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Murray & Roberts Holdings Limited - Reviewed Interim Results For The

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

REVIEWED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

SALIENT FEATURES

- Lost time injury frequency rate improved to 0.82 (December 2012: 0.85), but regrettably two fatal incidents (December 2012: 0) were reported
- Revenue from continuing operations improved to R19 billion (December 2012: R16,3 billion)
- Attributable earnings improved to R724 million (December 2012: R262 million)
- Diluted HEPS from continuing operations improved by 41% to 62 cents (December 2012: 44 cents), diluted HEPS improved by 25% to 86 cents (December 2012: 69 cents)
- Robust order book of R44,9 billion (December 2012: R48,3 billion)
- Improved net cash position of R2 billion (December 2012: R1,1 billion)
- Acquisition of Clough minority shares and delisting
- Sale of Construction Products businesses nearing conclusion

A NEW STRATEGIC FUTURE

Murray & Roberts is in the final year of its three-year Recovery & Growth strategy, which returned the Group to profitability and established a foundation for growth. The Group successfully delivered its Recovery Year and has substantially achieved all of the strategic objectives that were set for its two Growth Years. Profitability in the South African operations continues to be a priority.

The Recovery & Growth plan created a stronger financial basis and returned focus to the Group?s core competency of engineering and construction, with increased emphasis on the natural resources markets of oil & gas and metals & minerals, which have been identified as the sectors presenting the best sustainable growth potential in the medium-to long term.

The Group is now developing its next strategic phase; A New Strategic Future. The prime objective of this strategy is to optimise shareholder return by investing in specific growth market sectors and to expand the Group?s business into more profitable segments of the engineering and construction value chain.

AFRICA STRATEGY

Implementation of the Group?s hub-and-spoke strategy for Africa is progressing well. Representative offices have been established in West Africa (Ghana ? Accra) since January 2013 and in Central Africa (Zambia ? Kitwe) since October 2013. The office in Maputo, Mozambique, will be opened in the first quarter of calendar year 2014. Extensive market engagement is underway to develop business opportunities in these regions.

HEALTH AND SAFETY

The Board deeply regrets the death of two (2) employees (December 2012: 0) who sustained fatal injuries while on duty and extends its heartfelt condolences to the families, friends and colleagues of the deceased. Unfortunately, two further fatal incidents occurred in the first two months of the calendar year.

For the period under review, the Group achieved a lost time injury frequency rate of 0.82 (December 2012: 0.85) which is better than the target of 0.9.

The occurrence of fatal incidents, despite significant progress achieved in safety improvement programmes, deeply concerns the Board. The Group continues to focus on operational discipline and entrenching safety management practices and procedures in order to prevent the occurrence of such tragedies.

The Group?s employee health and wellness programme, Philisa, which includes initiatives for the prevention, early identification and management of all occupational health and wellness conditions, has been launched.

FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

The Attributable Earnings graph reflects Attributable Earnings and Earnings per Share for the half year periods beginning financial year 2010. It should be noted that the after tax profit of R223 million on the disposal of Clough?s investment in Forge in the second half of Financial Year 2013 was reported as part of continuing operations in the Group?s results, but was reclassified as discontinued in the graph.

For the six months of Financial Year 2014, the Group generated revenue of R19 billion (December 2012: R16,3 billion) and reported attributable profit of R724 million (December 2012: R262 million). This significant growth was primarily recorded in discontinued operations which include profit on disposal of the Group?s construction products businesses. Diluted earnings per share was 175 cents (December 2012: 64 cents per share). Diluted headline earnings per share was 86 cents (December 2012: 69 cents per share) and diluted continuing headline earnings per share was 62 cents (December 2012: 44 cents) representing growth of 41%.

At 31 December 2013, the Group?s net cash position was R2 billion (December 2012: R1,1 billion) and this is after the conclusion of the R4,4 billion Clough transaction in December 2013.

The Group?s order book moderately decreased to R44,9 billion (December 2012: R48,3 billion) which is considered to be a strong position given the continued softness in various of the Group?s markets.

OPERATING PERFORMANCE**

Regional Platform ? Construction Africa and Middle East:

	Construction Africa		Marine		Middle East		Total	
December	2013	2012	2013	2012	2013	2012	2013	2012
R millions								
Revenue	3 243	2 993	98	184	434	286	3 775	3 463
Operating profit/(loss)	149	34	(5)	45	(12)	(46)	132	33
Margin (%)	5%	1%	(5%)	24%	(3%)	(16%)	3%	1%
LTIFR (Fatalities)	0.49(0)	0.86(0)	0(0)	0(0)	0(0)	0.35(0)	0.29(0)	0.68(0)
Order book	6 550	6 886	220	314	1 855	1 447	8 625	8 647

Revenues increased 9% to R3,8 billion (December 2012: R3,5 billion) with an operating profit of R132 million (December 2012: R33 million). The order book remained stable at R8,6 billion (December 2012: R8,6 billion). The margin in Construction Africa is attributed to Tolcon and Murray & Roberts Concessions.

