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 2020 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 2020 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 Kotzé
Registered Auditor
4 Lisbon Lane
Waterfall City
Jukskei View
2090

3 March 2021

PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

for the six months ended 31 December 2020

R millions	Reviewed 6 months to 31 December 2020	Reviewed 6 months to 31 December 2019	Annual 30 June 2020
Continuing operations			
Revenue (note 2)	10 772	10 772	20 838
Profit before interest, depreciation and amortisation	555	812	834
Depreciation	(398)	(346)	(759)
Amortisation of intangible assets	(40)	(47)	(92)
Profit/(loss) before interest and taxation (note 3)	117	419	(17)
Interest expense	(115)	(133)	(301)
Interest income	14	42	80
Profit/(loss) before taxation	16	328	(238)
Taxation	(66)	(124)	(151)
(Loss)/profit after taxation	(50)	204	(389)
(Loss)/profit from equity accounted investments	–	(2)	2
(Loss)/profit from continuing operations	(50)	202	(387)
(Loss)/profit from discontinued operations (note 4)	(117)	(53)	16
(Loss)/profit for the period	(167)	149	(371)
Attributable to:			
– Owners of Murray & Roberts Holdings Limited	(167)	163	(352)
– Non-controlling interests^	–	(14)	(19)
	(167)	149	(371)
(Loss)/earnings per share from continuing and discontinued operations (cents)			
– Diluted	(42)	40	(89)
– Basic	(42)	41	(89)
(Loss)/earnings per share from continuing operations (cents)			
– Diluted	(13)	50	(97)
– Basic	(13)	51	(97)

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

^ *Amount in the current period less than R1 million.*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2020

R millions	Reviewed 6 months to 31 December 2020	Reviewed 6 months to 31 December 2019	Annual 30 June 2020
(Loss)/profit for the period	(167)	149	(371)
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	(315)	(4)	599
Total comprehensive (loss)/income for the period	(482)	145	225
Attributable to:			
– Owners of Murray & Roberts Holdings Limited	(484)	158	247
– Non-controlling interests	2	(13)	(22)
	(482)	145	225

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2020

R millions	Reviewed 6 months to 31 December 2020	Reviewed 6 months to 31 December 2019	Annual 30 June 2020
ASSETS			
Non-current assets	7 021	6 352	7 094
Property, plant and equipment	3 386	2 833	3 374
Goodwill (note 7)	1 122	1 004	1 125
Deferred taxation assets	693	370	689
Investments in associate companies	24	4	5
Investment in joint ventures	–	68	72
Other non-current assets (note 9)	1 796	2 073	1 829
Current assets	11 697	11 342	11 805
Inventories	388	421	360
Trade and other receivables	2 247	1 570	1 897
Amounts due from contract customers (note 8)	5 574	6 154	6 039
Current taxation assets	37	42	21
Cash and cash equivalents	3 380	3 097	3 415
Other current assets	71	58	73
Non-current assets held for sale (note 4)	33	–	–
TOTAL ASSETS	18 751	17 694	18 899
EQUITY AND LIABILITIES			
Total equity	5 092	5 527	5 619
Attributable to owners of Murray & Roberts Holdings Limited	5 083	5 506	5 611
Non-controlling interests	9	21	8
Non-current liabilities	1 216	1 931	1 515
Long-term liabilities[3]	927	1 648	1 198
Long-term provisions	52	93	91
Deferred taxation liabilities	135	76	104
Other non-current liabilities	102	114	122
Current liabilities	12 443	10 236	11 765
Amounts due to contract customers (note 8)	4 969	3 484	3 543
Trade and other payables	5 222	5 088	5 707
Current taxation liabilities	66	87	191
Bank overdrafts[3]	1 267	613	1 111
Short-term liabilities[3]	919	964	1 213
TOTAL EQUITY AND LIABILITIES	18 751	17 694	18 899

[3] *Interest-bearing borrowings.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2020

