Conference call transcript

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PLATFORM PRESENTATIONS

Ed Jardim

Welcome to the 2017 Business platform presentations. I would also like to welcome our stakeholders in the room with us and those on the call and on the webcast. Thanks very much for joining us. It is great to see that we've got so many stakeholders on the phones and webcast. My name is Ed Jardim. I'm the group Investor & Media executive at Murray & Roberts. Just before we start a quick safety briefing. In the unlikely event of an emergency we have two evacuation routes off of this floor, out the door to my left and left again there are the bathrooms just to your left here. There is an emergency evacuation door there. Please break the glass. The door will release. Make your way down to the ground floor, out and around the building to the public parking space just outside the building. And our HSE and security personnel will assist with this evacuation.

Your second evacuation off of this floor is once again out this door to my left. Then please turn right towards the lift lobby. There are a set of stairs on either side of the lifts. Please make your way down those stairs to the ground floor, out the main entrance where you would have come through this morning and to the emergency assembly point, the public parking space across the building. That's where they do roll call. The bathrooms are out this door to my left and left again. They are unisex. WiFi credentials are on the screen for those who need it.

And then just the programme for today. We're going to have a quick presentation by our group Chief Executive, Henry Laas, which is then followed by three presentations by our platforms CEOs. Each has 40 minutes to present to you guys followed by a ten minute Q&A. I'm going to try and get to all the Q&A as soon as possible so we're going to open up to the floor first, followed by the call and the webcast. And if we've got time we will come back to the room again. Henry will close off the presentation just at the end of the day. And I think with that I'd like to ask Henry to kick off for us. Thanks Henry.

Henry Laas

Good afternoon and welcome. If I was to ask a question to the majority of analysts and asset managers in South Africa and ask them to describe the business of Murray & Roberts they would all come back with an answer Murray & Roberts is a major South African heavy construction company. And obviously they would all be wrong. But if I was to ask that question to you guys in this room and on the call and on the web you would say to me Murray & Roberts is a multinational engineering and construction group that's focussed on the natural resources sector. And if that was your answer then obviously you all would have been right. Thank you for your interest in Murray & Roberts.

What I've decided to do as part of this introduction this afternoon is to share with you the road that we have travelled over the past six years. It has been a phenomenal journey. It has been a period with major corporate activity. And we have eventually arrived at the point where we can say we are truly a multinational engineering and construction group. We have achieved that position very recently. And that was demonstrated by the move from the heavy construction subsector on the JSE to the diversified industrial subsector, and that happened in March of this year.

This is quite a busy slide but it is important for you to understand where Murray & Roberts is coming from six years ago to where we have arrived today. In 2012 we defined the 2012 financial year as a recovery year for Murray & Roberts. Why a recovery year? A recovery year because in November 2011 we had debt in this group of R5 billion, net debt of R5 billion. We had a major liquidity challenge. We had to embark on a rights issue. We had to restructure debt packages within the group. And we were very pleased at the end of June 2012 to be in the position that we felt we were able to deal with the liquidity challenges that we had within the group.

The two following years we refer to as two growth years, not as much because we achieved phenomenal growth in the period – we did achieve growth in the period – but it was more because of the activity that we embarked upon to reorganise our portfolio of businesses within the group and to structure it and work towards a structure which we believed would have enabled the group to create shareholder value. So that period was really known for the major corporate transactions that we had undertaken. We sold a 36% investment that Clough had in Forge, and that was a good deal for us. In hindsight our timing was perfect. At the time we didn't know that it was such a good transaction. But I think you all know how fortunate the business of Forge turned out to be. But it was very good for Clough at the time.

We also acquired the minority interest in Clough. We were a 62% shareholder in Clough. We bought out the minorities. It was a R4.4 billion transaction. And I am very pleased to say to you today that that transaction was funded with cash on the Clough balance sheet and also with debt that we raised. And I think the debt was in the order of A$160 million. And I can tell you that by the end of June which is three or four days away that debt will be fully repaid. So there is no debt outstanding on the acquisition of the minorities in Clough. We also disposed of a number of businesses which at the time we had identified as being non-core to Murray & Roberts. And you can see that we have raised R3.2 billion for the period up to March 2014 in the disposal of many of our so-called construction businesses.

And that brought us to the end of the financial year 2014 which was the beginning of a period that we refer to as a new strategic future for the group. The strategy that we've developed at the time was to position Murray & Roberts as this multinational engineering and construction group. It took us some time to achieve that. And with effect 1st April this year we have sold our business platform that we refer to as the Infrastructure & Building business platform. So Murray & Roberts is no longer involved in heavy civil engineering construction work, in road construction work, in building construction work. We have sold that business. We have exited that market.

As you will recall whilst it was still owned by Murray & Roberts we conducted our business in two main geographic regions. First was South Africa and the neighbouring countries but secondly also in the Middle East. And when we sold this business the buyer of this business, the Southern Palace Group, was not interested in acquiring the business in the Middle East. So we retained the business in the Middle East and the board decided to close it because it was about a decision to exit that market sector. We have still four projects currently under construction and all of those projects will be completed by November/December this year. That's the targeted completion date. Now, we hope that we will be able to achieve that because the trading conditions in the Middle East are very challenging as we speak. We know what is happening around Qatar and we've got one project in Qatar which is scheduled for completion in August of this year. It's very difficult to move materials into Qatar because of the restrictions that were placed on Qatar by the neighbouring countries.

So it's a very difficult set of circumstances that we are dealing with, but by December of this year we should have completed all the construction activities and I would say by June, the end of the new financial year, by June 2018, hopefully then we will be out of the Middle East with maybe just a few administration issues remaining. You will know that one of the big claims we had on our balance sheet for a number of years was the Dubai Airport Claim. That Dubai Airport Claim it has been ruled by the authorities in Dubai that the ruling on that arbitration must be passed in May 2018. That's why I say hopefully by June 2018 we will be able to say that the Middle East is largely no longer part of our concern moving forward.

But really important was the subsector change on the JSE. Our listing moved from heavy construction to diversified industrial. Our preference would have been to be listed under the subsector engineering and construction, but that option was not available on the JSE. It's not available on the London Stock Exchange. If we were listed on a stock exchange in the USA we would probably have been listed under engineering and construction. But the best we could do within the options available to us was to choose the diversified industrial subsector. It was approved by the JSE and that shift occurred on the 20th March this year.

Very interesting, when a company goes through such a period of phenomenal change you ask yourself, how did this really impact on earnings during this period? Now I must start off by saying that the numbers that you see on those three bars, the 702, 471 and 975, that is nominal terms. We haven't escalated it to current terms. It is all nominal terms. We can do the numbers if you would like to bring it all up to real term figures. The group from inception to the year 2007 reached a peak in attributable earnings in 2007. That was R702 million. That's the highest profit ever recorded by the group from inception to 2007. For the next five-year period 2008 to 2012 a very interesting period. We had the global financial crisis which started in 2008. It impacted the group. We were building a lot of infrastructure in South Africa to be ready for the FIFA World Cup which happened in 2010. We had the issues around the Competition Commission that we had to deal with. And you will all recall the very strong commodity super cycle which came to an end towards the end of 2011.

When you take the average attributable earnings over that five-year period it is R471 million. And then the most recent four years from 2011 to 2016 the average attributable earnings is R975 million. That's the period during which the settlement on the Competition Commission happened, the period where we disposed of our construction materials and we acquired the majority in Clough. It was the collapse of the oil price which happened in late November 2014 when it fell from above $100 to I think about $30 a barrel. So a lot of things happened in that period. And I didn't extend it up to the end of 2017 to include the current financial year just because our results have not been released yet. But when you calculate that average over the four year period it is R975 million. I think it's just a good perspective to see how the group's earnings performed during this period of significant change that we've experienced.

So where are we today? Where do we see Murray & Roberts? I said earlier on that from financial year 2015 onwards we classified as a period that we referred to as a new strategic future for Murray & Roberts. But we can really only say that 2018, the next financial year, will be the year that we will report our earnings to be reflective of the business that we want Murray & Roberts to do. Other than from the remnants of the Middle East business that may still have an impact on the 2018 financial year it will largely be accounted for in the current year. So the first point is a multinational specialist engineering and construction group. No longer a heavy construction company. And as I said the approval that we received from the JSE moves us out of that subsector to diversified industrial.

We believe our growth strategy and business model is clearly defined and we've communicated that to the market. So as an engineering and construction company we are providing services across the project lifecycle and we do it in the natural resources space, which we have chosen very specifically the oil & gas sector, the underground mining sector or the metals and minerals sector, and the power & water sector. We believe that there are substantial growth opportunities in the near-term future for us. As the commodity cycle starts to improve being in oil & gas, being in metals and minerals we are highly dependent on the commodities cycle as a business. We are very pleased with the fact that the metals and minerals cycle has turned, and we can see that in our business. And when Orrie speaks about the underground mining business you will hear that we are really excited about the future of our Underground Mining platform.

The Oil & Gas platform has not yet recovered as a consequence of the fact that the cycle is still not in a good point. But we are reasonably certain that in the mid to near term that there will be an improvement coming through for us. But having said that we do expect that financial year 2018 will show a substantial improvement on financial year 2017's results specifically in the Oil & Gas platform. This also comes from the fact that we have this exposure to natural resources, the fact that we are diversified through the lifecycle service offering, but also from a geographic point of view. I think we are resilient through the diversification to deal with a number of challenges. We have just completed our budget for the new reporting period up to June 2018, and based on the analysis we've done about 80% of our earnings will be earned in either US, Canadian or Australian Dollars which really means that while South Africa's economy is struggling a bit we are not very exposed to the difficult times that we as a country are going through at this stage.

Our balance sheet is very strong, something that we're really proud of. We will report our results in a couple of months' time. But I can tell you now we will end the financial year with a net cash position way over R1 billion. Now, to be in that position at the end of a prolonged weakness in the commodity cycle I think is a good position to be in. there are very few companies that we are competing with that can say they have the strength in the balance sheet that we have in Murray & Roberts. So we are very pleased about that. The order book is not where it should be, but I guess it would be unrealistic to expect at the end of a long downturn that you would reach a point of a strong order book at that point in the cycle. But for us we are excited about the near orders that we have and we're also excited about the pipeline that we see in our business. And the platform CEOs will talk to that in a bit more detail.

So in future we will be reporting our results in Oil & Gas, in Underground Mining and in Power & Water. Those are the three sectors from which we earn our income. The Oil & Gas segment is probably contributing in the order of 30% of earnings, Underground Mining about 40% of earnings and Power & Water about 15% of earnings. Now, if you add this all up where is the other 15%? What you don't see on the slide is remember I said earlier on we are providing a service across the project lifecycle which means in some instances we will invest in project development opportunities. We may be investing in a concession if that's going to unlock opportunities, let's say the gas to power opportunities here in South Africa that we hope is not too far out.

So we do have an umbrella over all these three platforms, Investments, and income that we earn from investments. Currently our only investment is in the Bombela Concession Company. You will remember that we've got this shareholding in the Bombela Concession Company. We divested from the Infrastructure & Building platform but we retained the investment in the Bombela Concession Company. When Steve talks to you, you will learn from Steve as soon as Eskom will sign the purchase agreement for power on the George Biomass Project we will start constructing the George Biomass Project. It has got elements of investment in it. It's got elements of EPC and elements of operations in it. The investment portion will be reported at start of investment where we are reporting the income from the Bombela Concession Company. So operations report under the three headings of Oil & Gas, Underground Mining and Power & Water. Currently we've got above those three the investment income that we earn, and Bombela Concession Company is the only investment at this stage.

I've mentioned that the order book is not what it should be. The order book is R24 billion of which R15 billion sits in the Underground Mining platform. It's not a comfortable position for us, but having said that I think it would be unrealistic for us to have expected that the order book would be a lot stronger today compared to what it actually is. However in the near-term orders there is R8.1 billion. Again a big portion of that sits in the Underground Mining platform. I've already mentioned to you that we are very optimistic about the short-term future and long-term future of the Underground Mining business. Really I think we are at the brink of a strong growth cycle in the Underground Mining platform.

So what are the business risks for Murray & Roberts? In each of the platforms there is a risk that I would like to highlight, and then a few others as well. In Oil & Gas the risk for us in Oil & Gas is will it be another year or will it be another two years before that cycle will turn? How long will it take before the Oil & Gas platform will get back to reporting earnings of A$100 million? In the current year we are probably coming in at about A$20 million, way down from the A$100 million of a couple of years ago. So the risk in that platform is when do we get back to the point where that business can report earnings of A$100 million?

Underground Mining, the single risk there is will we be able to resource up with sufficient capacity to deliver on the expected opportunities that the market is presenting us? When the market is in a down cycle as we have experienced over the past number of years you've got your A teams working on all the projects. The more projects you have in your portfolio you end up with a B team managing some projects and you may even end up with a C team managing some projects. In our business you don't want to have losses on projects. So the risk in Underground Mining that Orrie and his team needs to manage is the risk of capacity, resourcing up sufficiently enough and well enough for us to be able to deliver projects that we think the market is offering us.