The platform returned an improved profit for the first six months of the year. The local market is still a highly competitive environment with low margins. New orders were secured in the Roads & Earthworks and Buildings businesses although the order book in the civil and mining businesses is weak. The business in the Middle East secured its first project award in more than two years for a residential development in joint-venture at Al-Raha Beach in Abu Dhabi.

Intermittent labour stoppages were experienced during the period under review. Resolution of several outstanding commercial matters at Medupi, the loss making opencast mining project at Lonmin and closeout of subcontractors on legacy projects in the Middle East will be a priority in the second half of the financial year.

Regional Platform ? Engineering Africa:

	Power Programme1		Engineering2		Total	
December	2013	2012	2013	2012	2013	2012
R millions						
Revenue	1 971	2 010	318	538	2 289	2 548
Operating profit/(loss)	106	96	(59)	(61)	47	35
Margin (%)	5%	5%	(19%)	(11%)	2%	1%
LTIFR (Fatalities)	0.83(0)	0.77(0)	0.43(0)	0.50(0)	0.73(0)	0.61(0)
Order book	5 623	7 093	573	627	6 196	7 720

1 Murray & Roberts Projects power programme contracts and Genrec.
2 Includes Wade Walker, Concor Engineering, Murray & Roberts Water and Murray & Roberts Projects non-power programme projects.

Revenues decreased 10% to R2,3 billion (December 2012: R2,5 billion), whilst operating profit increased to R47 million (December 2012: R35 million). Work on the Eskom power programme returned acceptable financial results and reduced losses were reported for the engineering businesses. The order book decreased to R6,2 billion (December 2012: R7,7 billion) as construction on the Medupi and Kusile power station projects progresses and due to the delayed adjudication on several large tenders.

Murray & Roberts Projects is well positioned in the renewable energy sector and orders are expected to be secured early in the new financial year. Concor Engineering and Wade Walker are struggling to build order book, but both businesses are well positioned in bids on three substantial projects. Genrec has a stable order book and is focussing on further enhancing operational efficiencies, whilst Murray & Roberts Water is developing its order book and prospects remain positive.

International Platform ? Construction Global Underground Mining:

	Africa		Australasia		The Americas		Total	
December	2013	2012	2013	2012	2013	2012	2013	2012
R millions								
Revenue	1 537	1 614	363	552	1 452	1 853	3 352	4 019
Operating (loss)/profit	(7)	(137)	33	51	67	172	93	86
Margin (%)	0%	(9%)	9%	9%	5%	9%	3%	2%
LTIFR (Fatalities)	2.73(1)	2.26(0)	2.12(0)	0(0)	0.72(0)	1.11(0)	2.40(1)	1.95(0)
Order book	4 372	4 621	1 375	831	3 769	3 619	9 516	9 071

Revenues decreased 17% to R3,4 billion (December 2012: R4 billion), while operating profit increased to R94 million (December 2012: R86 million). The order book increased marginally to R9,5 billion (December 2012: R9,1 billion).

The African operations experienced mixed fortunes and reported a significantly reduced loss for the first six months. The South African operations continue to be impacted by the losses incurred at the Impumelelo mine project for Sasol, although a strong contribution was made by the operations in Zambia. Work has commenced on De Beers? Venetia diamond mine and R600 million for early works is reflected in the Group?s order book ? additional order value to be included post commercial close. This project represents a significant long-term opportunity for the African operations.

The business in the Americas reported a sharp decline in revenue and profit due to very tough market conditions. Although market conditions in the Americas remain challenging, there are encouraging signs of market improvement. The business in Canada is tendering on a few new projects and the North American business now holds a strong order book after the recent award of two large projects on the Kennecott Utah Copper and Lundin Eagle Nickel and Copper mines.

Tough market conditions persist in the Australian market and an upturn in the near future is unlikely. This business is thus expanding its reach into the Asia Pacific region and it is active in Indonesia and commenced with its first raise boring contract in the Philippines. The Australian business secured an order at the Oyu Tolgoi project in Mongolia before the project was stopped several months ago and it is anticipated that operations will recommence this year.

