantly South African civil and building contractor, to a multinational engineering and construction Group focused on the natural resources market sectors.

The Group's three business platforms (Underground Mining, Oil & Gas and Power & Water) provide portfolio diversification. Core market segments and selected complementary market segments are of strategic importance to each of the three platforms, as these segments collectively mitigate the impact of market cyclicality.

STRATEGIC FLEXIBILITY – ACCELERATING THE GROUP'S ACQUISITIVE GROWTH

Considering current expectations and changing conditions for the Group's target market sectors, organic growth has to be supplemented by acquisitive growth. Since the start of the second half of the financial year, the Group concluded an acquisition in each of the Oil & Gas and Power & Water platforms respectively:

Oil & Gas – acquired a USA-based engineering, procurement and construction ("EPC") business from Saulsbury Industries. This is a strong organisation, staffed by experienced people with full EPC capability for projects up to US$500 million. Although a small acquisition, valued at US$5,2 million, it is strategically significant. This acquisition of an oil and gas EPC contractor based in Houston, gives the platform the ability to deliver projects into a strongly growing market in the USA.

Power & Water – acquired South Africa-based Optipower for a purchase consideration of R37 million. This acquisition takes the platform firmly into the transmission, distribution and substation sectors of the power market. Eskom requires extensive transmission work in South Africa, with 300km of 400KV overhead line currently out on enquiry. Several other transmission opportunities are being actively pursued in sub-Saharan Africa – specifically Mozambique, Kenya, Ghana, Angola and Uganda.

INDEPENDENT BOARD UPDATE ON THE MANDATORY OFFER BY ATON GMBH ("ATON")

Implementation of ATON's mandatory offer ("Mandatory Offer") to acquire up to 100% of the issued ordinary shares of Murray & Roberts, not already owned by ATON, remains subject to certain suspensive conditions, specifically receipt of the required regulatory approvals in relevant jurisdictions. Conditional merger approval was obtained in Zambia and unconditional approval in Namibia, whilst merger approval is still under consideration by the relevant authorities in South Africa and Canada.

The long-stop date for the Mandatory Offer is 31 March 2019, a date which may be extended by ATON. In the event of ATON announcing that the Mandatory Offer has become unconditional in all respects prior to the long-stop date, Murray & Roberts' shareholders will have 10 business days from the date of such announcement to accept the Mandatory Offer, should they choose to accept the offer. In the event that the Mandatory Offer does not become unconditional prior to the long-stop date and ATON elect not to extend the long-stop date, the Mandatory Offer will terminate in accordance with its terms.

Shareholders are reminded that ATON's cash offer price of ZAR17.00 per Murray & Roberts' ordinary share remains below the view of the independent board ("Independent Board") that a fair value price range for control of Murray & Roberts is between ZAR20.00 and ZAR22.00 per ordinary share. The Independent Board has refreshed its valuation of the Group, taking into account the latest market developments, and maintains its view that a fair value price range for control is between ZAR20.00 and ZAR22.00 per ordinary share.

The Independent Board accepts responsibility for the information contained in this update and certifies that, to the best of the knowledge and belief of its members, the information contained in this announcement is true and nothing has been omitted which is likely to affect the importance of the information.

The Independent Board will continue to update shareholders on all relevant matters pertaining to the Mandatory Offer.

FINANCIAL REPORT

FINANCIAL RESULTS

Revenue from continuing operations decreased by 17% to R9,8 billion (FY2018 H1: R11,8 billion) and attributable earnings increased by 69% to R186 million (FY2018 H1: R110 million). Diluted continuing headline earnings per share ("HEPS") decreased by 2% to 54 cents (FY2018 H1: 55 cents). Cash, net of debt, decreased to R1,0 billion (FY2018 H1: R1,3 billion; FY2018: R2,0 billion).

Capital expenditure for the six months under review was R357 million (FY2018 H1: R178 million), predominantly in the Underground Mining platform, of which R340 million (FY2018 H1: R151 million) was for expansion and R17 million (FY2018 H1: R27 million) for replacement.

The order book for continuing operations increased to R31,7 billion (FY2018 H1: R22,1 billion; FY2018: R30,1 billion).

The effective taxation rate of 38% (FY2018 H1: 38%) is high, in the main due to withholding tax in foreign jurisdictions, profits earned in high tax rate jurisdictions, losses incurred in low tax jurisdictions and tax losses not applied.

DIVIDEND UPDATE

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.

OPERATIONAL REPORT

ORDER BOOK, NEAR ORDERS AND PROJECT PIPELINE

The Group's order book is of a high quality. Significant growth has been recorded in the Underground Mining platform order book. The lower order book in the Oil & Gas and Power & Water platforms is reflective of current market conditions. Based on near orders, a substantial increase in the Oil & Gas platform is expected during FY2019 H2.