Power & Water, the commercial close-out on Medupi and Kusile was the major risk. There is nothing currently on the cards that is of specific concern to us. But always be when you come to an end on a major project like the power programme, specifically Medupi and Kusile commercial issues that you need to deal with. What I can say is we're managing it very well up till now and we've been in several disputes and we have not lost a single dispute to date. So currently it is going well for us. But post Medupi and Kusile we need to replace that order book, but I think Steve will talk to you on that and we will understand where we see the opportunity lies for work to replace Medupi and Kusile.

The Middle East, the completion of the Middle East, specifically the Mafraq Hospital and the Al Rahal [?] projects is challenging. The Mafraq Hospital is the one to be completed in December this year. And I think around about October we should have been done with Al Rahal. So close-out of this business in the Middle East is a challenge and we do have some contingent liabilities on legacy projects that we are dealing with. To give you a typical example about six weeks ago there was an arbitration award against us on a project that was closed out in early 2011. We won the DAD. It went to arbitration. We slot the arbitration. R100 million. That's the impact. So there are legacy issues on some of the projects in the Middle East. We need to manage that. The Middle East for me is probably the single biggest risk in the business at this stage.

Operational excellence, that is something that we are driving very hard in the group. And for us operational excellence is a term that we use for excellence in safety, excellence in commercial management, excellence in risk management, excellence in project delivery. We are not there yet, but I can tell you in the group currently we haven't had one loss-making contract. And I think if I had to count all the projects that we are working on its probably 150 if not more. There is only one loss-making project and we have already accounted for that loss in the half-year results. There is no carry-over in to the second half of the year.

And then growth. Inorganic growth is important to us specifically in the Oil & Gas platform. We think that it is important for us to establish a foothold in the US market where we are desirous to have an EPC capability to execute projects in the region which we believe will be presenting strong opportunity to us in the future. We do not only want to rely on organic growth. It will also be inorganic and it will be acquisitions. And Peter currently is dealing with that objective that we have to successfully conclude an acquisition in the new financial year starting 1st July this year.

Ladies and gentlemen, what are the key take-always then from this presentation? I think you all know by now and it's reflected in your analysis and in your research that financial year 2017 will be a low point for the group. Financial year 2017 will be a low point. As part of continuing operations there is a R445 million loss in the Middle East. At half year stage it was at R130 million. What happened in the second half of the year remember I mentioned to you that arbitration ruling on the 2011 project that was ruled against us. That is R445 million. On the discontinued operations the VRP settlement, the settlement that the construction sector reached with the government in December of last year, that is accounted for in the half-year results already. The Infrastructure & Building business that we've sold there are retained liabilities in that business such as the Grayston Bridge incident, such as the dispute that we have with Lonmin. We provided against those retained liabilities. There is a R100 million provision created. In Genrec – Genrec is a business that is up for sale – we are in reasonably advanced negotiations as far as the disposal is concerned. There is a R40 million loss on Genrec as part of discontinued operations.

The interesting thing – and I've used too much time already – that I just want to explain to you is when the board took a decision some time ago to sell the Infrastructure & Building business the earnings of that business all dropped down to discontinued. When we struck a deal with a buyer the buyer was not interested in the Middle East. The Middle East then had to move back to continuing operations. And it is now classified as part of abandoned operations. So it is continuing but it is an abandoned operation. We can only move it from an abandoned operation into discontinued once we have closed or delivered all the projects. We will no longer be trading. But we will be trading until the end of December. So we've agreed with the auditors that in the current financial year you will see when we do the results towards the end of August we will report continuing operations and earnings per share including the Middle East and excluding the Middle East, because we don't want the market to get misguided through looking at a result for continuing operations which includes a negative in the current year for the Middle East which will only be part of our future up to the end of December. So we are going to report it with and without the Middle East.

However, FY2017 is the low point. We have done the three-year plan and we are convinced that FY2018, FY2019 and FY2020 will be the start of a new growth cycle for the group. We do expect a much stronger financial year 2018, a stronger financial year 2019 and a strong financial year 2020. Acquisitions are key and excellence is key. And as I said hopefully we have accounted for the full impact of the Middle East in the June results, but you will never know until you are finally out of that region. The political turmoil and uncertainty is having a major impact on business in general. It's just difficult to absolutely predict what your exposure is in that region. So ladies and gentlemen, there are no questions at this stage but we are going to move straight into the next presentation and we will do questions and answers towards the end from my side. But after each platform presentation there will be an opportunity for questions and answers. Thank you.

Ed Jardim
Henry, thank you very much. As per the programme first up to speak to us is Dr Orrie Fenn who is the platform chairman for Underground mining. Orrie, thank you.

Orrie Fenn
Good afternoon. Welcome. It's great to have the opportunity to speak to the investors and the stakeholders. And particularly so when you've got a good story to tell. As Henry said an exciting story. I will run you through this, look at corporate structure. What do we do, where do we do it, who are our clients, what commodities do we deal in, touch on a key area which is safety, and then business. What are the key strategic themes over the next three years? What are the risks and opportunities to the strategy? And then finish off with some prospects, focus on the exciting picture. And then key projects that demonstrate the extent and the range of the capabilities we have.

So we are the world's leading full service underground mining contractor. Two key words there. Underground. We don't do work above ground. And the word leading. Why leading? If you look at several different criteria in terms of our range of services, our global footprint, the number of people we have in the team, our revenue, our order book, our profitability, our reputation, that's where I arrive at the team leading underground mining contractor. There are three entities. We have Murray & Roberts Cementation which is Africa. RUCC Australia and Australasia and Asia. And CCI stands for Cementation Canada International. Under Cementation Canada International is Cementation Canada, Cementation USA, Cementation South America and Cementation Mexico. And they cover the Americas and Europe. So apart from Antarctica we have a global presence in all six continents across the world.

What do we do? We design, build and operate. So we have quite a large engineering contingent spread across the world primarily in Canada and the USA and South Africa. So we do everything from concept to pre-feasibility studies all the way to final design. I will touch on that a bit later. Then we have mine development, everything from shaft sinking. You will see on the bottom a range of photographs. You see the twin headgear at Venetia for example where we designed, built and constructed the shaft. There is some raise boring work we did on surface several years ago. So that gives you some idea what we do. Also when we have designed and built the mine we contract mine it for you and deliver rock either to a surface stockpile or to tips underground.

We have a global footprint and we have a strong leadership and a strong executive team. You see where we are in all the main regions where we operate. And to gain some idea of that footprint as we stand today we've got about 30 major projects in regards to contract mining and mine development. We've got about 13 raise boring jobs across the world. In Burkina Faso we are raise boring a big shaft, a 1,500 metre shaft in three legs [unclear] in Zambia. And we also then have about 30 give or take engineering jobs scattered across the world. On top of that we have ten to 15 projects where we run [unclear]. We do some surface engineering work and construction work in the other specialised concrete business in Australia. So that will give you some context.

In terms of leadership Barry Upton looks after the Australasia region. Mike Wells, until April Daniel was sitting in that seat and Mike Wells is now occupying that seat and was involved in the process to appoint the MD there. On the left is Justin Oleson. He will be the president of Canada and the Americas as from 1st July. And Rory Slack, some of you would remember Roy Slack. Roy stays with us. He maintains a raft of responsibilities for the future. If you look at our strong brand I think the name Cementation is a name that is recognised across the world. Canada is on the top, then at the bottom on the right hand side is a business we acquired a couple of years ago, Merit Consulting. And they provide construction management and project management services to the surface mining industry.

Cementation AG is cementation above ground. It is a small business run out of Utah, Salt Lake City, and they look at EPC services in the bulk materials handling. And that is not restricted to mining. And then [unclear] Concrete is the specialist concrete company we acquired about five years ago. It's small. It's profitable. And then on the far left is GCR Mongolia. That's our joint venture in Mongolia. And I will touch on Mongolia bit later. It's a joint venture between Gobi Infrastructure Partners, a Mongolian company, Clough and RUCC.

Cementation's resume includes some of the world's deepest shafts. Probably the most active outside of China we are the most active shaft contractor in the world over the last five to seven years. Who do we deal with? You will see some well-known company names up there. You all recognise some of the major mining houses and companies across the world in the mining industry. What is interesting is the box at the bottom where if you went back three of four years the only mid-tier client there was Northam. All the others, Lundin Mining which is in Michigan, Saracen which is an operation run out of Western Australia, Compass Minerals in Canada, Dacian Minerals, also in Australia, all those are mid-tier clients that we have taken on in the last three or four years and they provide an increasing amount of revenue going forward. So it's a shift but it's been a good shift.

You can run your eyes down the key commodities that we're in. We're in most of the key commodities across the world. You see Australia copper-gold exclusively. But we okay in all the precious metals and the base metals. [Inaudible segment] December last year and Kalagadi accounts for that large portion of manganese. Let's quickly go through safety. Our mantra is we build and we deliver mines safety. We do everything we can to live to that mantra. If you look at our lag indicators as at the end of May 19 months Murray & Roberts Cementation went fatality-free. And if you look at Murray & Roberts, primarily Murray & Roberts Zambia, Murray & Roberts South Africa which is 85% of the workforce, it is 32 months fatality-free. And if we can get to the end of this week fatality-free it will be the first time in a financial year that Cementation has gone without a fatality for the first time. So the countdown begins. In Cementation Canada 28 months, at the end of this month 29 months fatality-free.

If you look at our lost-time injury frequency rates and total recordable case rate as we stand year to date 1.4 in terms of LTIFR and 7.5 with regards to total recordable case rate. That compares very favourably with any benchmark worldwide. If you look at the Western Australian benchmark for an LTIFR rate it is 2.6. In the base is what we class as mining operations which invariably have a lower lost-time injury. It is inherently much safer. So very good in terms of any benchmark, a very good safety performance. 230 team members will be injured this year. That is 3.5% of the workforce, one in 30. Last year it was one in 20. And this year 52% [inaudible]. So again the injury severity rate has come down, the rates in general have come down. It's a good performance by any account for a company involved in what we do. And then we have projects world-wide with best in class safety performances. And we see some three years or more in terms of LTI-free days.

Okay. Let's look at the strategic themes. We look at growth, operational excellence which Henry mentioned, and innovation. The platform growth is really organically driven. There are no major acquisitions on the horizon for this platform. And we will only look at selective bolt-on acquisitions if they arrive. But it is really organically driven. From a Murray & Roberts Cementation point of view we have done well in terms of getting the operation in Zambia going. It's a good business, but if you look at that map that we showed worldwide the global footprint there is a lot of room for expansion or organic growth within Africa.

If I look at RUCC if you went back four years ago RUCC was a raise boring company. 80% of the earnings came out of raise boring. It's the opposite today. The raise boring is a smaller part of a much bigger company. And they have done well to diversify and offer an all-round mine development service offering. If I look at Cementation Canada International we do most of our work in two provinces which was British Columbia and Ontario. Most of the work traditionally has been in Ontario. So there is lots of room for organic growth within Canada and also within the States.

So if you look at the picture as a whole operational excellence Henry has covered in his presentation. But for the first time in a long time no loss-making project in this platform. This goes back many a year. And underpinning that again is we would like to increase our contract mining portion of the value chain to generate more than 50% of revenue in FY2019. An interesting slide, if you look at the bar graph that's a project definition whether it is a brownfield or a greenfields project. If you look in Africa greenfields is really represented by the Kalagadi project which I will touch on a bit later. So that's the greenfields portion of the graph. If you look in terms of the mining industry 2016 was a much better year for the mining industry than 2015. Mining companies got themselves into a much better shape. A lot of investor confidence was restored. But if you look at the capex spend the capex spend in 2016 was 41% less than 2015. $50 billion, the lowest on record. So that tells you that there is a lot of scope, a lot of projects in the greenfields space that are going to flow through sooner rather than later. If you look at the bottom in the value chain you will see that most of our work is in the construction and operations segments. But what that tells you is that we are growing our operations segment, the contract mining part of this business income stream which provides you with a very solid base for the business.

Innovation. We do a lot of innovation. The different entities focus on different parts of technology. But we do everything. We are busy playing with 3D modelling tools. We had the American team business plan presentation at the end of May and we all put on the [unclear] and walked around the shaft headgear. And it really is a smart piece of technology that will pick up any problems before you [unclear] it. A very powerful piece of technology. In March this year Goldcorp had a global innovation competition called #DisruptMining held in Toronto and Cementation Canada were joint winners. They won C$650,000 for their slurry-based injection hoisting system. I'm not going to go into the detail of that but it's a small prototype built in the workshop in Canada. And it's how to take this forward now because in terms of hoisting rock from below it could be a real winner.

We won the people's prize as well. The audience prize. That was the extra $50,000. Minetech is a company based in Australia. They provide an ether-based data communication system for tracking personnel, tracking equipment, production scheduling. I was there trialling this about two months ago and to sit in the cabin and there's a tablet there with a 3D model of the mine and every piece of kit within that mine is moving and you can track it. [Inaudible] optimise the loading. And I think it has improved productivity it's fair to say at Karari. And we are doing a lot of other stuff at Karari. We test out the autonomous loading vehicles and that is really our test site. And we see some other very interesting projects there. The last one, continuous monitoring of raise boring cutter temperatures and rotation, that's a first. It's never been done. So we are doing that in South Africa in July. So a lot of work has come together and all different facets of what we do.