International Platform ? Construction Australasia Oil & Gas and Minerals3:

	Engineering		Projects		Commissioning and Asset Support		Fabrication, Corporate overheads and Other		Total	
December	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
R millions										
Revenue	2 524	2 070	4 713	3 131	898	516	1 431	597	9 566	6 314
Operating profit/(loss)	392	298	185	216	139	39	(248)	(219)	468	334
Margin (%)	16%	14%	4%	7%	15%	8%	(17%)	(37%)	5%	5%
LTIFR (Fatalities)									0.24(1)	0.09(0)
Order book	8 264	7 005	6 962	11 455	4 970	3 177	229	380	20 425	22 017

3 Excluding Forge in 2012. Forge was an associate and was equity accounted at 36% at December 2012 within Clough?s consolidated results. Forge was sold during March 2013.

Revenue and operating profit increased strongly to R9,6 billion (December 2012: R6,3 billion) and R468 million (December 2012: R334 million) respectively. The order book decreased marginally to R20,4 billion (December

2012: R22 billion), however Clough Limited (?Clough?) is actively pursuing prospects across the oil & gas sectors in Australia and Papua New Guinea.

Murray & Roberts completed the acquisition of all the minority shares in Clough on 11 December 2013 and Clough subsequently delisted from the Australian Stock Exchange. Clough is now a wholly owned subsidiary of Murray & Roberts. Clough is a leading engineering and construction company in the Australasian oil & gas market sector and is an integral part of the Group?s long term growth plans.

Clough delivered a strong operational and financial result during the period under review and it is expected that this performance will continue during the second half of the year. Clough maintained a strong project order book and is planning to grow its share in the engineering, commissioning and asset support business of large-scale oil & gas facilities in Australia, Papua New Guinea and further afield.

Disposal of non-core assets:

	Steel Reinforcing Products		Clough Marine Services & Properties		Properties SA		Construction Products Africa[5]		Total	
December	2013	2012[4]	2013	2012	2013	2012	2013	2012	2013	2012
R millions										
Revenue	63	422	8	27	1	2	1 365	1 928	1 437	2 379
Operating profit/(loss)	2	15	(29)	(2)	1	2	668	109	642	124
Margin (%)	3%	4%	(363%)	(7%)	100%	100%	49%	6%	45%	5%
Order book	-	-	-	-	-	-	155	863	155	863

4 Restated for adoption of IFRS 11: Joint Arrangements. The results of affected joint ventures are now equity accounted rather than proportionately consolidated.

5 Includes Hall Longmore, Rocla, Much Asphalt, Technicrete, Ocon Brick and UCW (only included in 2012).

The Group successfully disposed of Much Asphalt, Ocon Brick, Technicrete and Rocla in 2013. Finalisation of the sale of the Hall Longmore business is at an advanced stage and the Group expects Competition Commission approval in the first quarter of the calendar year.

UPDATE ON THE GROUP?S MAJOR CLAIMS PROCESSES

Gautrain Delay & Disruption Claim ? This is by far the largest element of the Gautrain claims. The legal process on this multi-billion rand claim is progressing. This is a very complex process and the claim is expected to be settled no sooner than 2016. Any award will attract interest dating from 2009 to the date of award.

Gautrain Sandton Cavern Claim ? The merits of this claim was ruled by the arbitrator in favour of the Bombela Civil Joint Venture in October 2013. The quantum hearing is scheduled for July 2015.

Gautrain Water Ingress Dispute ? In November 2013 an arbitration award was made in the Gautrain water ingress dispute between the Gauteng Province and the Bombela Concession Company. The Tribunal supported Province?s interpretation of the water ingress specification for the amount of ground water contractually allowed to drain through the Gautrain tunnel and ruled that in certain parts of the tunnel the non-compliance with specification could be settled through financial compensation and in other parts (sections between Park Station and Rosebank Station) additional works by the Bombela Civil Joint Venture (of which Murray & Roberts has a 45% shareholding) would be required to meet the specification.

A panel of technical experts and design consultants have been appointed to design a technical solution to the water ingress and the Bombela Civil Joint Venture should be in a position towards September 2014 to have a reasonable view of the potential cost and other implications of any remedial works to the Park and Rosebank station hubs.

Given the uncertainty at this stage of the potential financial implication of this ruling, no financial provision has been made in the Group?s financial accounts. This matter is a contingent liability.

Gorgon Pioneer Materials Offloading Facility (?GPMOF?) ? As previously reported, the merits of the design change claim on GPMOF in Australia was ruled in Murray & Roberts? favour by the arbitrator during June 2013 and the hearing on the claim quantum is scheduled to commence in July 2014. It is expected that the quantum of design change claim will be determined by

December 2014. There are also several additional claims that are being progressed on this project.