			Pipeline		
R billions	Order book	Near orders	Category 1	Category 2	Category 3
Oil & Gas	4,4	14,2	33,2	73,0	298,7
Underground Mining	25,7	8,1	20,5	31,3	22,0
Power & Water	1,6	–	4,2	9,3	26,3
31 December 2018 totals	31,7	22,3	57,9	113,6	347,0
30 June 2018 totals	30,1	7,9	63,8	125,9	417,4

- **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 obtained – chance of being secured as projects a function of final client approval as well as 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:** 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	
December	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	430	536	1 049	118	–	–	1 667	3 963	210	76	3 356	4 693
Operating profit/(loss)	23	48	(40)	(44)	(9)	(21)	281	293	(255)	(177)	–	99
Margin (%)	5%	9%	(4%)	(37%)	–	–	17%	7%	–	–	–	2%
Order book	507	283	2 747	992	–	–	1 122	2 540	–	–	4 376	3 815
Segment assets											2 525	2 656
Segment liabilities											2 019	2 411
LTIFR (fatalities)											0.24(0)	0.30(0)

Revenue decreased to R3,4 billion (FY2018 H1: R4,7 billion). In a competitive market with high pressure on margins, the platform recorded a break-even in earnings before interest and tax for FY2019 H1 (FY2018 H1: R99 million operating profit). The order book increased to R4,4 billion (FY2018 H1: R3,8 billion).

Large oil and gas projects under execution by this platform will be completed in FY2019 H2. The current financial year has been characterised by the delay in the award of new projects. Tenders for several of these projects are expected to be adjudicated mid to-late calendar 2019. This set of circumstances is expected to have a considerable negative impact on FY2019 revenue and earnings of this platform.

New opportunities in the Liquefied Natural Gas ("LNG") market in Australia remain limited, although globally, new supply capacity must be developed to meet LNG forecast demand as from 2021/22. The platform is targeting potential LNG projects in the USA, Canada, Mozambique and Papua New Guinea.

Target opportunities are being pursued in complementary growth markets, such as the metal & minerals and infrastructure sectors in Australia, in which this platform has experience and capability.

Recently, the Clough-Salini joint venture was selected as the preferred tenderer for the civil work packages on the multi-billion dollar Snowy 2.0 project in Australia. Clough has a 35% share in the joint venture. Formal award of this project is expected during FY2019 H2. The platform also secured the AU$130 million BHP Billiton Ore Handling Plant project in Australia. The project scope includes structural, mechanical, piping, electrical and instrumentation work, as well as interconnecting conveyors and transfer stations. These two projects are expected to contribute towards earnings in FY2020.

UNDERGROUND MINING PLATFORM

R millions	Africa		Australasia		The Americas		Total	
December	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	1 340	1 874	1 378	926	2 231	1 325	4 949	4 125
Operating profit	107	101	77	70	162	68	346	239
Margin (%)	8%	5%	6%	8%	7%	5%	7%	6%
Order book	12 177	9 307	4 627	2 694	8 866	3 287	25 670	15 288
Segment assets	835	1 101	1 423	977	2 523	1 572	4 781	3 650
Segment liabilities	883	999	740	331	1 079	433	2 702	1 763
LTIFR (fatalities)	2.14(0)	2.47(0)	0.00(0)	3.29(1)	0.00(0)	1.89(0)	1.08(0)	2.51(1)

This global business is performing extremely well and continues to experience increasing demand for its services. Commodity prices in general have increased and there is a positive change in sentiment towards investment in the industry. Revenue and operating profit increased to R4,9 billion (FY2018 H1: R4,1 billion) and R346 million (FY2018 H1: R239 million) respectively. The platform order book increased to R25,7 billion (FY2018 H1: R15,3 billion), with project awards across all jurisdictions.

The platform is engaged in projects in Australia, Indonesia, Mongolia, the USA, Canada, Mexico, South Africa and Zambia. Current projects include 18 vertical shaft sinking and equipping projects, 21 decline shaft and mine development projects, 8 contract mining projects and 13 support and construction services projects. The platform also has 37 raise drilling machines deployed in various locations across the globe.

Its global reach, broad range of services and reputation for safe and successful project delivery, has positioned the platform favourably to capitalise on the underground mining market's large project investment pipeline. It is expected that the platform will continue to make a significant contribution to Group earnings.

POWER & WATER PLATFORM

R millions	Power[1]		Water		Oil & Gas		Electrical & Instrumentation		Corporate & Other		Total	
December	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	1 143	2 358	14	26	231	178	20	81	–	–	1 408	2 643
Operating profit/(loss)	131	150	1	7	(79)	(19)	5	11	(55)	(98)	3	51
Margin (%)	11%	6%	7%	27%	(34%)	(11%)	25%	14%	–	–	–	2%
Order book	968	2 387	–	–	21	287	4	23	592	–	1 585	2 697
Segment assets											775	1 438
Segment liabilities											873	1 039
LTIFR (fatalities)											0.24(0)	0.40(0)

[1] *All power sector projects, including Power Programme (Medupi & Kusile).*

Revenue, operating profit and order book decreased to R1,4 billion (FY2018 H1: R2,6 billion), R3 million (FY2018 H1: R51 million) and R1,6 billion (FY2018 H1: R2,7 billion) respectively. The platform has one loss making project which will be completed in FY2019.