R millions	Reviewed 6 months to 31 December 2020	Reviewed 6 months to 31 December 2019	Annual 30 June 2020
Cash generated by/(utilised from) operations	1 501	(509)	(53)
Interest received	16	37	85
Interest paid	(113)	(116)	(295)
Taxation paid	(202)	(147)	(273)
Taxation refund	13	9	9
Operating cash flow	**1 215**	(726)	(527)
Dividends paid	–	(227)	(227)
Dividends paid to non-controlling interests	–	–	(4)
Net cash inflow/(outflow) from operating activities	**1 215**	(953)	(758)
Purchase of intangible assets other than goodwill	(14)	(22)	(21)
Purchase of property, plant and equipment	(542)	(136)	(655)
– Replacements	(23)	(33)	(113)
– Expansions	(637)	(940)	(1 480)
– Acquisition of assets by means of a lease (non-cash)	118	837	938
Proceeds on disposal of property, plant and equipment	26	27	117
Proceeds on disposal of intangible assets other than goodwill	4	6	5
Acquisition of businesses*	(6)	(38)	(38)
Cash received from reclassification of joint venture to joint operation	–	87	87
Acquisition of associate	(23)	–	–
Proceeds on sale of non-current assets held for sale	–	21	21
Dividends received on Bombela Concession Company	–	205	328
Other	1	–	–
Net cash (outflow)/inflow from investing activities	(554)	150	(156)
Disposal of treasury shares	14	60	105
Acquisition of treasury shares	(75)	(94)	(136)
Net movement in borrowings	(515)	(58)	(685)
– Loans raised	57	415	699
– Loans repaid	(313)	(91)	(665)
– Leases repaid	(259)	(382)	(719)
Net cash outflow from financing activities	(576)	(92)	(716)
Total increase/(decrease) in net cash and cash equivalents	85	(895)	(1 630)
Net cash and cash equivalents at beginning of period	2 304	3 419	3 419
Effect of foreign exchange rates	(276)	(40)	515
Net cash and cash equivalents at end of period	**2 113**	2 484	2 304
Net cash and cash equivalents comprises:			
Cash and cash equivalents	3 380	3 097	3 415
Bank overdrafts	(1 267)	(613)	(1 111)
Net cash and cash equivalents at end of period	**2 113**	2 484	2 304

* *Business acquisitions in the current period are not considered significant.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2020

R millions	Stated capital	Other reserves	Retained earnings	Attributable to owners of Murray & Roberts Holdings Limited	Non-controlling interests	Total equity
Balance at 30 June 2019	2 594	1 026	2 097	5 717	34	5 751
Impact of IFRIC 23 adjustment	–	–	(33)	(33)	–	(33)
Impact of IFRS 16 adjustment	–	–	(91)	(91)	–	(91)
Balance at 1 July 2019 (Restated)	2 594	1 026	1 973	5 593	34	5 627
Total comprehensive (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
Total comprehensive income/(loss) for the period	–	604	(515)	89	(9)	80
Treasury shares acquired	(42)	–	–	(42)	–	(42)
Treasury shares disposed	45	–	–	45	–	45
Recognition of share-based payment	–	13	–	13	–	13
Utilisation of share-based payment reserve	6	(6)	–	–	–	–
Dividends declared and paid	–	–	–	–	(4)	(4)
Balance at 30 June 2020	2 596	1 621	1 394	5 611	8	5 619
Total comprehensive income (loss)/income for the period	–	(317)	(167)	(484)	2	(482)
Treasury shares acquired	(75)	–	–	(75)	–	(75)
Treasury shares disposed	14	–	–	14	–	14
Recognition of share-based payment	–	17	–	17	–	17
Utilisation of share-based payment reserve	20	(20)	–	–	–	–
Acquisition of businesses*	–	–	–	–	(1)	(1)
Balance at 31 December 2020 (Reviewed)	**2 555**	**1 301**	**1 227**	**5 083**	**9**	**5 092**