Risks and opportunities. In terms of the risks commodities stall and the commodity cycle is always a risk, but I don't think at this stage it is much of a risk. I think we've come out of an upturn scenario here. Henry touched on a lack of skills in his presentation. If we are in a strong organic growth scenario where are these skills going to come from? I think it's not so much Canada and the USA or Australia. It's a South African issue. As long as the possibility of mining companies revisiting their capital and operating spend and opt to go the owner mining route once the mine is developed and is in semi-state production you always face that risk. And then we touch on safety. You must focus on safety and you must have the best safety record that you can possibly get because it does influence when it comes to bids. And then I'm not going to touch on the last one, the Mining Charter. That has been in the news the last couple of weeks. Lots of controversy. How that pans out we will see.

If I look at opportunities there are a number of opportunities here. We have touched on organic growth. We are back at Oyu Tolgoi. We left Oyu Tolgoi I think three years ago when there was a problem between Oyu Tolgoi and the Mongolian government. We are back in there I'm glad to say. We are in there in a joint venture with Clough and with a local partner there. We are already on site and we are doing some surface work at the moment. And there is a lot of work. There is a huge pipeline. There are a couple of big shafts, a lot of development to bring Oyu Tolgoi into production underground. It's going to be one of the big mines. Innovation we have touched on. And then I've touched on the potential to expand our contract mining contribution in terms of the income stream.

If we look at the prospects the order book is improving in the short to medium term. Organic growth prospects remain exciting. And if you look at this order book it really is a good story. If you look at Murray & Roberts Cementation over R9 billion in the order book. And that doesn't include near orders which is Venetia. I will come on to Venetia in the next slide. Some of the key targets there, Mponeng is the shaft project with AngloGold Ashanti in Platreef. We did the engineering on Platreef and we are bidding on the main shaft. It's a 10 metre shaft 1,050 metres deep. It's a big shaft. That tender has gone in. Munali is a nickel project in Zimbabwe. Booysendal is a contract renewal I will touch on a bit later. And Wesizwe we bid on the development work on the two shafts when they have finished constructing there.

And then the question on everyone's lips is Kalagadi. What is happening with Kalagadi? Their shafts are complete. Their headgear is in. the winders are certified. That project is ready to go. And I think we will see some movement there in the short term. The short term is probably a couple of months. With regards to Cementation

Canada and the Americas, a R3 billion order book, new orders in Kennecott. We've been there for several years. We were there when the big landslide buried all our kit at Kennecott. Cargill is a salt mine just outside [unclear]. It's a big salt mine. And Eagle East, we developed and are mining the Eagle Mine. Eagle East is an adjacent ore body and we have been working on that for some time. Key targets here include Vale's CCM, a nickel mine in Sudbury and Onaping Depth, that's Glencore, also a very high grade nickel mine. Quite an exciting project also in Sudbury. We have quite a large office in Sudbury. And we already do the engineering on Onaping Depth. That doesn't guarantee us the job going forward but it does give us the inside track.

If we look at RUCC, RUCC were just awarded a couple of months ago their biggest contract ever over three years, $200 million. And what that does for RUCC it puts them firmly into the tier one mining contractor space. And they have done well. They have built that business up really well. And we've also got two one-year options to extend that contract. There shouldn't be any reason not to get the other two years. And some impressive statistics there. 40km of decline and development work. 423km of production. It's an exciting project. Another real key project for RUCC is the Saracen group. It consists of three mines which is Karari, which we are in – we are doing a lot of good work there and meeting the client's expectations – Whirling Dervish next door 100m away. We are busy on the declines there. We have been busy four months there. And Deep South is a smaller operation that they are mining about 80km away.

And they truck the ore down to Karari and they beneficiate the ore there. They have gone out on a tender there two weeks ago and we hope that we get some positive news. It's a significant piece of work. And then we mentioned Oyu Tolgoi. A large pipeline there. And then also in the large raise boring and shaft sinking prospects they really are looking bright. Going into the new financial year there are some great prospects there. And in terms of shaft sinking they have done a lot of deep shafts in Australia but the only contract we have done is [unclear]. So if you look at it from an order book story the platform really looks in good shape and going forward it's exciting.

I said I would come back to Venetia. We have busy at Venetia for a couple of years. On the left there is what we have done. It's the decline development and the shaft. What you see is just to orientate you. The start of the decline is here. These are the shafts. These are the raise bore holes that provide ventilation. That's what we've one. We have done 3.4km of decline development and that includes some ancillary construction on the decline. The shafts are around [inaudible] 500m each and we have done about 500m of raise boring. And there is a nice picture of the drill rigs that we extended to give us a better advance rate. So what we've highlighted here, this is what we've done to date. And this is the rest of the development construction work. The pipe sits around here. [Inaudible] but it's a huge piece of work. And hopefully as the incumbent contractor are going to be a part of this development over several years. It's exciting.

Okay, I will just finish off with key projects. I chose a project from each region. So Goderich is in Canada. It sits here in the middle. It is on the lake. The mine is on Lake Huron. I was there last year. It is a huge, huge excavation. They saw the salt out. They cut it out and [unclear] they mine the salt. The Freeport project is the Grasberg mine on the top of a mountain just below [unclear]. It is one of the world's great mines. And then Booysendal, a nice shot of Booysendal on the left there from South Africa.

If you look at Goderich it's the biggest salt mine in the world. And it goes way under for miles under Lake Huron. And we got this job because of the engineering competence of Cementation Canada. I mentioned earlier we have most of our engineering complement sitting in Canada, sitting in the USA. And they de-risked this project. They brought a solution that no one else did. And this shaft is 520m deep. It's not a deep shaft. But it is a 50 year old shaft. And they had to re-line some of the water bearing. And the real risky part of this job will be water bearing that went from surface to about 280m, about halfway. And what they came up with was a solution where they lined this shaft and then grouted behind it. And they have already finished the one shaft. And below the lining they have [unclear] drill and blasted the old concrete lining. And we are busy finishing off the first shaft. The second shaft is in process. And we are already doing [unclear] on the third shaft. A very good project. In terms of safety they have had one reportable incident in 29 months.

If you look at the project from Australia we chose the Freeport project as Grasberg. That's a huge project for us. The Freeport Grasberg mine is the world's largest gold mine and third-largest copper mine in the world. It really is an impression operation. We have been there since 2011 and started off and got in there on the back of raise boring. Then we were contracted to design and construct the shaft. The design work on the shaft was done by Cementation Canada. And then what RUCC has done is increased the scope of work. And you see some impressive things in terms of what we are working to. This is the cable bolter machine. It drills a hole 2.5m long. You put a cable anchor, you grout it in and then you tighten it up later. You can see they have done 2.6 million metres of cable bolting. 15 rigs. We started off with I think four. It went to eight. We are now at 15 just on the cable bolting. It is a great project. 650 strong in terms of the team. And two lost-time injuries in four years on this project.

Finally Booysendal. A mega mine in the making is the headline that appeared in the Mining Review in late 2015. We have been involved there for several years on this mine. We built the mine. We built the infrastructure and we are busy contract mining the UG2 and Merensky ore bodies. This is the Merensky decline here. I think that has been two years probably on Merensky. And as I say we have already reached steady state production in FY17. And some of the construction activities, 2km of chairlifts in the decline, [inaudible] the UG2 decline. The footwall belt is more than 2km long. The strike belt is 5.5km long. It really is a big operation. We have a large fleet. The mining fleet is 169 and that includes the [unclear] over there. So it's a large fleet. And we did the first blast on the central part of what they call Booysendal Central which is the first of six or seven declines into that deposit. And that's going to take about 14 months. In terms of safety lost time injury of 0.8, below one.

And finally this is Booysendal Central. I think on the 20th May we started the first blast on that. Hopefully Booysendal Central is going to be the size of the underground too. This is a big project. And on the right is Mt. Morgan's. That is the [unclear] project that RUCC got. And that from the day of award to mobilisation on site was a month. We have sprinted out of the starting blocks on this project. We are already in two declines and they are really going well there. So that's the mining story. I think it's a great one. Thank you.

Ed Jardim
We will start in the room first if we can. If I can ask that you wait until I bring the microphone through to you. I can do that. Do we have any questions in the room for Orrie? Mark.

Marc Ter Mors - SGBS
Thanks Orrie. Two questions. One question I think you put a target up of more than 50% of revenues coming from mining contracting. Can you indicate where we are at the moment and where do you see the growth, in which region? My second question is related to BEE, black economic empowerment. What impact does the new charter have relating to the procurement requirements? 70% needs to come from empowered companies. What does that mean for the potential ownership levels in your South African business?

Orrie Fenn
Let me start with the first question about contract mining. We are improving in terms of the contract mining contribution to revenue. So we have got projects now that are contract mining in the States, in Canada. Booysendal is a big contract mining job for us here. And also in the States with Lundin Mining. So it's a piece of the pie that is growing. I'm not sure in terms of revenue this year. It was in one of the slides I think.

Henry Laas
But we do expect that the new investment that we have in the mining sector in terms of new mines and new shafts will grow the business outside of contract mining. Currently we are at 40%. We see that percentage coming down due to the change in the mix of the order book. So it will be quite a… [Overtalking]. It will be a stretch target to push it up to 50% on big bigger revenues than where it currently is.

Orrie Fenn
Then the question on the mining charter and BEE, we are a service provider. We are in the level four BEE region. That is the minimum [unclear] as Cementation. But in the group it is over the 50% BEE control mark so we're okay there. The problem going forward is now that if your service providers, and our service providers are explosives and equipment [inaudible] at least a BEE level four it does give us a problem. So it will present challenges. And from a skills point of view it will present challenges and we have to address those.

Ed Jardim
Thank you Mark. Any other questions in the room for Orrie? Orrie, thank you very much. I appreciate it. Next up we've got Peter Bennett. Peter is the platform CEO of the Oil & Gas platform. Peter thanks for joining us.

Peter Bennett
Good afternoon ladies and gentlemen. Thanks for joining us this afternoon. I would like to talk you through the Oil & Gas platform in a similar vein to Orrie. We will start off with an overview of the business as to where we see it. Henry talked quite a bit earlier around the market conditions we've been experiencing globally in oil & gas and certainly locally in Australia. Some of the key opportunities that we see though in that market we do see an evolving market. It certainly has changed as a result of the low oil price. It certainly has a strong future. We see recovery coming back into it. The timing is one of those elements that is a little uncertain as Henry mentioned. Is the uptick in 12 months or 18 months or further out than that? Certainly some of the external market influencing factors we see that we are addressing in our business strategies as we move forward.

If you look at the domestic Australian market right now construction spending is predominantly at the moment in the infrastructure industry, particularly on the east coast where we see infrastructure spending really coming on quite strongly. Oil & gas operators really aren't undertaking large greenfields expansion projects at this point in the economy. We do see expansion of existing projects. We see some debottlenecking. We see some other smaller projects. Obviously operations and maintenance are ongoing. I will talk to a few opportunities that we do have in the oil & gas space later on, particularly as they relate to the industry in general. Domestically those large greenfields projects, the days of Australia building six LNG projects at one time, are behind us. So those sorts of opportunities aren't going to present themselves on that scale in the future. But we do see some projects that we will talk about a little bit later in the presentation.

Certainly what we see as well is mining. Orrie has talked and set the stage quite a bit for mining. But Clough has capability of delivering to the mining sector from a mechanical perspective, and we will show a few opportunities there that we are looking at at the moment. Certainly it has been a good market for Clough in years gone by. The story in Australia domestically is the infrastructure builds particularly in the east coast. The government infrastructure spend over there, there is some information when we get to the market outlook section, talks about a $87 billion programme over there in terms of infrastructure investment. Now, Clough is not looking to get not buildings and that sort of infrastructure but it's really a complementary market for some of our existing capabilities to deploy into that area and certainly some of the specialist areas that Clough has long been known for.

Certainly in recent years the focus has been on LNG. But Clough has always had a very strong market presence for specialised tunnelling and bridge development. We deploy a lot of those resources and those products into the oil & gas sector. If you look at the work done in Papua New Guinea for the development of Papua New Guinea LNG Clough did more bridge work and tunnelling and more blacktop roadways than anybody else in the region.

What we do see internationally is new trends in terms of what is going on in North America. There are a few LNG projects over there at the moment under construction. The completion and commissioning of those projects is coming up. And that's certainly a market that given our recent experience in commissioning LNG projects in Australia gives market opportunity for us, and we are working actively on some opportunities at the moment to help clients and contractors with the commissioning of these new LNG facilities.

But more than that – and Henry talked to our strategic intent to be more expansive in the North American market – off the back of the cheap shale gas opportunities there the opportunity for small and mid-scale gas-related oil & gas development is huge. There are three or four [unclear] being developed at the moment in the US. There are methanol plants. There are ammonia facilities. A lot of those gas fuelled downstream facilities provide opportunities for organisations with EPC capabilities. We have a presence in the US at the moment. What we don't have is the local construction capability. When we talk of an acquisition that's the capability we are looking to bring to the group through acquisition.

Papua New Guinea as I mentioned earlier on is probably the next cab off the ranks so to speak relative to LNG largescale development. [Unclear] are developing their fields in Papua New Guinea. Total is looking at a very large upstream development there that will ultimately fit into the Exxon LNG facility down in Port Moresby. Both of those projects we were involved with in the early stages. We wouldn't see them going into an EPC construction phase for a couple of years yet. But it would be very hard not to see those projects moving forward. The cost per ton per annum of LNG delivered out of PNG is very economical on a global scale and it's a very robust market for us to participate in. Clough has been in Papua New Guinea for over 40 years now.