The platform's scope of work on the Medupi power station has been completed and its work on the Kusile power station will continue into FY2020. For several years platform earnings were underpinned by the contribution from these two projects. The lack of meaningful work to replace Medupi and Kusile will result in reduced platform revenue and earnings.

The Baseload Coal Independent Power Producer Procurement Programme in South Africa continues to be delayed. As a result, the platform is targeting opportunities in other sectors of the power market, such as power plant repair and maintenance work in South Africa, as well as high voltage transmission infrastructure projects in South Africa and sub-Saharan Africa. Several tenders have been submitted, although adjudication is not expected imminently.

Investment in the local water sector continues to be limited and fragmented, notwithstanding increasing pressure to upgrade dysfunctional municipal wastewater treatment plants.

Two projects were recently secured in complementary markets, at a combined value of R600 million; work on a sulphur dioxide abatement facility for Anglo Platinum and the erection of a recovery boiler for Sappi. These were two of the larger project opportunities available, which is indicative of current market conditions.

INVESTMENTS

The Group's investment in the Bombela Concession Company yielded earnings of R114 million (FY2018 H1: R139 million). FY2018 H1 included a one-off fair value gain of R25 million following an amendment in the operating company fee structure, which resulted in a reduction in the fee payable to the operator.

BOMBELA & MIDDLE EAST

R millions	Bombela Investments		Middle East		Total	
December	2018	2017	2018	2017	2018	2017
Revenue	–	–	66	347	66	347
Operating profit/(loss)	114	139	11	(67)	125	72
Margin (%)	–	–	17%	(19%)	189%	21%
Order book	–	–	46	267	46	267
Segment assets	1 295	1 376	1 206	1 577	2 501	2 953
Segment liabilities	361	32	1 295	1 367	1 656	1 399

MIDDLE EAST BUSINESS

In FY2016 the Board decided to close the business in the Middle East. Due to exchange rate movements, this business recorded a half-year marginal operating profit of R11 million (FY2018 H1: R67 million operating loss). Takeover certificates for the final four projects now completed should be received by end-April 2019. The Dubai Airport arbitration panel is expected to make its award by 31 March 2019.

DISCONTINUED OPERATIONS

R millions	I&B Businesses & Other[2]		Clough Properties		Genrec Engineering		Total	
December	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	–	145	–	3	45	189	45	337
Operating loss	(24)	(43)	(1)	(1)	(12)	(90)	(37)	(134)

[2] Includes Construction Products Africa.

DISCONTINUED OPERATIONS

The operating loss from discontinued operations for the six months was R37 million (FY2018 H1: R134 million).

HEALTH AND SAFETY

The Group's LTIFR remains industry leading at 0.63 (FY2018 H1: 1.19). No fatal injuries occurred. We remain firm in the belief that Zero Harm is possible, notwithstanding the risk conditions in which projects are being built.

NEW REVENUE RECOGNITION STANDARD – IFRS 15

Uncertified revenue decreased to R650 million (FY2018: R1,3 billion). This reduction includes an adjustment following the implementation of the new revenue recognition standard, IFRS 15. In terms of IFRS 15, revenue can only be recognised to the extent that it is "highly probable" that a significant reversal will not occur in future. This new standard increases the threshold for revenue recognition, as the previous threshold was "probable". The total adjustment to uncertified revenue and revenue previously recognised, reflected as an adjustment to equity, came to R1,1 billion. The Group remains confident that all uncertified revenue and revenue previously recorded as such, will be recognised once attendant commercial matters have been settled.

GRAYSTON TEMPORARY WORKS COLLAPSE – UPDATE

The Department of Labour instituted a Section 32 Inquiry ("Inquiry") in November 2015 into this incident to determine the cause or causes of the collapse of the temporary works structure. The Inquiry has been concluded and it is expected that the presiding officer will submit his report to the National Director of Public Prosecution, by April 2019.

PROSPECTS STATEMENT

The Underground Mining platform is operating in a buoyant market and is well positioned to achieve strong growth over the next few years. The Oil & Gas and Power & Water platforms continue to face challenging market conditions, with low levels of client investment and new projects experiencing delays and deferrals. Globally, the oil and gas market is showing definite signs of recovery. Opportunities are being pursued in selected complementary market segments, which mitigates the impact of down cycles in core market segments.

The Group is committed to drive sustainable growth and remains confident that its growth plans over the medium term are achievable, factoring in the constraints of current market dynamics.