* *Business acquisitions in the current period are not considered significant.*

CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS

for the six months ended 31 December 2020

R millions	Reviewed 6 months to 31 December 2020	Reviewed 6 months to 31 December 2019	Annual 30 June 2020
Revenue[4]			
Bombela	–	–	–
Power, Industrial & Water	555	1 172	1 987
– Construction contracts	555	1 165	1 976
– Sale of goods	–	7	11
Mining	5 064	6 214	11 972
– Construction contracts	4 991	6 057	11 552
– Rendering of services	73	157	420
Energy, Resources & Infrastructure	5 151	3 385	6 876
– Construction contracts	4 907	3 326	6 572
– Other	244	59	304
Corporate & Properties	2	1	3
– Properties	2	1	3
Continuing operations	10 772	10 772	20 838
Discontinued operations	25	161	182
	10 797	10 933	21 020
Continuing operations			
Profit/(loss) before interest and taxation[5]			
Bombela	107	197	119
Power, Industrial & Water	(67)	19	(44)
Mining	176	353	630
Energy, Resources & Infrastructure	3	–	(454)
Corporate & Properties	(102)	(150)	(268)
Profit/(loss) before interest and taxation	117	419	(17)
Interest expense	(115)	(133)	(301)
Interest income	14	42	80
Profit/(loss) before taxation	16	328	(238)
Discontinued operations			
(Loss)/profit before interest and taxation[5]	(119)	(48)	19
Interest expense	–	(1)	(1)
Interest income	2	3	5
(Loss)/profit before taxation	(117)	(46)	23

[4] Revenue is disclosed net of inter-segmental revenue. Inter-segmental revenue for the Group is R30 million (FY2020 H1: R87 million). Comparatives relating to 31 December 2019 have been re-presented to disclose disaggregated revenue per IFRS 15: Revenue from Contracts with Customers.

[5] The chief operating decision makers, being the Group Executives, utilise profit/(loss) before interest and taxation in the assessment of a segment's performance.

CONDENSED SEGMENTAL ASSETS (CONTINUING & DISCONTINUED)

at 31 December 2020

R millions	Reviewed 6 months to 31 December 2020	Reviewed 6 months to 31 December 2019	Annual 30 June 2020
Bombela	1 334	1 434	1 225
Power, Industrial & Water	818	1 114	935
Mining	5 431	6 454	6 257
Energy, Resources & Infrastructure	6 002	3 809	5 044
Corporate & Properties[6]	157	317	221
Continuing operations	13 742	13 128	13 682
Discontinued operations[7]	899	1 057	1 092
	14 641	14 185	14 774
Reconciliation of segmental assets			
Total assets	18 751	17 694	18 899
Deferred taxation assets	(693)	(370)	(689)
Current taxation assets	(37)	(42)	(21)
Cash and cash equivalents	(3 380)	(3 097)	(3 415)
	14 641	14 185	14 774

CONDENSED SEGMENTAL LIABILITIES (CONTINUING & DISCONTINUED)

at 31 December 2020

R millions	Reviewed 6 months to 31 December 2020	Reviewed 6 months to 31 December 2019	Annual 30 June 2020
Bombela	258	286	258
Power, Industrial & Water	478	1 105	739
Mining	2 954	3 751	3 666
Energy, Resources & Infrastructure	7 194	4 507	5 541
Corporate & Properties[6]	378	376	411
Continuing operations	11 262	10 025	10 615
Discontinued operations[7]	929	1 366	1 259
	12 191	11 391	11 874
Reconciliation of segmental liabilities			
Total liabilities	13 659	12 167	13 280
Deferred taxation liabilities	(135)	(76)	(104)
Current taxation liabilities	(66)	(87)	(191)
Bank overdrafts	(1 267)	(613)	(1 111)
	12 191	11 391	11 874

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

[7] Discontinued operations include the Middle East operation as well as retained assets and liabilities, following the sale of Genrec operations and the Southern African Infrastructure & Building businesses.

NOTES

1. BASIS OF PREPARATION

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

The condensed consolidated interim financial statements for the period ended 31 December 2020 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 Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The condensed consolidated interim financial statements were compiled under the supervision of DF Grobler CA(SA), Group financial director.

The accounting policies applied in the preparation of these results are in accordance with International Financial Reporting Standards (IFRS) and are consistent in all material respects with those applied in the audited consolidated financial statements for the year ended 30 June 2020.