Dubai International Airport ? The arbitration for the Dubai International Airport claim is ongoing. The parties are considering an alternative settlement mechanism to the legal process of arbitration.

UNCERTIFIED REVENUES

Total uncertified revenue, largely represented by the Group?s outstanding major claims on Gautrain Delay & Disruption, GPMOF and Dubai International Airport, reduced to R1,8 billion (June 2013: R2,1 billion).

The Group?s uncertified revenue on the projects mentioned above is considerably lower than the estimated value of its claims.

COMPETITION COMMISSION

The Board rejects any form of anti-competitive behaviour in the Group. There are five (5) remaining historical incidents of collusive conduct, excluded from the concluded Fast-Track Settlement Process (?FTSP?), still to be settled with the Competition Commission. The Board is of the view that the potential penalties on these transgressions will not be material compared to the penalty imposed on the conclusion of the FTSP and it remains committed to concluding this matter rapidly for the benefit of all stakeholders. The Group has provided for a potential penalty in the FY2013 accounts.

Six former directors of subsidiary companies were implicated in the Competition Commission?s investigation. These persons are no longer employed by the Group; the last of whom left in 2010. Murray & Roberts has committed to take action against these former executives, which it is in the process of doing. Relevant information is being shared with the South African Police Service and the former executives have been informed accordingly. The Group is also pursuing further action and is in discussions with them in this regard.

Current management is not implicated in any anti-competitive practices and has taken decisive steps to ensure that such practices will not be repeated.

DIVIDEND

The Board has resolved not to declare a dividend for the six months under review.

APPRECIATION

We thank our employees for their commitment and contribution in delivering this set of Group results. We would also like to thank all our stakeholders for their ongoing support.

CHANGES TO THE BOARD

Ms. Thenjiwe Chikane resigned from the Board on 20 August 2013 and Mr. Michael McMahon was appointed to the Audit & Sustainability Committee on 18 September 2013. Mr. Bert Kok has been appointed as the company secretary of Murray & Roberts with effect from 26 February 2014. Mrs. Rentia Joubert has stepped down as company secretary to take up another position within the Group.

PROSPECTS STATEMENT

The Board is pleased with the Group?s improved financial position as reported for the first six months of the year and expects the earnings growth trend to continue in the medium-to long term.

The information on which this prospects statement is based has not been reviewed or reported on by the Group?s external auditors.

On behalf of the directors:

Mahlape Sello	Henry Laas	Cobus Bester
Chairman of the Board	Group Chief Executive	Group Financial Director

Bedfordview
27 February 2014

** The operating performance information disclosed has been extracted from the Group?s operational reporting systems. The ?LTIFR? information has not been subject to a review by the Group?s auditors. The Corporate & Properties segment is excluded from the operational analysis. Unless otherwise noted, all comparisons are to the Group?s performance as at and for the six month period ended 31 December 2012.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

R millions	Reviewed 6 months to 31 December 2013	Reviewed 6 months to 31 December 2012	Audited Annual 30 June 2013
Continuing operations			
Revenue	18 982	16 344	34 575
Profit before interest, depreciation and amortisation	1 017	764	2 446
Depreciation	(332)	(349)	(707)
Amortisation of intangible assets	(16)	(15)	(33)
Profit before interest and taxation (note 2)	669	400	1 706
Net interest income/(expense)	2	(76)	(115)
Profit before taxation	671	324	1 591
Taxation	(271)	(109)	(545)
Profit after taxation	400	215	1 046
Income from equity accounted investments	-	112	165
Profit from continuing operations	400	327	1 211
Profit from discontinued operations (note 3)	463	93	259
Profit for the period	863	420	1 470
Attributable to:			
? Owners of Murray & Roberts Holdings Limited	724	262	1 004
? Non-controlling interests	139	158	466
	863	420	1 470
Profit per share from continuing and discontinued operations (cents)			
? Diluted	175	64	245
? Basic	178	64	247
Profit per share from continuing operations (cents)			
? Diluted	63	43	183
? Basic	64	44	185
Net asset value per share (Rands)	12	14	16
Supplementary statement of financial performance information			
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	(1 959)	(4 753)	(3 189)
Less: Weighted average number of shares held by the Letsema BBBEE trusts	(31 817)	(31 884)	(31 863)
Less: Weighted average number of shares held by the subsidiary companies	(4 758)	(1 303)	(2 809)
Weighted average number of shares used for basic per share calculation	406 202	406 796	406 875
Add: Dilutive adjustment for share options	7 543	4 012	3 813
Weighted average number of shares used for diluted per share calculation	413 745	410 808	410 688
Headline profit per share from continuing and discontinued operations (cents) (note 4)			
? Diluted	86	69	186
? Basic	88	69	188
Headline profit per share from continuing operations			