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

6 March 2019

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SECRETARY

L Kok

^ Australian

** Independent non-executive*

 # The operating performance information disclosed has been extracted from the Group's operational reporting systems. The Corporate & Properties segment has been excluded from the operational narrative. Unless otherwise noted, all comparisons are to the Group's performance as at and for the six months ended 31 December 2017.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

for the six months ended 31 December 2018

R millions	Reviewed 6 months to 31 December 2018	Reviewed 6 months to 31 December 2017	Audited Annual 30 June 2018
Continuing operations			
Revenue	9 782	11 809	21 847
– Continuing operations excluding Middle East	9 716	11 462	21 379
– Middle East	66	347	468
Profit before interest, depreciation and amortisation	600	589	1 331
Depreciation	(204)	(218)	(429)
Amortisation of intangible assets	(20)	(22)	(38)
Profit before interest and taxation (note 2)	376	349	864
– Continuing operations excluding Middle East	365	416	898
– Middle East	11	(67)	(34)
Net interest expense	(8)	(17)	(41)
Profit before taxation	368	332	823
Taxation	(140)	(126)	(298)
Profit after taxation	228	206	525
(Loss)/income from equity accounted investments	(1)	15	21
Profit from continuing operations	227	221	546
Loss from discontinued operations (note 3)	(39)	(114)	(278)
Profit for the period	188	107	268
Attributable to:			
– Owners of Murray & Roberts Holdings Limited	186	110	267
– Non-controlling interests	2	(3)	1
	188	107	268
Earnings per share from continuing and discontinued operations (cents)			
– Diluted	46	27	66
– Basic	47	28	67
Earnings per share from continuing operations (cents)			
– Diluted	55	55	134
– Basic	57	56	137
Supplementary information			
Net asset value per share (Rands)	13	14	15
Dividends per share (cents)	–	–	50
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 Murray & Roberts Trust	–	(10)	(5)
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	(15 386)	(15 988)	(14 893)
Weighted average number of shares used for basic per share calculation	397 654	397 042	398 142
Add: Dilutive adjustment	8 053	7 026	7 803
Weighted average number of shares used for diluted per share calculation	405 707	404 068	405 945
Earnings per share from continuing operations (cents)			
– Diluted	55	55	134
– Adjusted diluted earnings per share excluding Middle East	52	72	142
– Diluted earnings per share contributed by Middle East	3	(17)	(8)
– Basic	57	56	137
– Adjusted basic earnings per share excluding Middle East	54	74	145
– Basic earnings per share contributed by Middle East	3	(18)	(8)
Headline earnings per share from continuing and discontinued operations (cents) (note 4)			
– Diluted	45	28	46
– Basic	46	28	47
Headline earnings per share from continuing operations (cents) (note 4)			
– Diluted	54	55	112
– Adjusted diluted headline earnings per share excluding Middle East	51	72	120
– Diluted headline earnings per share contributed by Middle East	3	(17)	(8)
– Basic	56	56	114
– Adjusted basic headline earnings per share excluding Middle East	53	74	122
– Basic headline earnings per share contributed by Middle East	3	(18)	(8)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2018

R millions	Reviewed 6 months to 31 December 2018	Reviewed 6 months to 31 December 2017	Audited Annual 30 June 2018
Profit for the period	188	107	268
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 gains/(losses) on translating foreign operations and realisation of reserve	14	(160)	96
Total comprehensive income/(loss) for the period	202	(53)	367
Attributable to:			
– Owners of Murray & Roberts Holdings Limited	199	(50)	363
– Non-controlling interests	3	(3)	4
	202	(53)	367

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2018

R millions	Reviewed 6 months to 31 December 2018	Reviewed 6 months to 31 December 2017	Audited Annual 30 June 2018
ASSETS			
Non-current assets	5 049	5 168	5 253
Property, plant and equipment	2 139	1 877	1 996
Investment property	–	19	–
Goodwill (note 5)	617	601	616
Deferred taxation assets	315	538	385
Investments in associate companies	3	23	3
Investment in joint venture	71	73	72
Amounts due from contract customers (note 6)	345	513	568
Other non-current assets	1 559	1 524	1 613
Current assets	8 545	8 770	8 982
Inventories	345	318	279
Trade and other receivables	1 147	939	1 076
Amounts due from contract customers (note 6)	4 791	5 223	5 089
Current taxation assets	22	26	74
Cash and cash equivalents	2 240	2 264	2 464
Assets classified as held for sale	51	351	51
TOTAL ASSETS	13 645	14 289	14 286
EQUITY AND LIABILITIES			
Total equity	5 615	6 310	6 744
Attributable to owners of Murray & Roberts Holdings Limited	5 588	6 269	6 696
Non-controlling interests	27	41	48
Non-current liabilities	848	548	505
Long-term liabilities[3]	526	191	147
Long-term provisions	113	132	126
Deferred taxation liabilities	71	68	75
Other non-current liabilities	138	157	157
Current liabilities	7 182	7 313	7 037
Amounts due to contract customers (note 6)	1 782	1 625	1 527
Trade and other payables	4 684	4 882	5 102
Current taxation liabilities	39	58	63
Bank overdrafts[3]	102	523	111
Short-term liabilities[3]	575	225	234
Liabilities classified as held for sale	–	118	–
TOTAL EQUITY AND LIABILITIES	13 645	14 289	14 286