What we are seeing though when I talk about future LNG clients looking very different particularly as we look to the US market we're seeing a lot of smaller scale LNG development being initiated. So not ones that require the backing of a major international oil company to develop. We are looking at the million ton per annum LNG facility as opposed to the 4-5 million ton which has been the historical development size. So those sorts of developments bring a very different dynamic to the market. The technology stuff starts to become less of an issue. The size and the scale of the project is more manageable for individual contractors as opposed to requiring a large consortium to execute. And they work more on a different sort of business model than what the international companies have. So certainly that market has been very different. We have very good access into what's going on in that market through our US entity that I will talk a little to later on, CH-IV. CH-IV is a consulting company in the US that Clough has owned for a couple of years now and is very active in developing the Energy Regulatory Commission permits for those developers who are looking to develop LNG facilities in the US.

Gas to replace coal for power. Certainly it has been in the press here locally in South Africa. That is also a market that is being looked at globally. Indonesian has a very large programme coming up. Clough is re-establishing itself in Indonesia as part of that programme. Those gas to power opportunities usually require some sort of marine installation for the import capability to support those developments. That's a natural market for Clough certainly in Indonesia and around the South-East Asian region which has a good presence and capability. And we're looking at some opportunities for marine LNG installations in the US at the moment.

Decommissioning is another market that has some great potential. With one of our clients last week actually whose facilities we currently provide the operations and maintenance on. They are looking to decommission. The skills sets that Clough can bring to bear in that market are very applicable. Within South-East Asia the amount of decommissioning work that is coming up in the next ten years or so is quite sizeable as some of these older resources start to be taken off line.

So what are we looking at in terms of evolving our strategy to reflect the current market conditions? We are looking to expand our market focus a little bit and our service offerings into complementary markets. And what is something that Clough has been known for historically. It is probably something a little bit new to this group given that in recent years we have been so heavily devoted to the LNG market. We bring those skills of engineering, construction, operations and maintenance to a broader market. So looking at that market focus and taking it a bit further afield than just the LNG market is certainly something we are looking to do. Creating that EPC capability outside of Australia to go where the market is active in the moment, particularly in LNG and oil & gas. And most near term looking at an acquisition. That is what we are looking at and we talked about earlier today.

And the operations and maintenance activities that we see across the region is something we have talked to this group about before, but certainly that is a key focus for us. We are very active in that market at the moment and we're hoping to have some good news soon about success on one of those opportunities that we have been pursuing for some time now.

Let's look at our strategic objectives. I won't go through all seven individually there, but to Henry's point earlier on we want a profitable order book. Our order book is in as good a shape as you can expect given the depressed market conditions. We expect it to be as good if not better than where we were this time last year. So we have come through the down period in good shape. What we do want is an order book that is profitable. So we don't have any loss-making projects in the group right now and we don't anticipate any going forward. We are looking at getting into the east coast infrastructure market and again we're very specific around the skills that we're going to bring to that market. But certainly from a portfolio of $87 billion worth of projects there is a lot of opportunity for

Clough to participate in that market. We are just establishing ourselves an office in Sydney in the past month. So we are actively pursuing opportunities in that market now as it relates to our core skills.

EPC in Asia, North America and the EMEA region. Going one by one there, in South-East Asia predominantly Indonesia is our most new market focus. We are looking also at following a number of our clients into Myanmar. That's another regional market that has a lot of potential in the midterm. And certainly getting ourselves established in that region is part of our strategy at this point in time. North America we will talk to the acquisition a little bit later, but that's a key focus for us. We really see that being a large market volume. In terms of the contract size and the capability that Clough can bring once we acquire some in-country construction capability we see a very nice size and scale in that market as we move forward. But that's a key part of our North American strategy.

Within EMEA it is a little bit twofold. Within the African region and South African region predominantly we do a lot of work collectively with our capabilities. So our [unclear] brand or Clough Murray & Roberts entity based in Cape Town, we've just completed a very successful project in Saldanha Bay for Sunrise Energy, an onshore offline pipeline project for an LPG facility. And there are a lot of other opportunities like that in storage terminals here across the Sub-Saharan African region. And there are some good opportunities that we are currently pursing in the region and we think that market has a lot of growth potential for the Clough business going forward.

Within Europe we will talk about our subsidiary Booth Welsh a little bit later on. Booth Welsh is another acquisition that Clough made recently. Very strong in the E&I and process control system industry. Looking to bring that outside of Europe but also expanding its remit within Europe. So that's a lot within the pharmaceutical and food and beverage industry at the moment, and oil & gas as it relates particularly to water handling and water treatment. So combining those skills within the greater Clough organisation there are opportunities particularly in the water handling. And one of the opportunities we have locally is the water handling module for Woodside on one of their platforms, about a 1,500 ton module. And that lends itself very nicely to that development.

Cost structure with revenue and earnings, I think that goes without saying in terms of the business planning. We have worked very hard in the last year to reduce our overheads and we've made quite a lot of progress in that space. Going forward even though we see a stronger year in terms of revenue and earnings next year what we do see is a pretty consistent overhead spend. So we think we've got that at the right level to support the growing business. We do have costs in our overhead forecast to support the growth of the organisation.

If you look at the products and services again you won't see much change here, but engineer, construct and operate, very consistent with the group's philosophy in terms of how we play in the resources sector. We have a very strong consultancy capability and that helps us quite a bit in terms of early engagement with our clients. So we do engineering studies, we will help them with concept selection and we will help them with shaping their project development. Obviously project engineering is a natural leverage into the EPC construction phase. So once you are in offshore EPC construction, onshore true EPC, offshore we will work with the [unclear] yards and the fabricators. We don't have any fabrication capability ourselves there, and quite frankly I'm quite thankful for that. But certainly for the installation and hook-up and commissioning phase we have a lot of strength.

Commissioning is an area which Clough has got a great reputation in, certainly within Australia and growing within the US. A lot of our clients who have worked with us in Australia are involved in the projects in the US, and that's a great opportunity that we are looking to leverage at the moment. Brownfields asset operations, maintenance and shutdown, that's a target market for us certainly in terms of the facilities that have been completed. Ongoing operations and maintenance, debottlenecking, continual small capital investment projects as they bring new fields on stream and so on, that's a great opportunity for Clough. There are constant discussion with clients around what their project portfolios will look like and which fields they are going to bring in.

Both our skills sets translate when talking to the complementary market. So oil & gas, petrochemicals is what you probably most know Clough for. But mining and metals. We will talk about the sorts of projects within that space that we look at. We do a lot of pipeline work within the mining space. We are looking at desalination plants within the mining space. We are looking at mechanical erection for the dry handling materials. The project in Mongolia with the GCR consortium Clough brings in a lot of the aboveground execution capability for that project and the overall project management there. So the mining and minerals has long been a market sector that Clough has deployed these capabilities into.

Infrastructure and marine is something also that Clough is well known for. The marine capabilities in the oil & gas space around jetties and initial infrastructure, those same capabilities and skills are very deployable across a broad range of markets, from tourism through defence and into public infrastructure. So that's a market that for us has great potential. We are not looking at having buildings or large road projects or that sort of infrastructure development in our portfolio. But as related to those products and services that we historically deliver into the oil & gas industry that's a market sector that we will pursue.

This chart really is to identify as much as anything the subsidiary companies in terms of what our opportunities are as we grow the business. We really are set up with Australia Asia-Pacific which is our very established operational base and our international subsidiaries which report directly in to myself. So they all have their own individual operations at the moment. What we are doing is looking at leveraging them into a greater global business for the organisation. So CH-IV is the US based consulting business that we have that worked predominantly in the LNG space at the moment. We are also diversifying a little bit further afield into other gas processing opportunities. This is a group that gives us great leverage into a lot of the early awareness for project development domestic US. CH-IV is going to become the USA group which is the vehicle we have to run our American operations when the acquisition takes place. Currently these three groups are collocated in Houston. CH-IV also has an office in Baltimore which is close to Washington where they do a lot of their work with the regulatory commission to go through the permit process.

Booth Welsh is the group which is located in Glasgow which really is the engineering process and systems control group. We are looking at having one of our Booth Welsh sales guys move out to Australia here for an extended period as we look to take advantage of some of those markets in Australia that fit within the Booth Welsh portfolio but they haven't traditionally pursued because they are outside of their European remit. But that's an opportunity for us to leverage a bit more growth into that business. CMR I've mentioned earlier here in Cape Town. It has been very successful with its recent opportunities and I think given the growth coming up here we have a very strong prospect. It is probably the strongest prospect list that that group has had for quite some time. Clough Enercore is based in Calgary. It is right now predominantly an engineering and project management group. The oil market as most people know is quite flat and is going to take a little bit more before it has any great growth cycle again I think. It is working with some technology companies around some new ways to recover oil products and petrochemicals from the [unclear] oil sands. But we use that group a lot across the rest of the platform. So for example one of the projects we are looking at here in South Africa Enercore will provide all of the engineering component for that project. So we are using the global organisation a lot more.

The new oil & gas development capital within the region is predominantly going to be flowing into South-East Asia and into Papua New Guinea rather than domestic Australia. I think that's the reality and we are positioned for that. We still are developing a stronger presence in the onshore LNG market. We have a good offshore capability. Onshore is something that we are still developing. As I say we hope to be able to announce some good news in that market for you shortly. Mine development and expansion, Orrie has talked a lot to the robustness of that market at the moment. And certainly that is providing a lot of opportunity for Clough going forward. Developing our capability outside of Australia. And the fact that the public infrastructure spend in Australia is something we just can't ignore.

The competitive environment is there. We do see clients at the moment looking for an EPC contract looking for a risk transfer to contractors. We also see some of our competition willing to take risks and take projects at levels that we don't think are sustainable, so we don't participate in that sort of arrangement. But we do see a very competitive market.

I will talk very quickly on two current projects which you will probably by very familiar with. The picture on the top left there is the Wheatstone platform for the Wheatstone development for Chevron. This project is one that for Clough we have been on now for a number of years. Our original scope there was the hook-up and commissioning. Being on the platform we also were able to undertake a lot of additional work for the client, and that contract grew significantly over the course of its life and really has been the mainstay for Clough this year. The growth in that project has been quite substantial. It has been very profitable work. And in fact just yesterday they introduced hydrocarbons to the platform for the first time, so a major milestone for the project. They are doing it in a phased approach but phase one was introduced yesterday. So we will be on that project probably through September or so concluding work out there and bringing other phases on stream.

This next photograph here, this is the central processing facility or CPF of the Ichthys project. Ichthys has two offshore facilities. One is the central processing facility which is the world's largest semi-submersible. This is now currently on station off the coast of Australia. Clough completed the mooring scope of this just last week and they are sailing the accommodation support vessel and they will tie that up and start mobilising to do the hook-up work on this project early next month. So a similar scope to what we have on Wheatstone and just getting started now. The second offshore facility for the Ichthys project is a FPSF or a floating production storage facility. That facility is still in Korea. It has not been completed in the yards just yet. But it will sail here sometime in the next few months. We have the same scope. We have been up in the Korean yards for both of these projects through the construction. We follow them as we do all the hook-ups for the client on site. Certainly Wheatstone has been a great success for Clough over the years and our performance on that is a large part of why we were selected to do the hook-up on these other two facilities. And the work we have been doing so far has been quite successful. Our relationships are very strong. And we would anticipate being in a good position to take advantage of any additional work that Ichthys tends to discover through that project's commissioning phase.

For us in terms of key opportunities and where our opportunities and risks are, in terms of opportunities as I mentioned earlier the east coast of Australia's large infrastructure portfolio is too large to ignore. Western Australia does have an infrastructure portfolio that it is developing. The new labour government has been very successful in negotiating federal funding for an infrastructure portfolio in Western Australia. They haven't got the infrastructure plan finalised yet. It won't be the same size as the east coast, but they are developing one there as well. I think this group probably was aware of the [unclear] project that Clough has been pursuing for quite some time, a large $1 billion tunnelling project. With the change in government that project has been cancelled. Those funds will be allocated to other infrastructure projects. But that's the sort of project that we look to see.

In South-East Asia that's where we see greenfields spend in the oil & gas space particularly in Papua New Guinea. The mining sector is growing and we are looking at both brownfield and greenfields projects within the mining space. Midstream and commissioning opportunities in the US is certainly a market we see as being very active and we will participate in. And then gas to power, water and marine opportunities. And water is another of those markets with a complementary market to our skills set. So we are working on some water processing facilities at the moment in Australia in the $100 million range. One we have just been awarded the early works contract for that hopefully we will move into full [unclear] shortly. But it's the same EPC project skills sets as the oil & gas processing industry demands, just a different product medium.

The risks, as I mentioned earlier contractors are being asked to accept higher risks in terms of project delivery and margins are typically a bit thinner. So we spend a lot of time in terms of our planning or tendering work identifying risks, developing mitigation strategies and making sure we don't contract for risk that we can't manage. We do see an increase in our business development spend. It's not to be unexpected, but certainly the contract values are relatively smaller than they have been in the past five years. But the level of effort is the same. So as part of our strategy this year and part of our forecasting for this year we've increased resources to support that increased tendering effort. As I mentioned also some of our competitors are taking a loss leading position in certain markets to try and maintain some market share or to at least enter in new markets. And we know who those players are. If they are on the bid list then we will think long and hard about whether we want to participate on that tender.