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 auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial statements from the registered office.

The information presented in the condensed consolidated interim financial statements represents reviewed results for the six-month periods ended 31 December 2020 and 31 December 2019. The comparative information presented in respect of the year ended 30 June 2020 is not reviewed or audited, however, has been derived from the audited consolidated annual financial statements for the year then ended. A copy of the auditor's report, together with the audited consolidated annual financial statements for the year ended 30 June 2020, is available for inspection at the registered office.

2. REVENUE

R millions	31 December 2020	31 December 2019	30 June 2020
Revenue for the Group's continuing operations has been recognised as follows:			
Construction contracts	10 453	10 548	20 101
Sale of goods	–	7	11
Rendering of services	73	157	420
Properties	2	1	3
Other revenue[#]	244	59	303
	10 772	10 772	20 838

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

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

3. PROFIT/(LOSS) BEFORE INTEREST AND TAXATION

R millions	31 December 2020	31 December 2019	30 June 2020
Items by function			
Revenue	10 772	10 772	20 838
Cost of sales	(9 632)	(9 413)	(18 557)
Distribution and marketing expenses	(10)	(10)	(22)
Administration costs	(1 258)	(1 233)	(2 640)
Other operating income	245	303	364
Profit/(loss) before interest and taxation	117	419	(17)

4. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Discontinued operations include the Middle East operation as well as retained assets and liabilities, following the sale of Genrec operations and the Southern African Infrastructure & Building businesses. The loss is due to a R39 million impairment following the decision to sell the investment in a joint venture ("JV") holding the Mookloof residential development (a retained asset after the sale of the Infrastructure & Building businesses in 2017), which has not made any progress for several years, as well as a negative R39 million exchange rate movement on an intercompany loan to the Middle East. The investment in JV has been classified as a non-current asset held for sale in terms of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. These operations, as well as the investment in JV, met the requirements in terms of IFRS 5 to be classified as discontinued operations and have been presented as such in the condensed consolidated interim financial statements.

4. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS continued

4.1 (LOSS)/PROFIT FROM DISCONTINUED OPERATIONS

R millions	31 December 2020	31 December 2019	30 June 2020
Revenue	25	161	182
(Loss)/profit before interest, depreciation and amortisation	(119)	(48)	19
Depreciation and amortisation	–	–	–
(Loss)/profit before interest and taxation	(119)	(48)	19
Interest expense	–	(1)	(1)
Interest income	2	3	5
(Loss)/profit before taxation	(117)	(46)	23
Taxation	–	(7)	(7)
(Loss)/profit after taxation	(117)	(53)	16
Income from equity accounted investments	–	–	–
(Loss)/profit from discontinued operations	(117)	(53)	16
Attributable to:			
– Owners of Murray & Roberts Holdings Limited	(117)	(38)	32
– Non-controlling interests	–	(15)	(16)
	(117)	(53)	16

4.2 CASH FLOWS FROM DISCONTINUED OPERATIONS INCLUDE THE FOLLOWING:

R millions	31 December 2020	31 December 2019	30 June 2020
Cash flow from operating activities	(21)	(40)	(429)
Cash flow from investing activities	–	21	21
Cash flow from financing activities	–	–	–
Net decrease in cash and cash equivalents	(21)	(19)	(408)

5. WEIGHTED AVERAGE NUMBER OF SHARES

	31 December 2020	31 December 2019	30 June 2020
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	(17 688)	(16 219)	(15 785)
Weighted average number of shares used for basic per share calculation	395 352	396 821	397 255
Add: Dilutive adjustment	9 866	8 073	5 725
Weighted average number of shares used for diluted per share calculation	405 218	404 894	402 980