[3] *Interest-bearing borrowings.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2018

R millions	Stated capital	Other reserves	Retained earnings	Attributable to owners of Murray & Roberts Holdings Limited	Non-controlling interests	Total equity
Balance at 30 June 2017 (Audited)	2 566	997	2 978	6 541	64	6 605
Total comprehensive (loss)/income for the period	–	(160)	110	(50)	(3)	(53)
Treasury shares disposed (net)	10	–	–	10	–	10
Recognition of share-based payment	–	10	–	10	–	10
Utilisation of share-based payment reserve	–	(48)	–	(48)	–	(48)
Dividends declared and paid	–	–	(194)	(194)	–	(194)
Repayment of equity loans from non-controlling interests	–	–	–	–	(20)	(20)
Balance at 31 December 2017 (Reviewed)	2 576	799	2 894	6 269	41	6 310
Total comprehensive income for the period	–	256	157	413	7	420
Treasury shares disposed (net)	15	–	–	15	–	15
Recognition of share-based payment	–	12	–	12	–	12
Utilisation of share-based payment reserve	–	(7)	–	(7)	–	(7)
Transfer to retained earnings	–	(1)	1	–	–	–
Dividends declared and paid	–	–	(6)	(6)	–	(6)
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 disposed (net)	2	–	–	2	–	2
Recognition of share-based payment	–	14	–	14	–	14
Utilisation of share-based payment reserve	–	(31)	–	(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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2018

R millions	Reviewed 6 months to 31 December 2018	Reviewed 6 months to 31 December 2017	Audited Annual 30 June 2018
Cash (utilised from)/generated by operations	(422)	400	934
Interest received	41	31	66
Interest paid	(51)	(50)	(112)
Taxation paid	(43)	(106)	(174)
Operating cash flow	(475)	275	714
Dividends paid	(211)	(194)	(200)
Net cash (outflow)/inflow from operating activities	(686)	81	514
Dividends received from associate companies	–	–	20
Purchase of intangible assets other than goodwill	(28)	(6)	(13)
Purchase of property, plant and equipment by entities classified as held for sale	–	(1)	(1)
Purchase of property, plant and equipment	(128)	(82)	(311)
– Replacements	(17)	(27)	(78)
– Expansions	(340)	(151)	(358)
– Capitalised finance leases raised (non-cash)	229	96	125
Proceeds on disposal of property, plant and equipment	20	76	116
Net inflow on disposal of business	–	–	40
Proceeds on disposal of investment in associate	–	–	87
Cash related to assets held for sale	–	(26)	2
Proceeds from realisation of investment	153	106	220
Purchase of additional investment	–	(357)	(357)
Net realisation of other investments	1	–	(1)
Other (net)	1	(2)	(2)
Net cash inflow/(outflow) from investing activities	19	(292)	(200)
Net movement in borrowings (note 8)	484	(163)	(217)
Net acquisition of treasury shares	(29)	(37)	(29)
Net cash inflow/(outflow) from financing activities	455	(200)	(246)
Total (decrease)/increase in net cash and cash equivalents	(212)	(411)	68
Net cash and cash equivalents at beginning of period	2 353	2 253	2 253
Effect of foreign exchange rates	(3)	(101)	32
Net cash and cash equivalents at end of period	2 138	1 741	2 353
Net cash and cash equivalents comprises:			
Cash and cash equivalents	2 240	2 264	2 464
Bank overdrafts	(102)	(523)	(111)
Net cash and cash equivalents at end of period	2 138	1 741	2 353

CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS

for the six months ended 31 December 2018

R millions	Reviewed 6 months to 31 December 2018	Reviewed 6 months to 31 December 2017	Audited Annual 30 June 2018
Revenue[4]			
Bombela & Middle East	66	347	468
Power & Water	1 408	2 643	4 829
Underground Mining	4 949	4 125	8 004
Oil & Gas	3 356	4 693	8 542
Corporate & Properties	3	1	4
Continuing operations	9 782	11 809	21 847
Discontinued operations	45	337	525
	9 827	12 146	22 372
Continuing operations			
Profit/(loss) before interest and taxation[5]			
Bombela & Middle East	125	72	243
Power & Water	3	51	134
Underground Mining	346	239	471
Oil & Gas	–	99	209
Corporate & Properties	(98)	(112)	(193)
Profit before interest and taxation	376	349	864
Net interest expense	(8)	(17)	(41)
Profit before taxation	368	332	823
Discontinued operations			
Loss before interest and taxation[5]	(37)	(134)	(273)
Net interest expense	(2)	(2)	(5)
Loss before taxation	(39)	(136)	(278)