(cents) (note 4)			
? Diluted	62	44	132
? Basic	63	44	134

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

R millions	Reviewed 6 months to 31 December 2013	Reviewed 6 months to 31 December 2012	Audited Annual 30 June 2013
Items that may be reclassified subsequently to profit or loss:			
Profit for the period	863	420	1 470
Effects of cash flow hedges	(3)	8	14
Taxation related to effects of cash flow hedges	1	(2)	(4)
Foreign currency translation movements	212	134	190
Total comprehensive income for the period	1 073	560	1 670
Attributable to:			
? Owners of Murray & Roberts Holdings Limited	867	345	1 116
? Non-controlling interests	206	215	554
	1 073	560	1 670

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

R millions	Reviewed 6 months to 31 December 2013	Reviewed6 6 months to 31 December 2012	Audited6 Annual 30 June 2013
ASSETS			
Non-current assets	7 495	8 072	7 162
Property, plant and equipment	3 177	2 980	3 055
Goodwill	490	438	488
Deferred taxation assets	663	638	657
Investments in associate companies	25	1 013	34
Amounts due from contract customers (note 5)	2 072	2 181	2 003
Other non-current assets	1 068	822	925
Current assets	12 059	12 422	15 591
Inventories	218	315	349
Trade and other receivables	2 216	2 809	2 022
Amounts due from contract customers (note 5)	5 362	5 259	6 876
Current taxation assets	-	-	60
Cash and cash equivalents	4 263	4 039	6 284
Assets classified as held-for-sale	698	2 203	1 774
TOTAL ASSETS	20 252	22 697	24 527
EQUITY AND LIABILITIES			
Total equity	5 423	7 581	8 698
Attributable to owners of Murray & Roberts Holdings Limited	5 393	6 251	7 041
Non-controlling interests	30	1 330	1 657
Non-current liabilities	1 829	1 918	1 958
Long term liabilities7	354	547	534
Long term provisions	280	189	239
Deferred taxation liabilities	220	166	151
Other non-current liabilities	975	1 016	1 034
Current liabilities	12 935	12 614	13 210
Amounts due to contract customers (note 5)	3 254	3 312	3 406
Accounts and other payables	7 459	6 806	7 830
Current taxation liabilities	282	139	545
Bank overdrafts7	-	1 302	898
Short term loans7	1 940	1 055	531
Liabilities directly associated with assets classified as held-for-sale	65	584	661
TOTAL EQUITY AND LIABILITIES	20 252	22 697	24 527

6 Restated for adoption of IFRS 11: Joint Arrangements. The results of affected joint ventures are now equity accounted rather than proportionately consolidated.
7 Interest-bearing borrowings.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

R millions	Stated capital	Other reserves	Retained earnings	Attributable to owners of Murray & Roberts Holdings Limited	Non-controlling interests	Total
Balance at 30 June 2012 (Audited)	2 710	625	2 552	5 887	1 215	7 102
Total comprehensive income for the period	-	83	262	345	215	560
Issue of shares to non-controlling interests	-	-	-	-	1	1
Net movement in non-controlling interests loans	-	-	-	-	(29)	(29)
Transfer to non-controlling interests	-	(2)	-	(2)	2	-
Recognition of share-based payment	-	21	-	21	-	21
Dividends declared and paid	-	-	-	-	(74)	(74)
Balance at 31 December 2012 (Reviewed)	2 710	727	2 814	6 251	1 330	7 581
Total comprehensive income for the period	-	29	742	771	339	1 110
Treasury shares disposed (net)	4	-	-	4	-	4
Net movement in non-controlling interests loans	-	-	-	-	(10)	(10)
Transfer to non-controlling interests	-	(3)	-	(3)	3	-
Repayment of non-controlling interest shareholding	-	-	-	-	(2)	(2)
Issue of shares to non-controlling interests	-	-	-	-	4	4
Transfer to retained earnings	-	(16)	16	-	-	-
Recognition of share-based payment	-	27	-	27	-	27
Dividends declared and paid8	-	-	(9)	(9)	(7)	(16)
Balance at 30 June 2013 (Audited)	2 714	764	3 563	7 041	1 657	8 698
Total comprehensive income for the period	-	143	724	867	206	1 073
Treasury shares acquired (net)	(27)	-	-	(27)	-	(27)
Recognition of share-based payment	-	29	-	29	-	29