Lengthy and recurrent delays in the award of projects as market confidence is still low. We see a lot of project deferrals in terms of awards. We are starting to see that come to an end though, so cautious optimism is a phrase that is used a little bit in the oil & gas industry in Australia. We are seeing a bit of confidence return to the market. And of course our lack of construction capability in North America is a risk. We need to correct that with an acquisition.

If we're looking at our pipeline for 2018 the majority of our work in the Oil & Gas platform will be still oil & gas work. It will be 60% plus of the revenue that we secure or deliver. Infrastructure around 11%, petrochemical is quite small, and then the mining related activities around a quarter of what we're looking at. So we think that those two, mining and metals and infrastructure, will be important contributors and have always historically been a part of the portfolio. But certainly whilst the oil & gas market remains in transition it's going to be an important part of our portfolio. Growth in the international markets, Papua New Guinea I think is a few years away from substantial revenue opportunities. We are working on some planning and engineering studies now under contract, but those are relatively small compared to the EPC phases.

If we look at a couple of the key opportunities we do have the first one here is the Tipton Expansion EPC for Arrow Energy. Arrow is a joint venture between National Petroleum Company and Shell. This is a client that we are under contract for the master services agreement so doing all the development work for them. They have been our client for a number of years now. They are now moving into the EPC phase including the feed for this Tipton project at the moment. So when the feed is complete and they have had their final investment decision then that EPC opportunity is a very strong one for us. This is in the [unclear] methane development area.

The next one, Surat Basin, this is also [unclear] methane. Shell when they acquired BG here a year or so ago acquired this capability. So this is another opportunity for the construction of the pipelines and associated systems. A lot of work in those programmes, but that's certainly a good opportunity for us. And again for those who have been following the energy news in domestic Australia there is a large concern around domestic gas supply on the east coast. That's where the Surat Basin is and this is one of the major areas where they look to see that domestic gas shortfall corrected.

Pluto Water Handling Module EPC for Woodside, this is an interesting project. I mentioned it a little bit earlier in terms of the technology associated with the water handling group and the fact that it's an EPC project for Woodside. Woodside as a client we are getting quite close to. We are doing a lot of study work for Woodside. And they have a portfolio of projects coming up here that we are very active in discussions with them on. This is the first one that is coming up for tender. That's the one group that is looking for some real big LNG or some substantial LNG expansion projects in the near term. So they're looking to substantially expand their Pluto facility and have another small train on Pluto and some other opportunities LNG related in north-western Australia.

The Adani coal project in Queensland is another very interesting one. While it is a coal project the scope that Clough has tendered for and had some very good discussions to date with the Adani [unclear]. The Joanna pipeline is associated with getting water to and from that coal mine. So a very large pipeline project, hundreds of kilometres of pipeline. Adani has just gone through a couple of major hurdles in that degree in terms of getting its approval and it looks like that project is now moving forward. So that's a very key opportunity for us. BHP Billiton has got a substantial amount of work coming up in domestic Australia and one of the things they are looking at is getting a panel of construction contractors to help execute that work for them. We are in lengthy discussions with BHP around that right now. So it is around project management, construction management and construction delivery of some of their new projects.

FMG, Fortescue Metals, this is their North Star project, a very large mine development in Australia. We are looking at tendering for a desalination plant, so another complementary market for something that we're quite familiar with. The miners are really starting to undertake some activity back in Australia and we have some very good service offerings for that market to tap into. From an infrastructure standpoint Batangas LNG is an LNG import terminal being developed in the Philippines. Right now there are two EPC contractors tendering for that project. Both of them we are working with in terms of a lump sum price for the demolition of the existing jetty and then the EPC construction of the new jetty. Papa LeaLea Power Station, this is one of those projects which had deferred awards. We did this one a couple of times. We think it is quite close to an award shortly. Its ownership transition from ExxonMobil to Kumul about three months ago. But it is the EPC of a power plant adjacent to the LNG site in Port Moresby.

HMAS Stirling Redevelopment is another interesting opportunity. The reason I put that on here is when I thought about complementary markets the defence industry is one that Clough hasn't historically pursued with great vigour. But within the Australian defence force they have got a big capital works programme ongoing at the moment. And within the naval aspect of that there is a lot of work that is very suited to Clough. So pilings and jetties and refuelling stations. This one here is a refurbishment of HMAS Stirling which is very close to Perth actually. So this is the sort of work that we would typically undertake and have just undertaken for Woodside for example. That refurbishment is of the wharves, pile refurbishments and replacement, fender upgrades and so on. So very complementary skills sets into a new client base for us. So very well received. We've been working with the defence group in Canberra for the past six months to get ourselves an understanding of that market and how they operate. And this is the first project that we're tendering in that market.

If you look at external influences I think everybody has got something very similar to it around the supply and demand curves for LNG globally. There is the expectation that there will be an undersupplied situation again in 2020 or 2022, somewhere around that timeframe. New supply is thought to be coming potentially from the US, South-East Asia. The Middle East as Henry mentioned is a little bit tumultuous at the moment so we're not quite sure what role the Middle East will play. And here in Africa certainly Mozambique has been very much on the radar as well as far as that goes. We do see there will need to be new LNG development to service that undersupply in that 2022 timeframe. And those projects will need to start to be developed in the next couple of years if they are going to be able to come on stream in time to meet that market shortfall.

This is the breakdown of the $87 billion of infrastructure that Australia currently has on the list. This is the construction outlook, and you can see oil & gas processing negative 50% on where it was at only $7 billion within the infrastructure market. Pipeline construction is fairly minimal growth. Power generation is very low. Oil & gas and mineral processing facilities are going to contract by roughly 50%. Most of the major progress is complete. But there is huge growth in the infrastructure space. PNG is a great market for Clough. We have been there for 40 plus years and particularly off the success of their first LNG project it certainly is a great market for expansion. And we are looking at a number of opportunities there at the moment as I mentioned. Kumul Petroleum and Oil Search have one. Total have another upstream development. And then of course Exxon will ultimately be the operator we expect to run the expansion of the downstream LNG facilities. We are well established in PNG. We are looking at some other capability enhancements over there, but we are well placed. We have got joint ventures in place with some of the key players we need to partner with to pursue these projects and we are actively engaged in that market. We are currently working on one of the feeds for one of those expansions as well.

North America, the Canadian market is an interesting one. We are tendering some rain works for an LNG facility in Canada at the moment. We see a lot of opportunities particularly as the commissioning of the currently under construction LNG facilities is done. We are pretty advanced in terms of bidding or putting together an offering in front of some of our clients in the US at the moment for the commissioning of those LNG facilities. We really need an EPC construction capability to really take a sizeable part of this market. I won't continue to dwell on the infrastructure but 370% increase in tunnel kilometres which is a huge increase. Thank you.

Ed Jardim
Thank you very much for your presentation. Once again just some time for Q&A. I would like to start in the room. Any questions for Peter?

Rowan Goeller - Macquarie
Thanks, Rowan Goeller from Macquarie. Can you give a sense of your geographic breakdown right now contribution wise, particularly Australia and North America? Just to add on to that, if in Australia there are no more contract wins over time what will that situation look like in contribution?

Peter Bennett
Right now domestic Australia probably represents around 80% of our revenue and probably will do for the next 18 months. What we do see though when we talked about large EPC projects not being there in Australia within the oil & gas space that's true. And I think when they do come back they will be in the South-East Asian region initially. But what we're looking to get to as a long-term strategy is something like a 60/40 Australia international split.

Rowan Goeller - Macquarie
As a follow-up question on the EPC opportunity that you are looking at, EPC contracts do come with risk. Can you comment on [inaudible] you would be looking for [inaudible]? Are those the type of EPC contracting that you are talking about? And then risk in general EPC space from a risk reward profile.

Peter Bennett
Clough has been in the EPC space for many years so it is nothing new to Clough. If you look at the recent jetty projects we've had they have all been EPC. So that risk is something that is not new to us. What we see in terms of the typical contracting risks you mentioned schedule liquidated damages. That's typically applied to EPC contracts. And again the risk mitigation measures that we have there obviously is the sound execution plan that you put together when you tender and executing in accordance with that plan. So that's not an unusual risk and certainly nothing new to Clough. A performance related risk is I think the next question you had. So again yes. Our performance related risk if you have project design responsibility. For example in the Gorgon LNG project Clough is part of the key JV that delivered the EPC to the client and we have a performance test obligation for that project. But again as long as the damages regime is consistent with your project scope it's certainly a manageable one. And we are about to performance test that facility here in the next month or so and don't anticipate any major concerns with that. All of the projects we're talking about those are the typical sorts of guarantee regimes that you would see. When I talk about contracting risk I'm talking about clients are looking for more EPC related project delivery, which frankly suits us because not everybody has that background and that capability.

Garth Arenz - Avior
I just want to ask a follow-up question on what Rowan said. Regarding your EPC in Australia what type of investment are you likely to put in to grow that business and what type of acquisition are you looking for in America in terms of size and what the revenue stream would be?

Peter Bennett
In terms of investment for our EPC position within Australia frankly the differentiator there is our technical capability which we already have. So in terms of the blue collar resources that's a resource pool that is project specific. So that's something which is accessible to us and we manage that on a regular basis. From a construction capability we have strengthened that resource already in the organisation and we have that capability there now. So our internal organisation has a couple of very strong operational managers for east and east coast and they have a portfolio of project managers that work on the EPC projects. On the US acquisition again what we're looking for there is really a construction capability because we do have the engineering and procurement and project management skills sets from Clough. So the sort of acquisition we're looking for is predominantly a construction company. They will typically have a small engineering capability with them, but in terms of the design and larger scale process related design capability that's where Clough can add to that group and add value. In terms of the sales range that's a $40 million acquisition.

Garth Arenz - Avior
What are the indicators for what you think clients need to be for those potential new oil & gas projects to come back again when you talk about potential undersupply developing in 2021 or 2022? What will affect the confidence to get those large projects back? And the second question is what margin would you need to achieve in your business to have reasonable returns on capital?

Peter Bennett
What's likely to attract investment from the operators, one of the areas Australia has come under criticism for has been the high cost of construction. I think one of the things we are working on quite a bit certainly within Clough but within the domestic industry as well is around demystifying that construction cost quite a bit. I think there has been a lot of… The execution model on some of these large projects hasn't necessarily lent it to the most efficient construction. And certainly that's one of the things we're working at within Clough right now to put a bit of a nonconventional solution in front of some of those clients around how we can deliver a more economically attractive project in Australia and make it competitive in the global market. Historically certainly all the north-west shelf projects were developed on that basis and are competitive globally. Some of the more recent developments have challenged that. But there is no reason we can't get back there. In fact I think there is good reason we can.

I think what the oil & gas market is looking for is at the moment they're in oversupply so nobody wants to go and invest their capital in a period where there is no [unclear].

So I think when they get to the point of being a market that is undersupplied the pricing will be a little bit more robust in terms of the gas price. It is still linked to the oil price which is I think one of those questions that the oil industry hasn't yet figured out the answer to. But I think a bit more stability in the oil price has been good, and just the fact that there is going to be a market undersupply position is going to generate reason for those projects to go. The other thing that helps within that is there is a lot of uncertainty around… people are looking for options in supply right now. So being only supplied by pipeline gas for example is a bit of a sovereign risk in some places. So there is a lot of thought about security of supply and having diverse supply. The spot market is another thing that is a new market dynamic that the old industry didn't really have to deal with. So I think the market dynamics are there and I think in the next few years we will start to see a lot more activity in the LNG market again.

Marc Ter Mors - SGBS
Are you targeting projects with strong earnings potential?

Peter Bennett
Yeah, I think so. We wouldn't be doing it if it wasn't.

Marc Ter Mors - SGBS
What margins are you looking to earn on identified projects?

Peter Bennett
The margins are around 7.5% EBIT contribution.

Tinashe Kambadza - Afrifocus
I think you mentioned some opportunities in Africa. So I'm wondering what kind of markets you guys are looking at. And given the current market conditions obviously some of your key markets in the rest of Africa.

Peter Bennett
South Africa in terms of near-term opportunities and without trying to steal any of Steve's thunder we're bidding on a couple of product storage terminals here in South Africa at the moment both for Transnet and for Vopak. So they are very near term projects. We have already submitted pricing for those. We see some other similar sort of projects. Product terminals are something that the likes of Vopak and oil tanking etc. are developing constantly. Steve has been looking at a number of those opportunities as well. LPG is another market. We have just concluded the work for Sunrise Energy and there are more opportunities coming up. The larger scale in terms of LNG, Mozambique is probably the closest one. And Mozambique as you know has a couple of big developments in various stages of progressing at the moment. Would we go after that as an EPC contractor? No. but certainly there are scopes within those multi-billion Dollar developments that we can pursue as part of or to the EPC consortium for those developments. That will include an element of marine, so jetties and wharves. They have gas processing facilities at the front end of the LNG plant. Lots of utilities etc. So lots of opportunities with those.

Tinashe Kambadza - Afrifocus
And what about north of the Sahara?