6. RECONCILIATION OF HEADLINE (LOSS)/EARNINGS

R millions	31 December 2020	31 December 2019	30 June 2020
(Loss)/profit attributable to owners of Murray & Roberts Holdings Limited	(167)	163	(352)
Profit on disposal of property, plant and equipment	(5)	(6)	(49)
Loss on disposal of property, plant and equipment	31	1	1
Impairment of property, plant and equipment	–	–	12
Impairment of goodwill	–	–	63
Impairment of non-current assets held for sale	39	–	–
Fair value gain on investment in associate	(1)	–	–
Taxation effects on adjustments	(8)	2	8
Headline (loss)/earnings	(111)	160	(317)
Adjustments for discontinued operations:			
Loss/(profit) from discontinued operations	117	38	(32)
Impairment of non-current assets held for sale	(39)	–	–
Headline (loss)/earnings from continuing operations	(33)	198	(349)
Headline (loss)/earnings per share from continuing and discontinued operations (cents)			
– Diluted	(28)	40	(80)
– Basic	(28)	40	(80)
Headline (loss)/earnings per share from continuing operations (cents)			
– Diluted	(8)	49	(88)
– Basic	(8)	50	(88)

7. GOODWILL

R millions	31 December 2020	31 December 2019	30 June 2020
At beginning of period	1 125	958	958
Acquisition of businesses*	9	47	11
Impairment of goodwill	–	–	(63)
Foreign exchange movements	(12)	(1)	219
	1 122	1 004	1 125

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired. No goodwill has been impaired in the current period.

** Business acquisitions in the current period are not considered significant.*

8. CONTRACTS-IN-PROGRESS AND CONTRACT RECEIVABLES

R millions	31 December 2020	31 December 2019	30 June 2020
Contracts-in-progress (cost incurred plus recognised profits, less recognised losses and amounts invoiced)	1 560	1 984	1 817
Uncertified claims and variations less payments received on account of R303 million (FY2020: R357 million)	1 083	802	1 084
Amounts receivable on contracts (net of impairment provisions)	2 409	3 105	2 699
Retentions receivable (net of impairment provisions)	522	263	439
	5 574	6 154	6 039
Advance payments received and excess billings	(4 986)	(3 527)	(3 543)
Uncertified claims and variations included in advance payments received and excess billings	17	43	–
	605	2 670	2 496
Disclosed as:			
Amounts due from contract customers - current	5 574	6 154	6 039
Amounts due to contract customers - current	(4 969)	(3 484)	(3 543)
	605	2 670	2 496

UPDATE ON THE GROUP'S CLAIM PROCESSES

Since the end of the previous financial year, the Group's uncertified revenue remained unchanged at R1,1 billion. It has become more difficult to settle claims expediently with clients considering the uncertainty brought about by COVID-19 pandemic. The Group, however, remains confident that revenue recognised as uncertified will be certified and paid once attendant commercial matters have been resolved.

9. OTHER NON-CURRENT ASSETS

R millions	31 December 2020	31 December 2019	30 June 2020
Other non-current assets comprise of the following:			
Investment at fair value through profit or loss (note 10.1)	1 332	1 427	1 225
Intangible assets excluding goodwill	424	448	506
Other non-current receivables	2	106	20
Net investment in the lease	36	90	76
Other investments	2	2	2
	1 796	2 073	1 829

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 2020.

R millions	31 December 2020	31 December 2019	30 June 2020
Categories of financial instruments			
Financial assets			
Financial assets designated as fair value through profit or loss (level 3)	1 335	1 427	1 225
Amortised cost	8 097	7 879	8 085
Financial liabilities			
Amortised cost	6 592	6 544	7 208

10.1 FINANCIAL ASSETS DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS

R millions	31 December 2020	31 December 2019	30 June 2020
Investment in infrastructure service concession (level 3)[9]			
At beginning of period	1 225	1 434	1 434
Dividends received	–	(205)	(328)
Fair value adjustment recognised in the statement of financial performance	107	198	119
	1 332	1 427	1 225

[9] The investment is reflected at fair value through profit or loss as the investment meets the requirements of IAS28.18 with regards to venture capital organisations or similar entities, as the transaction did not result in a change of control. The fair value of the Bombela Concession Company Proprietary Limited ("BCC") is calculated using discounted cash flow models and a market discount rate of 16,25% (FY2020: 16,25%). 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 period. 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.