Issue of shares to non-controlling interests	-	-	-	-	6	6
Disposal of businesses	-	(1)	-	(1)	(24)	(25)
Transfer to non-controlling interests	-	(3)	-	(3)	3	-
Acquisition of existing non-controlling interests	-	-	(2 510)	(2 510)	(1 424)	(3 934)
Dividends declared and paid8*	-	-	(3)	(3)	(394)	(397)
Balance at 31 December 2013 (Reviewed)	2 687	932	1 774	5 393	30	5 423

8 Dividends relate to distributions made by entities that hold treasury shares.

* The dividends paid to non-controlling interests represent the special dividend paid by Clough as part of the agreement for the acquisition of the Clough non-controlling interests.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

R millions	Reviewed 6 months to 31 December 2013	Reviewed6 6 months to 31 December 2012	Audited6 Annual 30 June 2013
Cash generated by operations	1 661	545	2 045
Interest received	118	50	142
Interest paid	(102)	(128)	(265)
Taxation paid	(593)	(96)	(271)
Operating cash flow	1 084	371	1 651
Dividends paid to owners of Murray & Roberts Holdings Limited	(3)	-	(9)
Dividends paid to non-controlling interests	(1)	(74)	(81)
Cash flow from operating activities	1 080	297	1 561
Acquisition of businesses	-	-	(84)
Dividends received from associate companies	-	26	71
Purchase of intangible assets other than goodwill	(22)	(11)	(21)
Purchase of property, plant and equipment by discontinued operations	(23)	(4)	(42)
Purchase of property, plant and equipment	(488)	(554)	(1 089)
? Replacements	(141)	(151)	(321)
? Additions	(347)	(403)	(768)
Proceeds on disposal of property, plant and equipment	86	25	129
Proceeds on disposal of businesses (note 7)	1 150	80	403
Proceeds on disposal of assets held-for-sale	17	72	143
Advance payment in respect of property disposals	-	-	45
Proceeds on disposal of investment in associate	-	-	1 784
Repayment of investment in associate loan	-	-	4
Cash related to equity accounted joint ventures held-for-sale	-	5	(4)
Cash related to disposal of businesses	(30)	-	(74)
Cash related to assets held-for-sale	21	(104)	(23)
Proceeds from realisation of investment	126	66	132
Other (net)	2	4	3

Cash flow from investing activities	839	(395)	1 377
Net increase/(decrease) in borrowings	1 138	(641)	(1 189)
Treasury shares (purchased)/disposed (net)	(27)	-	4
Proceeds on share issue to non-controlling interests	6	1	5
Acquisition of Clough non-controlling interests (note 7)	(4 395)	-	-
Repayment of non-controlling interest shareholding	-	-	(2)
Cash flow from financing activities	(3 278)	(640)	(1 182)
Net (decrease)/increase in cash and cash equivalents	(1 359)	(738)	1 756
Net cash and cash equivalents at beginning of period	5 386	3 349	3 349
Effect of foreign exchange rates	236	126	281
Net cash and cash equivalents at end of period	4 263	2 737	5 386
Net cash and cash equivalents comprises of:			
Cash and cash equivalents	4 263	4 039	6 284
Bank overdrafts	-	(1 302)	(898)
Net cash and cash equivalents at end of period	4 263	2 737	5 386

CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

R millions	Reviewed 6 months to 31 December 2013	Reviewed[6] 6 months to 31 December 2012	Audited[6] Annual 30 June 2013
Revenue[9]			
Construction Africa and Middle East	3 775	3 463	6 834
Engineering Africa	2 289	2 548	5 036
Construction Global Underground Mining	3 352	4 019	7 904
Construction Australasia Oil & Gas and Minerals	9 566	6 314	14 800
Corporate & Properties	-	-	1
Continuing operations	18 982	16 344	34 575
Discontinued operations	1 437	2 379	4 638
Revenue	20 419	18 723	39 213
Continuing operations			
Profit before interest and Taxation[10]			
Construction Africa and Middle East	132	33	(28)
Engineering Africa	47	35	137
Construction Global Underground Mining	93	86	318
Construction Australasia Oil & Gas and Minerals	468	334	1 502
Corporate & Properties	(71)	(88)	(223)
Profit before interest and taxation	669	400	1 706
Net interest income/(expense)	2	(76)	(115)
Profit before taxation	671	324	1 591
Discontinued operations			
Profit before interest and Taxation[10]	642	124	351
Net interest income/(expense)	14	(1)	(8)
Profit before taxation	656	123	343

9 Revenue is disclosed net of inter-segmental revenue. Inter-segmental revenue for the Group is R33 million (2012: R167 million and June 2013: R169 million).
10 The chief operating decision maker utilises profit/(loss) before interest and taxation in the assessment of a segment?s performance.