Peter Bennett
We're not looking at further up. The one in Tanzania is a little bit further up than Mozambique but it's a few years behind I think given its stage. But it has very exciting reserves there and there is a lot of interest. BP and Shell I think are developing that one.

Ed Jardim
You've got a slide in your appendix on the opportunities. Peter, perhaps just one final question from the webcast. And it is post acquisition in the US why would companies choose to work with Clough as opposed to other companies?

Peter Bennett
I think in the space in the market we're looking to pursue over there, there are not a lot of people with an EPC capability. There are a few large EPC companies over there. In terms of in that mid-scale size there are not a lot. And clients are looking for that EPC project delivery. So we think with the right construction capability over there then we can pull together and provide an EPC project delivery solution that that market is looking for but doesn't have at the moment. The larger EPC companies over there, they're of a different scale and looking at different projects. We will give a bit of differentiation in that space particularly given our extensive LNG experience and capability. And being able to bring those big project tools and processes and governance to these projects is something that is a bit of a differentiator.

Ed Jardim
Working with the likes of Chevron and Shell in Australia – you are known to the majors?

Peter Bennett
Yeah, certainly Chevron, Shell and Exxon are very familiar with us. We also have extensive relationships with a lot of the developers over there right now through our engagements with CH-IV and we do a lot of work outside of the US for them in our Perth office for example on some of the more detailed developments that we do. So yeah, we've had a lot of engagement already. And the one missing element which we have had when we talk to these owners about the EPC phase has been that construction capability.

Ed Jardim
Great, Peter. Thank you very much. Thanks for the presentation. In the programme we had a comfort break planned. We would still actually like to do the comfort break but only keep it to about five minutes if we can please, just for the benefit of time. It's now 15:25. We would like to restart in about five minutes, 15:30. Thank you very much. Right, welcome back. Thank you for that quick break. We've got one more presentation left. That is from our last platform. And Steve Harrison who is the platform CEO for the Power & Water platform will talk us through his business.

Steve Harrison
Thank you Ed. Good afternoon. As Ed said my name's Steve Harrison. I'm the CEO of the Power & Water platform. Just pretty much the same format as Orrie and Peter, a platform overview, a market outlook by sector, some current projects and then some key prospects. I think also the platform is a Power & Water platform but we also engage in other complementary markets so I will take you through some of those complementary markets as we go through the presentation. Basically resources and industrial, oil & gas and electrical and instrumentation as well.

Just to look at the structure of the platform as we said the platform is Power & Water and literally there are two businesses in the platform, Murray & Roberts Power & Energy and Murray & Roberts Water. So the power and energy guys at market level look after power, oil & gas and petrochemical, resources and industrial and electrical and instrumentation. Murray & Roberts Water, just to be clear, we are not in the bulk water supply business. We are not in major pipelines. We are in the water treatment business. When we talk water treatment it could be from a borehole. It could be from a river. It could be from a dam or it could be sea. Sea is obviously a desalination project for us. That's the water treatment side. And industrial waste water treatment, that could be from industrial users such as Coca Cola or any of those sorts of industrial users that you could think of. Domestic waste water treatment, such a big market we see there. In South Africa there are a lot of waste water treatment plants that are under stress. We see that as a big market for us and I will talk a little bit about that. Aquamarine is a company acquired about two and a half years ago. They are very much containerised, modularised water treatment products that we deploy.

If we look at the business model as I said Murray & Roberts Power & Energy is power, oil & gas, resources, industrial, electrical and instrumentation. We work across the full value chain with feasibility studies, detailed engineering, procurement, construction, commissioning, repair and maintenance. We are also seeing opportunities coming into play in the operations space. On the power side we've got a proposal on Friday to Botswana Power Corporation for the operation of their Morupule A power station in Botswana which we are currently refurbishing. So those are starting to come into play. Murray & Roberts water side as I said is Aquamarine and Murray & Roberts Water. These are not international. We are Sub-Saharan Africa, predominantly South Africa, Botswana, Namibia, Mozambique and Ghana.

I can't stand here and not talk about safety. Every day we send over 7,000 people to work on some very high risk projects. For the year our target was 0.52 at an LTIFR level and currently as we stand at the end of the last reporting period we are at 0.48 as an LTIFR. What does that translate to? We do about 20 million man-hours a year as a business and it means we injured nine people on duty last year, which is unacceptable. So we're looking at reducing that target and obviously striving towards an improvement in that year on year. Some of the achievements that we've had, Kusile 2.2 million man-hours without an LTI. If I would have been standing here talking to you here a year ago we had achieved over 10 million man-hours at Kusile without an LTI which is a phenomenal result on a very high-risk project building six boilers simultaneous 100 metres up in the air. It's quite an achievement.

Also on Medupi we achieved 3.8. Secunda Oil & Gas, I will talk about that a little bit later. Again I think if I was standing here talking to you 12 months, 18 months ago we wouldn't have been talking about oil & gas. That's our business plan in Secunda where we support Sasol. Train 17 also a good result. Kusile WFGD, I will talk about those projects on the mechanical side of WFGD. Our trend has been very much finger injuries over the last period. As I say we've had nine LTIs and seven of them have been finger related injuries. So a big focus on trying to reduce that. Level four incidents, a level four is a really high potential incident in our world. And we track those very closely and we go through a whole process around investigating and closing it out. We had two incidents during the year so far, both falls from heights, one at Morupule and one at Kusile.

So market outlook by sector. In the power sector if you look at the left there, so what is dominating the power sector for us at the moment? I guess the answer is Medupi and Kusile. That's the simple answer. On Medupi and Kusile at the moment we've got more resources deployed to site than we have had since we commenced the job. We have got over 6,000 people on site at Medupi and Kusile. Where are we with the projects? Medupi 6, 5 and 4 are operating and are on the grid. Medupi 3 is heading towards its last test which is basically when we run all the fans post hydro. And unit 2 at Medupi heading towards a hydro test. So I've been going up to those projects now for six years. We can see the end in sight. The end is in sight. We've probably got another two-year horizon on the power programme. At the moment there are some pretty tough milestones and we're reaching those milestones, so I'm pleased about that. We also see a long tail on the project. Once we are headed towards completion we've got opportunities in maintenance outages. Our client, Mitsubishi Hitachi, has to do a maintenance outage on each and every one of those units and we think we are very well positioned to do that work for them. So as the bulk of the construction work comes to completion we see quite a long tail on those two projects.

Where does that leave us in South Africa? 12,600 megawatts have been determined for window 2 IPP coal. We are aware of that window 1 IPP coal with two preferred bidders in that space. So we see opportunities for us there. And then obviously gas to power. Peter mentioned gas to power earlier. There is the Richards Bay and the Coega project which we have both involved in the determination. We are expecting towards the end of this year the gas to power RFI followed by an RFQ to come out. Quite a frustration, 2383 megawatts, 37 IPPs that haven't closed. As Henry mentioned we've got a biomass project in this which is frustrating. I will talk to that a little bit later. Eskom, the reality for us is Eskom spend about R10 billion a year on repair and maintenance on their stations. A lot of that is tied up in three main boiler contracts. It's incredibly difficult to break into that space so we've changed our approach there. We are now looking at doing repair and maintenance via the stations which are outside the traditional boiler serve contracts. Recently we received an enquiry for the replacement of economisers. That could be a couple of billion Rand that project itself. So there is a lot of scope outside the traditional boiler maintenance with Eskom.

And the IRP2050 is under public review. It's a component of gas to power and it's a component of renewable energy. So there is still a big focus there for us. I think as frustrating as it is for me that a lot of these projects haven't come off yet I think from a timing point of view it is actually very good for us in terms of as we start to demobilise off Medupi and Kusile we've got excellent resources who are experienced in power plant construction who will be ready to be deployed into those projects. So those are our differentiators. It's relative experience on the power programme at the minute. We've got an appetite to take EPC work obviously with in-house resources and Peter when it's appropriate and the risk profile is appropriate. And then a multi-disciplinary offering through collaboration with the group entities. So we see it's not moving as fast as I would like it to for obvious reasons but I think we are really well positioned when this work comes to light.

Some key partnerships for us on the power side. Last year I went to the States and we signed a cooperation agreement with Black & Veatch on coal gas transmission. One of the things for me is when we partner with somebody and we collaborate with somebody I want that person in bed with me next to me and working with me, and managing the same risk profile. I don't want to outsource the engineering to somebody else and then carry the EPC risk. That's quite important for us. Another key partnership that we just signed is Shanghai Electric Corporation about two weeks ago with Shanghai Electric. We signed a cooperation agreement with them for Sub-Saharan Africa where we can deploy their technology, some of their EPC capability, and a really important one for me is transmission and distribution. In our business that's something historically we have only been in the [unclear] game. Working with Shanghai Electric in Sub-Saharan Africa it opens up the 400 KV transmission market for us. And Shanghai Electric are also willing to fund some of these projects. So it's an interesting development for us.

In the oil & gas sector I'm not stealing Peter's thunder. As I said it is a complementary market for us. But it is mainly construction work in Sasol. As I said 18 months or two years ago we were not in that space. We've been in that space now just over two years. We completed or are just about completing the DLC [?] project which is a large mechanical electrical construction project with Sasol. And in May this year we negotiated a negotiation for the CTFE project. So in my mind Sasol are seeing us, Murray & Roberts, down in their Secunda operation as a key service provider and long may it last. Peter mentioned the bulk storage tanks. We do a lot of this work in conjunction with Clough, with Peter's team. They do the front engineering and the smart procurement and we do the boots on the ground construction in that regard. We are tracking two in South Africa as Peter mentioned. We are tracking two more in Mozambique. We are tracking two in Ghana and we are tracking one in Botswana. They are all at various stages of RFIs issued or RFQs. A couple of them we're on the short list there for success on those projects. That's where we operate in the oil & gas sector. I think as Peter said one thing that we've always kept our eye on is the developments in Mozambique and when that LNG is released we think we will be really well positioned, as Peter said, to pick up some packages. When the EPCs were in the Medupi contest we were doing quite a lot of digging into those guys on the LNG project in Mozambique so we think we are pretty well positioned when it does release to the market.

For the water sector Organica is a technology that we hold in waste water treatment. The South African waste water treatment market is dominated by traditional waste water treatment with a tendency now to look towards membrane bioreactors. This is a different technology which we think gives us a lot of leverage in the market. So we have put our money where our mouth is. We spent about $1 million on a demo plant. We are bringing that demo plant in. it is currently being manufactured in Singapore. It is going to arrive here towards the end of this month. And we have an agreement with eThekwini that we are going to demo the plant. So we have put our money where our mouth is and we've brought that plant in. we think in the future with that technology it's a real differentiator for us in the waste water treatment market.

Life Health, this has been interesting. This talks to water security. So Life Health hospitals driven by some of the things that are going on in Cape Town in terms of the drought and water crisis we are drilling boreholes for Life Health down in Cape Town and we are going to install water treatment plants for them to treat that brackish water coming out of the borehole. And we are doing feasibility studies for them for all 93 of their other hospitals. This is an initiative that we have with RMB where RMB would look at funding these projects. Murray & Roberts Water will develop these projects, define what the client needs and install that, supply the kit and operate it on a Rand per cubic metre basis. The R670 billion, this is what the Department of Water and Sanitation believe they need to spend to bring South Africa's waste water treatment plants back to compliance. Not to expand any of them, just to bring them back to compliance.

On outlook and key drivers, waste water I spoke about. We think this is a big opportunity for us. In this space as well we will also look at other small bolt-on acquisitions. We're investigating that now. Industrial. Driven through the RMB industrial initiative that we've got there is a lot of clients who are very interested in water security and recycling their water. Mine water, it's been quiet the last 18 months. What we see in the long term is obviously the whole Wits basin and the whole AMD requirement needs to be sorted out. There has been an appointment now. The Department of Water and Sanitation have appointed a company to look after that for them, and we see some traction being gained in that regard. Sea water desalination, there are opportunities in sea water desalination but the government's view and the municipalities' view is that it is a last resort. So we see it more as an emergency employment. That's where we see the opportunities. PPPs are coming. We see that coming in the future. We talk to some of the water boards and we talk to some of the municipalities. They have set up PPP units. And specifically in waste water we definitely see PPPs coming.

Resources and industrial, this for us is historic business that Murray & Roberts has been involved in as MEI and Concor Engineering historically. We've gone back and we see now with the market outlook I keep talking to Orrie about all of these wonderful projects that he's doing and I say, where are the surface process plants for us to get involved in? So we see a market here now. We've gone on quite an aggressive engagement strategy with all the EPCs. The people that we have in that business are still in Murray & Roberts Power & Energy. We definitely see an opportunity there. E&I, as I said again this is a historic business. This is the Wade Walker business. A track record of 33 years. They have worked across Sub-Saharan Africa. Again we've engaged and we see opportunity in this market. We have successfully completed the Husab project in Namibia last year and we managed to roll that into a project down in Secunda for [unclear]. So we've seen an opportunity there. And as I mentioned earlier transmission projects, historically we haven't been in transmission projects. We are trying to stop the 22 KV overhead distribution. With Shanghai Electric it gives us the capability to get involved in transmission projects. And we are currently looking in Mozambique and Kenya at some of those projects.