[4] *Revenue is disclosed net of inter-segmental revenue. Inter-segmental revenue for the Group is R104 million (FY2018 H1: R70 million).*
[5] *The chief operating decision maker utilises profit/(loss) before interest and taxation in the assessment of a segment's performance.*

SEGMENTAL ASSETS (CONTINUING & DISCONTINUED)

at 31 December 2018

R millions	Reviewed 6 months to 31 December 2018	Reviewed 6 months to 31 December 2017	Audited Annual 30 June 2018
Bombela & Middle East	2 501	2 953	3 061
Power & Water	775	1 438	1 292
Underground Mining	4 781	3 650	3 757
Oil & Gas	2 525	2 656	2 808
Corporate & Properties[6]	378	237	324
Continuing operations	10 960	10 934	11 242
Discontinued operations[7]	108	527	121
	11 068	11 461	11 363
Reconciliation of segmental assets			
Total assets	13 645	14 289	14 286
Deferred taxation assets	(315)	(538)	(385)
Current taxation assets	(22)	(26)	(74)
Cash and cash equivalents	(2 240)	(2 264)	(2 464)
	11 068	11 461	11 363

SEGMENTAL LIABILITIES (CONTINUING & DISCONTINUED)

at 31 December 2018

R millions	Reviewed 6 months to 31 December 2018	Reviewed 6 months to 31 December 2017	Audited Annual 30 June 2018
Bombela & Middle East	1 656	1 399	1 326
Power & Water	873	1 039	956
Underground Mining	2 702	1 763	1 995
Oil & Gas	2 019	2 411	2 334
Corporate & Properties[6]	355	381	460
Continuing operations	7 605	6 993	7 071
Discontinued operations[7]	213	337	222
	7 818	7 330	7 293
Reconciliation of segmental liabilities			
Total liabilities	8 030	7 979	7 542
Deferred taxation liabilities	(71)	(68)	(75)
Current taxation liabilities	(39)	(58)	(63)
Bank overdrafts	(102)	(523)	(111)
	7 818	7 330	7 293

[6] *Corporate segmental assets and liabilities include the inter-segment eliminations of group balances and transactions.*
[7] *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.*

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 2018 have been prepared in accordance with and contain the information required by 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 2018. IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) have been implemented in the current financial year, refer to note 9 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, Deloitte & Touche, 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 auditor's 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 notes below represents audited results for 30 June 2018 and reviewed results for 31 December 2017 and 31 December 2018.

2. PROFIT BEFORE INTEREST AND TAXATION

R millions	31 December 2018	31 December 2017	30 June 2018
Items by function			
Cost of sales	(8 685)	(10 695)	(19 597)
Distribution and marketing expenses	(3)	(3)	(13)
Administration costs	(1 004)	(990)	(1 984)
Other operating income	286	228	611

3. LOSS FROM DISCONTINUED OPERATIONS

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. These operations met the requirements in terms of IFRS 5 Discontinued Operations and have been presented as discontinued operations in the Group's statement of financial performance.

3.1 LOSS FROM DISCONTINUED OPERATIONS

R millions	31 December 2018	31 December 2017	30 June 2018
Revenue	45	337	525
Loss before interest, depreciation and amortisation	(37)	(134)	(273)
Depreciation and amortisation	–	–	–
Loss before interest and taxation (note 3.2)	(37)	(134)	(273)
Net interest expense	(2)	(2)	(5)
Loss before taxation	(39)	(136)	(278)
Taxation credit	–	22	–
Loss after taxation	(39)	(114)	(278)
Income from equity accounted investments	–	–	–
Loss from discontinued operations	(39)	(114)	(278)
Attributable to:			
– Owners of Murray & Roberts Holdings Limited	(39)	(114)	(278)
– Non-controlling interests	–	–	–
	(39)	(114)	(278)

3.2 LOSS BEFORE INTEREST AND TAXATION

R millions	31 December 2018	31 December 2017	30 June 2018
Loss before interest and taxation includes the following significant items:			
Fair value adjustment on disposal group held for sale	–	(8)	(13)

3.3 CASH FLOWS FROM DISCONTINUED OPERATIONS INCLUDE THE FOLLOWING:

R millions	31 December 2018	31 December 2017	30 June 2018
Cash flow from operating activities	(27)	(67)	(172)
Cash flow from investing activities	–	(27)	40
Cash flow from financing activities	–	49	(2)
Net decrease in cash and cash equivalents	(27)	(45)	(134)

4. RECONCILIATION OF HEADLINE EARNINGS

R millions	31 December 2018	31 December 2017	30 June 2018
Profit attributable to owners of Murray & Roberts Holdings Limited	186	110	267
Profit on disposal of property, plant and equipment (net)	(5)	(2)	(13)
Profit on disposal of investment in associate	–	–	(80)
Reversal of impairment of property, plant and equipment (net)	–	(2)	(2)
Fair value adjustment on disposal group held for sale	–	8	13
Taxation effects on adjustments	1	(1)	3
Headline earnings	182	113	188
Adjustments for discontinued operations:			
Loss from discontinued operations	39	114	278
Fair value adjustment on disposal group held for sale	–	(8)	(13)
Taxation effects on adjustments	–	2	–
Headline earnings from continuing operations	221	221	453

5. GOODWILL

R millions	31 December 2018	31 December 2017	30 June 2018
At beginning of year	616	607	607
Foreign exchange movements	1	(6)	9
	617	601	616

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Based on the assessment performed as at 31 December 2018, no impairment was recorded.