SEGMENTAL ASSETS

AT 31 DECEMBER 2013

R millions	Reviewed 6 months to 31 December 2013	Reviewed6 6 months to 31 December 2012	Audited6 Annual 30 June 2013
Construction Africa and Middle East	5 739	5 096	6 415
Engineering Africa	1 540	1 776	1 837
Construction Products Africa	869	2 311	2 097
Construction Global Underground Mining	2 997	3 305	3 465
Construction Australasia Oil & Gas and Minerals	3 339	4 315	3 478
Corporate & Properties	842	1 217	234
	15 326	18 020	17 526
Reconciliation of segmental assets			
Total assets	20 252	22 697	24 527
Deferred taxation assets	(663)	(638)	(657)
Current taxation assets	-	-	(60)
Cash and cash equivalents	(4 263)	(4 039)	(6 284)
	15 326	18 020	17 526

SEGMENTAL LIABILITIES
AT 31 DECEMBER 2013

R millions	Reviewed 6 months to 31 December 2013	Reviewed6 6 months to 31 December 2012	Audited6 Annual 30 June 2013
Construction Africa and Middle East	5 016	4 524	5 171
Engineering Africa	1 361	1 381	1 686
Construction Products Africa	247	563	775
Construction Global Underground Mining	1 819	2 076	2 136
Construction Australasia Oil & Gas and Minerals	4 009	3 411	4 070
Corporate & Properties	1 875	1 554	397
	14 327	13 509	14 235
Reconciliation of segmental liabilites			
Total liabilities	14 829	15 116	15 829
Deferred taxation liabilities	(220)	(166)	(151)
Current taxation liabilities	(282)	(139)	(545)
Bank overdrafts	-	(1 302)	(898)
	14 327	13 509	14 235

NOTES

1. Basis of preparation

The Group operates in the construction, engineering and mining environment 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 are 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 Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are, with the exception of the adoption of a new accounting standard, IFRS 11: Joint Arrangements, consistent with those applied in the previous annual financial statements. In accordance with IFRS 11, the accounting for certain affected joint ventures has been changed from the proportionate accounting method to the equity accounting method and certain comparatives have been restated. These statements were compiled under the supervision of Mr AJ Bester (CA) SA, the Group financial director.

The 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 opinion 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.

2. Profit before interest and taxation

Profit before interest and taxation includes the following significant items:

R millions	31 December 2013	31 December 2012	30 June 2013
Profit on sale of associate, Forge Group Limited	-	-	681
Medupi Civils Joint Venture contract losses	-	-	(185)
	-	-	496
Items by nature			
Cost of sales	(17 236)	(14 854)	(31 558)
Distribution and marketing expenses	(4)	(4)	(19)
Administration expenses	(1 377)	(1 296)	(2 801)
Other operating income	304	210	1 509
	(18 313)	(15 944)	(32 869)

3. Profit from discontinued operations

The Group disposed of the majority of the businesses (comprising Much Asphalt, Rocla, Ocon Brick and Technicrete) in its Construction Products Africa platform for a consideration of R1 325 million on 31 October 2013 (effective date). Of the total consideration, R1 150 million was received on the effective date, R75 million is receivable 12 months after the effective date and R100 million is receivable 24 months after the effective date. The deferred element of the consideration is subject to certain contractual conditions that need to be met. Negotiations with potential buyers for the sale of Hall Longmore, the only remaining business in the Construction Products Africa platform, are ongoing.

3.1 Profit from discontinued operations

R millions	31 December 2013	31 December6 2012	30 June6 2013
Revenue	1 437	2 379	4 638
Profit before interest, depreciation and amortisation	642	158	411
Depreciation and amortisation	-	(34)	(60)
Profit before interest and taxation (note 3.2)	642	124	351
Net interest income/(expense)	14	(1)	(8)
Taxation expense	(193)	(31)	(85)
Income from investment in joint ventures	-	1	1
Profit from discontinued operations	463	93	259
Attributable to:			
? Owners of Murray & Roberts Holdings Limited	463	84	251
? Non-controlling interests relating to discontinued operations	-	9	8
	463	93	259

3.2 Profit before interest and taxation

Profit before interest and taxation includes the following significant items:			
Profit on disposal of businesses	553	50	139
Other impairments	(20)	(57)	(54)
	533	(7)	85

3.3 Cash flows from discontinued operations include the following:

Cash flow from operating activities	(9)	(18)	38
Cash flow from investing activities	1 133	(69)	387
Cash flow from financing activities	-	73	(192)
Net increase/(decrease) in cash and cash equivalents	1 124	(14)	233