Sub-Saharan Africa. In Ghana we've got an office. We've had the office now for about three years. It is a fully compliant Ghanaian entity. We have just finished a storage facility for GOIL and on the back of that we're now talking to them about a bitumen storage facility. We are not looking at any major gas to power projects in Ghana. What we are looking at is more gas engine type projects. So we've got an agreement with Cummins and we've been bidding some work with Cummins in Ghana. It's not major combined cycle stuff that we're seeing. It's smaller gas to power via gas engines. What we are doing as well is we've got our Aquamarine product which I spoke to you about which are the modular containerised solutions. We are looking at deploying those to Ghana. We've got a license agreement with Genysis for chemicals and DOW for membranes and we're looking at supplying into the West African market.

Namibia is a little bit quiet at the moment. We are still tracking the Kudu project as I guess everybody has been for many a year now. What we understand is that project did approach our partner in China, Shanghai Electric, and [unclear] so we have already had some discussions with them around that. So we are reinvigorating our construction offering to the mines in Namibia as well on the back of the work we did at Husab so we see some opportunity there in the short term. Botswana, we are currently on Morupule A working for [unclear] and heavy industries. We are bringing Morupule A back to service which is four 33 megawatt CSD boilers and turbines. So we've probably got about four or five months left to go on that project, but we see other opportunities emerging on the back of that in terms of operation and maintenance on that station. And also on Morupule B the CPCs that are locked into units 5 and 6 and 7 and 8 we are having in-depth conversations with them on that at the moment as well.

Kenya, as I say our focus is largescale transmission there. And there is quite a proven market for geothermal energy in Kenya. So we have been tracking some opportunities there. It is something that we haven't given a huge focus but we have just started to engage in Kenya now. Mozambique, again we've got an entity in Mozambique based in Maputo, a fully compliant local entity. As we mentioned we continue to follow the rollout on the LNG. We think we are well positioned when it does happen. We've got the power opportunities coming through there as well. [Unclear] are doing some work on gas to power and Sasol are doing work on gas to power, so we are tracking those quite closely. We are also looking at construction packages on Sasol's onshore gas development with the PSA. And there is some largescale transmission build opportunities. What's missing is the funding, and that's where our partner can add some value. We have pretty much focussed on the private companies at this stage in Mozambique and we will continue to do that until some of the government funding restraints are resolved.

South Africa, as I mentioned Eskom repair and maintenance on an aging fleet. That's the reality. R10 billion a year. The solar and coal IPP programmes, I think we are well positioned for that when they do eventually get the green light. We as a group from an EPC point of view are aligned in our participation in that gas to power programme. And I think from a concessions point of view as well we possibly look at getting involved at a developer level in that programme as well. The Richard's Bay project is probably going to be about a R50 billion project when it eventually comes to the market. And we continue to expand our offering to Sasol. As I said two years ago we didn't have a business plan there. We have very much got a business plan now. So we will take what we've done in Secunda and we will replicate it in Sasolburg. Municipal waste water is a key for us. One of our near orders is for Zandvliet which is the City of Cape Town which is a membrane bioreactor conversion of an existing waste water treatment plant. So we definitely see opportunity in the waste water sector in South Africa.

The current projects, Kusile and Medupi, so the Medupi fabrication I finished and Kusile fabrication is winding down. We've got about 100 people on that project and that will finish probably in the next two or three months. That will [unclear] provided all the ducting into the power station, quite huge ducting facilities. Medupi and Kusile I spoke about. I gave you a bit of an overview as to where we are. I don't think I mentioned Kusile. Unit one is synchronised on the grid. We are ready to go on unit two in terms of the [unclear] test and we are heading towards a hydro test on unit three. The dynamics that are unfolding there is obviously we are going to be looking to demobilisation probably before the end of this year. We are at peak now. We have about 6,300 people in the power programme. Obviously with that comes an IR risk which is a reality for us that we need to manage. There are expats on the power programme which it is clear that those expats are going to have to leave at some stage. And the boilers we feel will be finished off by South African resources. The expats will have all gone home to Germany and Thailand and wherever else.

For Morupule A I spoke to you about that, four 33 megawatt units. We are ready to go to synchronise unit one with some clearance that needs to be done by the IAS so we are ready to go on that. And we're ready to hydro test unit four. We should be finished around about September/October this year. And as I say we've got about 350 people on site and a supervisory team and a project management team. And we think there are some opportunities coming into play for them after. I think Henry said there is one loss-making project in the group, and Peter said he didn't have any loss-making projects, and Orrie said he didn't have any loss-making projects. So I'm the guy holding the one loss-making project at the minute. We fully declared our loss at half year on that project and are hoping we can claw back. The important thing for me is to finish the project work. And I'm really pleased with the team at the moment. We've had a lot of challenges on the project, but we are finishing the project. We are finishing it well. We just accelerated unit two. The guys made their acceleration requirements. And we have just signed an agreement to accelerate unit three as well. So we should be finished at the end of the year on the WFGD. What will those lessons learnt meant to us? We are fully aware that Medupi is now out on enquiry looking for [unclear] units for the Medupi power station. We are already engaging with some technology suppliers and we believe the construction skills that we've picked up on this project suit us well for that. They are complex vessels. They are not simple vessels. They are very complex vessels.

At Secunda Oil & Gas, the Sasol environment, the Sasol VOC is coming to an end, the Volatile Organic Compound Abatement Project is coming to an end and CTFE has just started. That gives us a nice base load of mechanical and electrical work in Secunda. We have also been successful quite recently. I didn't put it on the slide. We have been awarded a shutdown job which is a prefabrication, pre-shut and shutdown job. Every year Sasol go into a major shutdown around about August or September and they can spend R2 billion during that shutdown. So we secured one shutdown project and we're looking to try and secure a few more.

In terms of other acquisitions I spoke about a waste water treatment technology company acquisition bolt-on. We are looking at a possible bolt-on acquisition in the Sasol environment as well which will probably be maintenance. That will give us a nice baseload of work that we can ramp up and down from the big construction jobs, the small EPC jobs and then a huge ramp-up during the shutdown season. MGO storage facility, this is a project we finished in Ghana. We are quite proud of that. We did that on an EPC basis. We completed it in March this year and are handing it over to our client now. And on the back of that we're expecting to engage with our client for a bitumen storage facility at Takoradi. So we are quite proud of that one.

Electrical and instrumentation, again a couple of years ago we weren't in a good place in electrical and instrumentation in around about 2015. They had taken on a lot of very small jobs and they were struggling to execute them. So we've decided our strategy now is to go for the larger jobs that are out there and do them well. The Medupi boiler instrumentation we are contracted in joint venture with Actom. We are going to be doing unit 6. 5 we have completed and unit 4 we are completing. And then 17th O2 Train. That Husab team that we deployed in Namibia the timing is perfect and we deployed those guys and girls down to Secunda and we're doing that work. It's the largest TSA oxygen plant in the world down in Secunda and we are doing E&I construction for them down there. WFGD electrics, again doing the electrics on the WFGD for GE for all six units. And that's going to be ongoing for a while.

This is also a first for us in terms of our water company. MBR is a membrane bioreactor. So we have just completed this now. Unfortunately our client hasn't got any feed stock for us so we will be going back and being put on care and maintenance. So we will be going back when the client can provide us the feed stocks to carry out the process and performance tests on that unit. But again that was a first for us during the course of this year which is good.

The key prospects. This is the George biomass project. It is a biomass boiler. It is going to be installed down in George as part of a small renewable programme. It is small. It is 5 megawatts. But for us it is significant as a group in that we're playing across the complete value chain. We are the developer. Murray & Roberts at a concessions level has taken equity in this. MRPE, Murray & Roberts Power & Energy, will be the EPC on it. And Murray & Roberts Power & Energy and Worley Parsons with their joint venture will be the O&M contractor on this project. So it's a complete [unclear]. We just need a signature.

A design and construct near order. This is Zandvliet. Zandvliet is down in Cape Town. It is out near Muizenburg. MBR conversion seems to be the way to go on some of these projects, specifically down in Cape Town. It was a conventional plant. About five years ago part of it was converted to an MBR and now they're doing the second conversion to a membrane bioreactor. It is a joint venture with a company called [unclear]. There was a public [unclear] the bids. We were the lowest when that was opened. And when it was normalised we were still in the running, so we are in negotiations with the City of Cape Town now and we hope we're going to be getting a go-ahead to proceed with this project hopefully around about August.

So if we look at some target opportunities for the next two to three years on the power side we are tracking about eight key projects which I think I have mentioned to you, mainly the REIPPP which is CSP for us, base load coal, co gen and gas to power. We've got real and current experience in power plant construction that a lot of people out there would like to say that they've got that experience. But based on the back of what we're doing at Medupi and Kusile and at Morupule we've got real current experience in power plant construction. In terms of what we look at in terms of EPC, the R500 billion range, probably simple cycle, that sort of stuff. Nothing too complex that we couldn't execute ourselves. I wouldn't go off and do a combined cycle plant unless I was doing it in joint venture with Black & Veatch. That's the type of thinking that we have and the scale that we have from an EPC point of view. As I said you need O&M partners or somebody like Black & Veatch to come and partner with us on a largescale power plant. And then we've got our O&M joint venture with Worley Parsons in Morupule.

On the water side we're tracking about 11 prospects. We see real opportunity in waste water treatment. We are engaged with City of Tshwane, [unclear] eThekwini and the City of Cape Town at the minute. There is real stress in South Africa on waste water treatment facilities and most are planning retrofits to those units. Industrial water users, as I said a lot of it is driven by the fact that we can reuse the water. We can recycle the water. And then we also give them water security guarantees, water security services. And the modular and containerised supply of rapidly deployed desalination plants. We've got an agreement, an MOU with a company called Osmoflo. Osmoflo are actually an Australian company but their operations are now based in the Middle East. They've got containerised desalination plants bubble wrapped sitting in Cyprus. They currently have four 7 mega litre a day plants and one 30 mega litre per day plant. And we have the exclusive rights to market and deploy those in South Africa. So as you guess we are in conversations with the City of Cape Town and some of the people down in Cape Town for rapid deployment as and when needed.

As I said largescale Wits basin AMD treatment is gaining momentum. I couldn't get the name out previously. It's the Trans-Caledon Tunnel Authority, the TCTA. They are the guys who are the implementers for the Department of Water and Sanitation. And then complementary markets. As I've said we've positioned ourselves for a turn in the commodity trend which we think is going to happen to deploy EPC and SMEIPP construction delivery models. And there is a focus on repair, operations and maintenance as they come on. I think that's it.

Ed Jardim
Steve, thank you very much. Some serious acronyms.

Steve Harrison
Sorry, I should have done a list of acronyms.

Ed Jardim
Steve, thanks very much. Just some questions for Steve from the floor.

Tinashe Kambadza - Afrifocus
Sure. I've got a few questions here. First of all you're saying that PPPs are actually now ongoing and is gaining traction.

Steve Harrison
In the water space.

Tinashe Kambadza - Afrifocus
Specifically in the water.

Steve Harrison
PPPs have been around for a while in power as you know, but I don't think there has been a framework previously in the water space. But we're having those conversations.

Tinashe Kambadza - Afrifocus
What I'm wondering is how are those engagements? Because if you look at general water spend allocations from the public sector have always been there but it seems like there's a sticking point when it comes to the municipal level and implementation of some of these water treatment plants and what not. So I'm wondering how that has evolved given the current state where we are right now. Obviously [unclear] has been there for a while. How is that engagement with the municipalities? My understanding is that has been the sticking point.

Steve Harrison
And I guess also there hasn't been a framework that has been underwritten by treasury or the DOE as per power. But what we're seeing now, and we've talked to some of the banks about this, is they are seeing some municipalities and water boards as bankable. So their balance sheet is strong enough for those guys to do a PPP. EThekwini has done a couple of PPPs. City of Tshwane have done PPPs. So it is happening. I just don't think it is as visible as the power space and as large a scale. And there hasn't been a programme and a framework for it to happen. They have been quietly doing it themselves. So that's the information we're getting now in engagement with some of these bankable municipalities.

Tinashe Kambadza - Afrifocus
In addition to that given where we are in terms of the need for water infrastructure – and I'm talking generally from a country perspective – it seems like quite a bit of work is going to be coming sector.

Steve Harrison
For us it's off a low base.

Tinashe Kambadza - Afrifocus
Absolutely. But I'm wondering now if there is not competition the kind of margin you guys do? So isn't there a risk of margin squeeze with guys going into that space?

Steve Harrison
I guess there is always that risk, but I think as Peter said the last thing I want is getting involved in a hugely onerous contract from a commercial point of view in a market where the margins are really tight. So we are still targeting that 5% to 7.5% EBIT range on those projects, and that's what we have been bidding those projects at. And as I said there was a public opening at Zandvliet and after normalisation we were in the running. We were top dog.

Tinashe Kambadza - Afrifocus
A last question from my side. Just in terms of your presence in Kenya my understanding is that Kenya is a very competitive market. I think guys are actually [inaudible]. So I'm just wondering how you guys are actually differentiating yourselves and actually competing in that market.

Steve Harrison
As I said in the presentation Kenya is really early days for us. I think a couple of years ago we were looking at establishing and I think the Infrastructure & Building guys had a partner company up there. And there wasn't a lot of follow-up on that. So we are as wide open to that and it is really early days for us. But we realise if we go there we've got to go with a different offering. And that offering that we're going to go with is with our Chinese partner.