6. CONTRACTS-IN-PROGRESS AND CONTRACT RECEIVABLES

R millions	31 December 2018	31 December 2017	30 June 2018
Contracts-in-progress (cost incurred plus recognised profits, less recognised losses)	1 439	2 082	1 796
Uncertified claims and variations less payments received on account of R298 million (FY2018: R288 million)	650	1 026	1 292
Amounts receivable on contracts (net of impairment provisions)	2 751	2 372	2 386
Retentions receivable (net of impairment provisions)	296	256	183
	5 136	5 736	5 657
Amounts received in excess of work completed	(1 782)	(1 625)	(1 527)
	3 354	4 111	4 130
Disclosed as:			
Amounts due from contract customers – non-current[8]	345	513	568
Amounts due from contract customers – current	4 791	5 223	5 089
Amounts due to contract customers – current	(1 782)	(1 625)	(1 527)
	3 354	4 111	4 130

[8] The non-current amount is considered by management to be recoverable.

7. 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.

R millions	31 December 2018	31 December 2017	30 June 2018
Categories of financial instruments			
Financial assets			
Financial assets designated as fair value through profit or loss (level 3)	1 270	1 283	1 308
Amortised cost[9]	6 389	5 803	6 094
Financial liabilities			
Amortised cost[10]	5 202	5 196	4 746

[9] Measurement category under the current IFRS 9. Prior period amount reflects loans and receivables as per IAS 39. Measurement basis has not changed.

[10] Measurement category under the current IFRS 9. Prior period amount reflects loans and payables as per IAS 39. Measurement basis has not changed.

7.1 FINANCIAL ASSETS DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS

R millions	31 December 2018	31 December 2017	30 June 2018
Investment in infrastructure service concession (level 3)[11]			
At beginning of year	1 308	893	893
Additions	–	357	357
Realisation of investment	(153)	(106)	(220)
Fair value adjustment recognised in the statement of financial performance	115	139	278
	1 270	1 283	1 308

[11] The Bombela Concession Company (RF) Proprietary Limited ("BCC") is reflected at fair value through profit or loss, as the investment meets the requirement of IAS 28.18 with regards to venture capital organisations or similar entities. There has been no change to the classification or measurement basis of the investment upon adoption of IFRS 9.

The fair value of BCC is calculated using discounted cash flow models and a market discount rate of 18.5% (FY2018: 18.5%). The discounted cash flow models are based on forecast patronage, operating costs, inflation and other economic fundamentals, taking into consideration the operating conditions experienced in the current financial year. The future profits from the concession are governed by a contractual agreement and are principally based on inflationary increases in the patronage revenue and operating costs of the current financial period.

In the prior year a one-off fair value gain of R50 million (FY2018 H1: R25 million) was recognised following an amendment in the operating company fee structure which resulted in a reduction in the fees payable to the operator. The reduction in the operator fee payable is a cost input in the fair value model and therefore resulted in an increase in fair value of the investment.

Operating cost includes an operating fee that is payable to the Bombela Operating Company (Pty) Ltd ("BOC"), the company responsible for the operation and maintenance of Gautrain. The fee payable to BOC is subject to annual inflationary increases. The contract is subject to review every 5th year where increases of more than inflation are considered. An annual operating fee increase of 1% above inflation will result in a decrease in the value of the concession investment of approximately R9,0 million (FY2018: R9,0 million).

Operating cost also includes a Railway Usage Fee ("RUF") which constitutes a fee for the use of the system owned by Gauteng Province. The fee is 50% of the concessionaires excess free cash flow above an 18% real rate of return. The fee reduces to 35% should the concessionaire comply with certain Socio Economic Development ("SED") obligations. Historically the SED obligations have been achieved and the valuation is based on the SED obligations being achieved. If these obligations are not achieved, then the result would be a decrease in the value of the concession investment of R301 million (FY2018: R301 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 R46,2 million (FY2018: R46,2 million).