4. Reconciliation of headline profit

R millions	31 December 2013	31 December 2012	30 June 2013
Profit attributable to owners of Murray & Roberts Holdings Limited	724	262	1 004
Profit on disposal of businesses (net)	(553)	(50)	(139)
Profit on disposal of associate (net)	-	-	(681)
(Profit)/loss on disposal of property, plant and equipment (net)	(9)	1	13
Impairment of other assets	8	20	32
Fair value adjustments and loss/(profit) on disposal of assets held-for-sale (net)	34	47	72
Reversal of impairment of associate	-	-	(13)
Fair value recognised on associate	-	-	(10)
Non-controlling interests effects on adjustments	(4)	4	141
Taxation effects on adjustments	156	(2)	346
Headline profit	356	282	765
Adjustments for discontinued operations:			
Profit from discontinued operations	(463)	(93)	(259)
Non-controlling interests	-	9	8
Profit on disposal of businesses (net)	553	50	139
Loss on disposal of property, plant and equipment (net)	-	-	(1)
Impairment of other assets	-	(20)	-
Fair value adjustments and (loss)/profit on disposal of assets held-for-sale (net)	(34)	(47)	(72)
Non-controlling interests effects on adjustments	1	(4)	(1)
Taxation effects on adjustments	(156)	2	(35)
Headline profit from continuing operations	257	179	544

5. Contracts-in-progress and contract receivables

R millions	31 December 2013	31 December 2012	30 June 2013
Contracts-in-progress (cost incurred plus recognised profits, less recognised losses)	2 854	2 149	3 067
Uncertified claims and variations (recognised in terms of IAS 11: Construction Contracts)	1 782	1 849	2 062
Amounts receivable on contracts (net of impairment provisions)	2 482	3 054	3 301
Retentions receivable (net of impairment provisions)	316	388	449
	7 434	7 440	8 879
Amounts received in excess of work completed	(3 254)	(3 312)	(3 406)
	4 180	4 128	5 473
Disclosed as:			
Amounts due from contract customers ? non-current	2 072	2 181	2 003
Amounts due from contract customers ? current	5 362	5 259	6 876
Amounts due to contract customers ? current	(3 254)	(3 312)	(3 406)
	4 180	4 128	5 473

The non-current amounts are considered by management to be recoverable.

6. Contingent liabilities

Contingent liabilities relate to disputes, claims and legal proceedings in the ordinary course of business. The Group does not account for any potential contingent liabilities where a back to back arrangement exists with clients or subcontractors, and there is a legal right to offset.

R millions	31 December 2013	31 December 2012	30 June 2013
Operating lease commitments	1 880	2 161	1 805
Contingent liabilities	1 833	1 280	1 470
Financial institution guarantees	10 549	10 639	10 491

With regards to Competition Commission matters, there are five remaining historical incidents of collusive conduct (excluded from the concluded Fast-Track Settlement Process) that still need to be settled with the Competition Commission. The Board is of the view that the potential penalties on these transgressions will not be material compared to the penalty paid on the conclusion of the Fast-Track Settlement Process and it remains committed to concluding this matter rapidly for the benefit of all stakeholders. The Group has provided for a potential penalty in the 2013 financial year.

An arbitration award has been made in the Gautrain water ingress dispute between Gauteng Province and the Bombela Concession Company. The Tribunal ruled that in certain parts of the tunnel the non-compliance with specification could be settled through financial compensation and in other parts additional works by the Bombela Civil Joint Venture (of which Murray & Roberts has a 45% shareholding) would be required to meet the specification. The Bombela Civils Joint Venture has appointed experts to perform a technical evaluation of the potential remedial work that may be required and their report is expected towards September 2014. The amount of the financial compensation and remedial work is yet to be determined and cannot be measured with sufficient reliability, as a result no provision has been raised.

7. Business disposals/acquisitions

The Group disposed of the majority of the businesses (comprising Much Asphalt, Rocla, Ocon Brick and Technicrete) in its Construction Products Africa platform for a consideration of R1 325 million on 31 October 2013. Refer to note 3 for additional information.

Murray & Roberts completed the acquisition of all the non-controlling interests shares in Clough Limited (?Clough?) on 11 December 2013 for a consideration of R4 395 million (including transaction costs). The acquisition was funded through a combination of Clough on-balance sheet cash of R2 927 million as well as an external bridge facility of R1 468 million.

8. Dividend

The Board has resolved not to declare a dividend.

9. Related party transactions

There have been no significant changes to the nature of related party transactions since 30 June 2013.

10. Events after reporting date

The directors are not aware of any matter or circumstance arising after the period ended 31 December 2013, not otherwise dealt with in the Group?s interim results, which significantly affects the financial position at 31 December 2013 or the results of its operations or cash flows for the period then ended.

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Disclaimer
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