Murray Connellan - HSBC
Steve, you mentioned the staff count at Medupi and Kusile and the need for that to start coming off. To what extent are you going to have to reduce your cost base relating to those two projects over the next two years, and to what extent is it a risk to your bottom line should you be unable to reduce it quickly enough?

Steve Harrison
I think it's common knowledge that the type of contract we're on in 2011 via the variation agreement we converted from a rates based contract to a cost plus contract with KPIs. So that risk to us is not huge. What will happen is our revenues will drop as our resources start to come off the project. So from a contractual point of view we're on a cost plus contract with KPIs. That's where we are. That's the space we're in on that project. And as Henry said as well we do have the risk of commercial issues with our client and we have been in DADs. That's a fact of life for us. But we manage that. And as Henry said we've been successful so far in defending our position relative to that variation agreement that we signed in 2011.

Ed Jardim
Any other questions for Steve?

Marc Ter Mors - SGBS
What do you think will the profile of the traditional top line be do you think over the next three years as you move out of the largescale Eskom contracts into smaller scale? It sounds like other power opportunities.

Steve Harrison
They are there. I guess it will depend on timing. But I mean I think our reality is we will see a drop in revenue as we come off Medupi and Kusile which we hope will be replaced with some of these gas to power and base load coal opportunities. That's the big stuff that's out there that we're chasing. So our reality is we will see a drop in revenue over the next couple of years as we come off those projects.

Marc Ter Mors - SGBS
Has the loss has been looked after in the first half of the year and fully realised?

Steve Harrison
Yes they were. And Henry… Oh sorry, have the loss has been looked after in the first half of the year and fully realised? The answer to that is yes. And Henry's challenge to me is do better. At an operational point of view we are on track operationally.

Ed Jardim
If there are no more questions in terms of timeframe how rapid is rapid in your deployment of those emergency desalination plants?

Steve Harrison
Ed, I could sell you a seven mega litre per day desalination plant. I could get it deployed from Cyprus and operating in four to six weeks.

Ed Jardim
Thank you Steve. Thank you so much. I appreciate your presentation. Henry, to close the afternoon for us.

Henry Laas
Thank you very much to our platform CEOs for having shared the presentation with me. As you would have realised the group today is very different to what it used to be ten years ago. I am very proud and so is the board of the company that we have built. I think you will agree with me it is a fantastic organisation the way in which it is configured today. And we really look forward to see how well we can create shareholder value off this base that we have established.

The key platforms are at different levels of maturity. I would say the Underground Mining platform is the most mature of all three from the point of view that it is already established in all the geographic regions where we believe we should have a permanent presence. And our strategy is to have a permanent presence in all the main markets in the targeted part of the natural resources market. So where we see major opportunity Underground Mining globally we want to have a permanent presence in those regions. I think the mining business has achieved that. I don't think there is any further geographic expansion that is really required. In terms of the service offering it is across the project lifecycle and it has got a really good percentage of work coming from the operations part of the value chain. So I think that is a mature platform and that is where the other platforms should grow towards.

The Oil & Gas platform I would say hasn't achieved that level of maturity yet. The market in the US we think is very important for the long-term success of our Oil & Gas platform and we don't have a presence there. Peter has spoken about the acquisition that we would like to undertake in the US, and that is important for us. As soon as we've established a good presence in the US and are able to provide the EPC service for those five opportunities I think we could then say that we are getting closer to the level of maturity in the Oil & Gas platform that we would like to see.

The Power & Water platform is a very new business. If you strip out Medupi and Kusile there is very little else within the platform from a revenue and an earnings point of view. Predominantly still a Medupi and Kusile business. As far as water is concerned it is very small. We are actually building a Power & Water platform as we speak. It is probably at the early stages. It is a business that we are busy building. It is a business that we believe has got great potential going forward. When you look at the executive team I believe we've got strong leadership in all three platforms. We are very pleased with Peter that has joined us in Oil & Gas almost two years ago now. Peter has got personal experience of having stayed and lived in the USA for a number of years working in that market and knows exactly what type of target we are looking for from an acquisition point of view. So we are very pleased that Peter has joined us about two years ago. Unfortunately we will say goodbye to Orrie in March of next year. Orrie will be retiring and we will have to find a successor to Orrie to lead the Underground Mining platform.

From a performance point of view if you look at the current financial year, the year that comes to an end at the end of June 2017, I have spoken about the items of cost that we have to account for in the current year. It was the last slide in my presentation. But what I can say is that the Power & Water platform has exceeded its budget for the year. It has done better than what we set out to achieve. The Oil & Gas platform will do better than what we have set out to achieve at budget stage. The Underground Mining platform will have a very good year but will fall short compared to the budget that we have compiled for the current financial year. But that was because I think we got our timing a little bit wrong where we expected the metals and minerals sector to recover sooner than what it has recovered. And for that reason the business was a little bit slower in the current financial year, but still when we release our results you will see quite an impressive performance by the Underground Mining platform.

Looking ahead to the new financial year we do expect the Underground Mining platform to do a lot better in FY2018 compared to FY2017. That is based on our current view of a very robust order book and near term opportunities. If we look at the Oil & Gas platform we think the Oil & Gas platform will also do a lot better than the current financial year. We cannot really see it yet in the order book, but I had a meeting with Peter before today's session and he has got a high level of confidence in the budget that we have compiled for the new financial year, so we are very pleased for the improvement there. As far as the Power & Water platform is concerned we do expect the Power & Water platform to come in with a slightly softer result in FY2018 compared to FY2017 purely as a consequence of the delay in some of these power projects as well as the fact that Medupi and Kusile will start to slow down in FY2018 and then have a bit of a tail into FY2019.

We were very disappointed when we got the news that we had lost the Duvha tender to Dongfang from China. You are aware of the Duvha turbine that blew up about two or three years ago. And there is a major rebuild required. We lost that to Dongfang from China. We were not too happy with the adjudication in Eskom and as you might have read in the papers this morning we have been in court on Friday where we and General Electric have joined in an action against Eskom on Duvha. So Duvha was a huge disappointment, the main reason why the Power & Water platform will report a decline in earnings in FY2018 compared to what we have managed to achieve in FY2017. So ladies and gentlemen, that is I think what we have planned for today. What I would like to do is maybe take a few questions and then we can close off.

Ed Jardim
Thank you Henry. Perhaps before closing if there are any questions in the room

Rowan Goeller - Macquarie
You used to be quite flexible as a pure construction business. What does that do to your fixed cost base in terms of your costs? [Inaudible segment]. How is your flexibility compared to before the sale of I&B?

Henry Laas
The position that we have achieved now is a position that we have been working towards over the past couple of years. Each of the business platforms are structured with a platform CEO and CFO and their own overhead cost structure. The disposal of this platform was from the CEO all the way down. So that entire overhead structure went along with the business. The corporate office is a very small team. We've got an overhead cost within Power & Water, within Underground Mining and within Oil & Gas which is all the costs required to manage and to deliver that business. From a corporate point of view we probably have 15 people in the corporate office. It's a very small team. The role of the corporate office has been defined in the past year. If I talk about the corporate office it's myself as the CEO, and then Ian who is our Commercial Director, and then the three platform Chief Executives. They form the Murray & Roberts executive board. On top of that we've got the financial consolidation team that prepares group accounting.

So we don't have a big overhead structure. The business has been modified for the business model that we've decided on. But what the corporate office is responsible for is strategic direction. That is now from the Murray & Roberts level down to the operating platforms or business platforms. It is about strategic direction. It is about leadership. It is about governance. It is about performance management. That's what we do for the businesses. But we also manage up into Murray & Roberts Holdings. We are responsible for all the governance requirements at that level. We are responsible for engaging with the JSE and with analysts, all requirements of a listed company. And then we engage with our stakeholders. So the role of the corporate office has been clearly defined and the business is structured in such a way that each of the platforms are capable of delivering their business without the day to day input from the corporate office. So to answer your question just in one sentence, the corporate office is very small. It is designed for the business model that we have adopted. And the overheads that you would normally see in the business are accommodated within each of the platforms that operate almost autonomously from each other.

Marc Ter Mors - SGBS
Can you maybe talk about shorter term the Middle East and potential cash flow impact? It looks like there are some claims coming through on uncertified revenues and then what is the cash flow impact?

Henry Laas
In the current financial year I've already mentioned to you that we will record a loss of about R445 million. This is not a cash loss. So what we did in some of these projects is we've taken an impairment on revenue because we just do not think that we will be able to achieve the levels of revenue on these projects that we are entitled to. So that is future cash flow that will not be realised but it is not a cash outflow. In terms of cash outflow it is predominantly the settlement of the Zayed University arbitration, the project of 2011 that was ruled against us a month and a half ago. That is R100 million that needs to go against that project and that arbitration. And then we are still incurring the legal cost on the Dubai Airport claim. We have got a small overhead cost. About R200 million I would say is the cash outflow in the new year on the Middle East.

Having said that our view that we will be taking at the end of June is based on the best assumptions we could have made considering current circumstances. We just hope come December this year once we have completed all these projects that we would have been able to maintain that position. But the risk is it may worsen further if trading conditions in the region deteriorate further. The cash inflow that we expect from the Dubai Airport we don't expect will happen in FY2018. We think it will only happen in FY2019, in other words July 2018 to June 2019. And you will remember that we have taken some uncertified revenues against that project. And the fact that the Gautrain uncertified revenue is no longer reflected as part of uncertified revenues the market will be able to calculate more or less what the uncertified revenue is on the Dubai Airport, and it is in the order of R550 million to R600 million. I can share that with you. So what is the implication of that settlement from a cash point of view and from an income statement point of view? If the uncertified revenue amount is upheld through the arbitration there will be no income statement impact but it will be 100% cash inflow into the group. If it is more or less than the uncertified revenue the difference will be in the income statement but the cash will be upside for us. That's the plan for the 2019 financial year.

Ed Jardim
Any last questions for Henry? On the webcast I've got two questions for you, Henry. One is on the outstanding liability on the Grayston temporary works. Who is liable? Murray & Roberts or Southern Palace as the new owner of the construction and building business?

Henry Laas
No, it is a retained liability which means Murray & Roberts is liable. And what are we talking about there if we talk about our liability? In the accounting solution that we've adopted on the project we have assumed a certain loss. And that loss has been accounted for I think in the previous financial year already when the incident occurred. But that loss takes into consideration that there is going to be a certain pay-out by the insurance company which is the only element that we currently see could potentially be at risk for the simple reason that the insurance claim cannot be pursued until such time that the enquiry into the incident has been completed and ruled on by the Department of Labour. As you would have read in the press recently it has been extended and it has been extended and it has been extended. And from that point of view we have just confirmed we don't know how long this process will take. But the only component which we are talking about in the retained liability really is the insurance pay-out and the risk around that.

And you would recall I did say in the current financial year we will be providing to the tune of R100 million on retained liabilities and Grayston Bridge is a very small component of that. There is a provision also on Lonmin open cast. We did a contract for Lonmin a couple of years ago and when Lonmin went into the difficult period that it's been through there were some payments outstanding and we demobilised from the project. So there are some claims that we have against Lonmin and which Lonmin has against us. But the question is how successful we will be in getting those results from arbitration. And arbitration is scheduled for March 2018. And even if it is ruled in our favour will the payments be made or not? So those are the types of retained liabilities that we have provided against.

Ed Jardim
Any update on ATON and their investment in Murray & Roberts?

Henry Laas
No, I don't think there is anything more than what we have disclosed in our most recent SENS announcement. When was that? The business update in May. ATON currently is a 29.98% shareholder within Murray & Roberts. We have had one engagement with ATON post the half-year results in March of this year and we haven't had any other engagement with ATON. So we previously had a major shareholder in the form of Allan Gray. Currently we have a major shareholder in the form of ATON. But we have no visibility on what their longer term strategy might be with the stake that they have acquired within the group.

Ed Jardim
To close off with simply because we had this question a few times at the Deutsche Bank conference in London last week especially after the slide on the road we have travelled, all the things that have happened in the group over the past couple of years, is next year, the next financial year, year one of the new Murray & Roberts?

Henry Laas
We've been talking about this new strategic future as a period that started in our financial year 2015. But we were only able to achieve the configuration of businesses within the group that we believe are appropriate to deliver our strategy with the divestment of the Infrastructure & Building platform which was effective the 1st April this year. So I would say financial year 2018 when the financial year starts on 1st July will be the first year that we will be delivering the business for a full financial year with the configuration that we've always had in mind when we've planned the new strategic future for the group. But as I said earlier on we have a bit of an overhang in terms of the business in the Middle East, the building business in the Middle East that was not sold with the rest of the Infrastructure & Building platform. We are closing that out and there will be some impact potential in the new financial year coming from the legacy. But I would say it's the first year.

Ed Jardim
Henry, thank you very much. I think we can close the afternoon's proceedings. I'd like to thank our stakeholders for spending the afternoon with us in the room, on the call as well as on the webcast. I would also like to thank our business platform CEOs for the time put into the presentations. All of these presentations have been uploaded to the Murray & Roberts website on a link accessible from our home page. And by tomorrow afternoon we should have a full transcript and the recorded webcast uploaded to the same page. So I would like to say thank you very much and have a good afternoon.

END OF TRANSCRIPT