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

8. NET MOVEMENT IN BORROWINGS

R millions	31 December 2018	31 December 2017	30 June 2018
Loans raised	595	7	59
Loans repaid	(40)	(59)	(109)
	555	(52)	(50)
Capitalised leases repaid	(71)	(111)	(167)
	484	(163)	(217)

9. CONTINGENT LIABILITIES

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

R millions	31 December 2018	31 December 2017	30 June 2018
Operating lease commitments	**1 173**	1 159	1 215
Contingent liabilities	**2 691**	2 210	2 297
Financial institution and Murray & Roberts guarantees granted to third parties	**6 640**	6 203	6 222

Update on the Group's claim processes

Uncertified revenue as at the end of the financial period decreased to R0,7 billion (FY2018: R1,3 billion) largely due to the implementation of IFRS 15. It consists mainly of claims on projects in the Power & Water platform and the Middle East.

Grayston Temporary Works Collapse – Update

The Department of Labour instituted a Section 32 Inquiry ("Inquiry") in November 2015 into this incident to determine the cause or causes of the collapse of the temporary works structure. The Inquiry has been concluded and it is expected that the presiding officer will submit his report to the National Director of Public Prosecution, by April 2019.

10. IMPLEMENTATION OF IFRS 15 (REVENUE FROM CONTRACTS WITH CUSTOMERS) AND IFRS 9 (FINANCIAL INSTRUMENTS)

On 1 July 2018 the Group implemented IFRS 15 and IFRS 9, as these standards are applicable to financial years commencing on or after 1 January 2018.

The Group decided to apply the modified retrospective approach to transition from existing IASs to IFRS 15 and IFRS 9. Therefore comparatives were not restated. The cumulative effect of initially applying IFRS 15 and IFRS 9 was an adjustment to the opening balance of retained earnings at the date of initial application, being 1 July 2018.

Due to the fact that the modified retrospective approach has been applied for both IFRS 15 and IFRS 9, there is no resultant impact on IAS 33 (Earnings per Share).

10.1 IMPLEMENTATION OF IFRS 15 (REVENUE FROM CONTRACTS WITH CUSTOMERS)

IAS 11 (Construction Contracts) stated that contract revenue shall comprise variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue.

IFRS 15:56 states that variable consideration should only be included in the transaction price, when recognising revenue, to the extent that it is highly probable that a significant reversal will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

IFRS 5 defines "highly probable" as "significantly more likely than probable", where "probable" means "more likely than not" (IFRS 5: Appendix A).

Due to the higher threshold required for recognition and measurement purposes, IFRS 15 will result in the delayed recognition of variable consideration until such time that it is highly probable that the revenue will not be reversed when the uncertainty is resolved.

The cumulative effect of initially applying IFRS 15 was concluded at an amount of R1,1 billion at 1 July 2018. The IFRS 15 adjustment relates mainly to amounts in the Power & Water platform and the Middle East. The Group remains confident that all uncertified revenue and revenue previously recorded as such, will be recognised once attendant commercial matters have been settled.

R millions	
Impact of adoption:	
Retained earnings impact:	
Retained earnings at 30 June 2018 (Audited)	3 046
IFRS 15 adjustment	(1 072)
Retained earnings – before IFRS 9 adjustment	1 974
Total assets impact:	
Non-current assets impact:	
Amounts due from contract customers at 1 July 2018	568
IFRS 15 adjustment	(239)
Restated amounts due from contract customers at 1 July 2018	329
Current assets impact:	
Amounts due from contract customers at 1 July 2018	5 089
IFRS 15 adjustment	(857)
Restated amounts due from contract customers at 1 July 2018	4 232

10.2 IMPLEMENTATION OF IFRS 9 (FINANCIAL INSTRUMENTS)

The impairment requirements under IFRS 9 are based on an expected credit loss ("ECL") model that replaces the IAS 39 incurred loss model.

The cumulative effect of initially applying the ECL model to assess impairments of receivables in IFRS 9 was concluded at an amount of R9 million.

R millions	
Impact of adoption:	
Retained earnings impact:	
Retained earnings – before IFRS 9 adjustment, after IFRS 15 adjustment	1 974
IFRS 9 adjustment	(9)
Restated retained earnings 1 July 2018 – IFRS 15 and IFRS 9	1 965

The condensed consolidated statement of financial position impact of the above IFRS 9 adjustment of R9 million is reflected under trade and other receivables.

Adoption of IFRS 9 has resulted in a change in measurement categories of financial instruments. For change in relevant measurement categories applied, refer to note 7.

11. DIVIDEND

A gross annual dividend, relating to the 30 June 2018 financial year, of 50 cents per share was declared in August 2018 and paid during the period. In line with the approved dividend policy, the board of directors will only consider paying an annual dividend.

12. RELATED PARTY TRANSACTIONS

There have been no significant changes to the nature of related party transactions since 30 June 2018 or any transactions outside the normal course of business.

13. EVENTS AFTER REPORTING DATE

The directors are not aware of any matter or circumstance arising after the period ended 31 December 2018, not otherwise dealt with in the Group's interim results, which significantly affects the financial position as at 31 December 2018 or the results of its operations or cash flows for the period then ended.

DISCLAIMER

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EXCELLENCE

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ADR Code: MURZY
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