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

Operating cost also includes a Railway Usage Fee ("RUF") which constitutes a fee for the use of the system owned by Gauteng Province. The fee is 50% of the concessionaire's excess free cash flow above an 18% real rate of return. The fee reduces to 35% should the concessionaire comply with certain Socio-Economic Development ("SED") obligations. Historically, the SED obligations have been achieved and the valuation is based on the SED obligations being achieved. If these obligations are not achieved, then the result would be a decrease in the value of the concession investment of R284 million (FY2020: R282 million).

Revenue based on patronage is underpinned by the Gauteng Province. The Patronage Guarantee is the difference between the Minimum Required Total Revenue ("MRTR") and the Actual Total Revenue ("ATR") in each month. Revenue below the MRTR is a BCC risk. A 1% shortfall in patronage revenue below the MRTR reduces the value of the concession investment by approximately R12 million (FY2020: R12 million). The impact of COVID-19 for the financial year ended 30 June 2021 is included in the discounted cash flow model. Thereafter, it is assumed that patronage will return to pre-COVID-19 levels and owing to the Patronage Guarantee, no further revenue reductions were forecast for the subsequent years. In this regard, annual revenue, prior to COVID-19, was predictable in nature and was in excess of MRTR. Furthermore, to date, the Gauteng Province has honoured its Patronage Guarantee. The impact of COVID-19 is lessened by a business interruption policy taken out by BCC. Management has taken a view, based on Senior Counsel's opinion, that it is probable the policy will be honoured and a discounted value of R100 million is included in the fair value calculation.

A decrease of 1% in the discount rate would result in an increase in the value of the concession investment of approximately R40 million (FY2020: R42 million).

11. CONTINGENT LIABILITIES

As a contracting Group, Murray & Roberts is in the ordinary course of its business involved in various disputes, a number of which arise when operations and projects are closed out and finalised. Depending on the merits, disputes can translate into claims and legal proceedings, which Murray & Roberts always rigorously defends. Where Murray & Roberts, in consultation with its legal advisors and counsel, believes the claims are predicated on weak and/or spurious grounds, and Murray & Roberts has sound and strong defences, no provision is made for any such claim, and they are aggregated and disclosed as contingent liabilities. 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. Refer to note 15 for events after reporting date, impacting guarantees disclosed at 31 December 2020.

R millions	31 December 2020	31 December 2019	30 June 2020
Contingent liabilities	5 504	3 397	4 782
Financial institution guarantees	9 073	8 373	7 970

12. DIVIDEND

On an annual basis, the board of directors of the Company ("Board") considers a dividend post-year end. As a result of the significant growth in the Group's order book and ongoing uncertainty brought about by COVID-19, the Board will prioritise retaining sufficient capacity to deliver the order book. No interim dividend has been declared.

13. SUPPLEMENTARY INFORMATION

	31 December 2020	31 December 2019	30 June 2020
Net asset value per share (Rands)	11	12	13
Dividends per share (cents)	–	–	–

14. RELATED PARTY TRANSACTIONS

There have been no significant changes to the nature of related party transactions since 30 June 2020 or any transactions outside the normal course of business.

15. EVENTS AFTER REPORTING DATE

The directors are not aware of any matter or circumstance arising after the period ended 31 December 2020, not otherwise dealt with in the Group's interim results, which significantly affects the financial position at 31 December 2020 or the results of its operations or cash flows for the period then ended.

On 21 July 2020, a call on two guarantees for the completed Al Mafraq project was made without cause by a client in the Middle East. On 16 January 2021, without formal notice, the call on the two guarantees issued by a Dubai-based bank was implemented by the bank. The bank debited the joint venture bank account with AED474 million, placing the joint venture account into overdraft of an equivalent amount, and paid the funds over to the client. The bank has no direct access to the funds of Murray & Roberts Limited, and will have to pursue a claim under Murray & Roberts Limited parent guarantees through an inter-jurisdictional legal process. The parent guarantees are limited to a third of the amount paid out by the bank. The payout under these securities is not expected to have any income statement impact, nor any direct cash flow implications for the Group.