Conference call transcript

25 August 2016

RESULTS PRESENTATION ANALYSTS

Ed Jardim
Good afternoon ladies and gentlemen and good afternoon to stakeholders on the webcast as well as on the conference call. My name is Ed Jardim. I'm the Head of Investor Relations for the group. Welcome to Murray & Roberts' annual results for the year ended 30 June 2016. Just before we get started a note on safety. In the unlikely event of an emergency we've got two options to evacuate this floor, firstly to my left, out the door and left again. There is an emergency evacuation door next to the bathroom. Please follow the stairs down to the ground floor, out an around the building and to the emergency assembling point across from the building. Your second option is out the door to my left again, turn right towards the lift lobby. There is a set of stairs to either side of the lifts. Please make your way down those stairs to the ground floor, out the main entrance and then to the emergency assembly point in the public parking space across the road. Our health and safety reps and security will help with the evacuation in the unlikely event of that taking place. The programme for today is that the presentation will be run by our CEO, Henry Laas, and group Financial Director, Cobus Bester. And we have Q&A across the three platforms in the room, the webcast and the conference call towards the end of the presentation. I encourage you to ask questions. Before I hand over to Henry I would like to ask Arthur Thompson of the Investment Analyst Society to do a welcome for us. Thank you, Arthur.

Arthur Thompson
Thank you Ed. The good news is those people on the webcast and on the telephone calls don't need to worry about evacuation procedures. On behalf of the Investment Analyst Society and our members I'm delighted to be here again with Murray & Roberts to say thank you very much for coming and talking to us. Certainly in my time at the Investment Analyst Society it has been a long time that Murray & Roberts has come to tell us about the company, give us an idea of the strategic changes and the new directions that have had to be followed every now and then. And in particular today it is going to be very interesting to hear about this and to give us an insight that actually allows us to build the models that we all have to do as investment analysts. So thank you very much for your hospitality and for always coming and talking to us. We really appreciate your time. Thank you very much. Over to you, Henry.

Henry Laas
Thank you Arthur. Ladies and gentlemen, good afternoon and welcome. Welcome, Mahlape Sello, our Chairperson, and welcome to our non-executive directors. This is a very important day for Murray & Roberts. We are not only announcing our results for the financial year to June 2016 but we are also making an announcement as far as the strategy of the group is concerned, a very important decision that was taken by the board. And the group has come to a point where we have decided to follow a new route. I will talk about that a little bit later during the rest of the presentation.

As always Cobus Bester will present with me. He will address the financial part of the presentation. And as I always say, Cobus knows how to explain these numbers very well. Even for people that are not financially literate after they have listened to Cobus they know what the financial position of the group is. So Cobus, thank you for presenting with me.

We are going to sharing a lot of information with you today. And the important thing is what is the message that we would like you to leave this room with? What are the key takeaways from this presentation today? I think firstly it is the disposal of the Infrastructure & Building businesses as well as Genrec. This is a very big decision that was taken by the board. I think it must be the biggest strategic decision since the merger of Murray & Stewart and Roberts Construction back in 1967. Negotiations with prospective buyers are far advanced, so today we are not announcing a transaction but we are announcing a decision that was taken by the board.

And as a consequence of that decision we had to classify the financial results from these businesses as discontinued operations and then had accordingly to restate the financial results of the previous financial year. The numbers that will be presented today will be compared to the previous year, with these businesses now classified as discontinued. We will get to the reasons of these decisions a bit later on. Murray & Roberts as a group has chosen to focus our business efforts on the natural resources market sectors. Now, that is a broad definition, but specifically for Murray & Roberts we talk about the oil & gas sector, the metals and minerals sector, and the power & water sector. That is where we see our long-term future.

You might have noticed over the past number of years Murray & Roberts has transformed. We are not in the process of transforming but we have transformed from predominantly a South African civil engineering and construction company to what we are today, which is a multinational projects group. Having said that the strategy has taken us to a point that we are largely exposed to the natural resources sector. We understand these markets are cyclical and we understand that we are currently finding ourselves still in a downturn in the cycle. And as a consequence of that we are trading through this difficult period and we feel the impact of these market conditions on the group as a whole.

Having said that in these market sectors that we've identified, oil & gas, underground mining and power & water, we've got a project pipeline of R540 billion. Again a bit more detail about that a little bit later on. But what this indicates to you is the potential and the opportunity that we see that lies ahead of us in these three market sectors and the business platforms that we have defined for the group.

We had a very good performance in the Underground Mining platform. I think that's another point to note from this presentation. An outstanding performance, the second-best result ever recorded by the mining business was in the previous financial year. And you ask us how is it possible if mining companies are still not investing as we would like them to do on new projects. And the simple reason for that is actually twofold. First of all operating mines need to replace infrastructure. They need to expand the underground infrastructure to access new reef horizons and new reserves. That is the type of work we are doing, and we see a lot of that.

But we also decided a couple of years ago that we would like to offer our services to the market across the lifecycle of a project, which means we are not just building projects or constructing projects. We also provide a service earlier in the project lifecycle being the engineering and the design phases, but also after the project has been constructed we provide a service in the operational phases. In the Underground Mining business for the first time ever you have contract mining operations not only in South Africa but also in Australia and in the Americas. That is a very important event for us to have reached the point that we are providing this contract mining service in all the geographies where the mining businesses operate.

Our balance sheet is remarkably strong. Our cash net of interest-bearing borrowings is at R1.8 billion. We all know that the past number of years has not been easy from a macroeconomic point of view and from a general trading point of view. And I think to be in a position that we have cash net of interest-bearing debt of R1.8 billion is a good position to be in this late in a difficult cycle. Dividends, we decided to declare a dividend of 45 cents per share that compares to the 50 cents of the prior year. But if you calculate that as a multiple it was 3.9 times earnings, exactly in line with what we had last year and within the policy guidelines that were given by the group.

The weakness in the oil price obviously has a significant impact on the group earnings. A couple of years ago the Oil & Gas platform was the largest contributor to profit in the group. In the past financial year it still was, but not by a big margin. And we feel the impact of the declining earnings in the oil & gas sector. So that is impacting us. Having said that if you look at financial year 2017 we do expect group earnings to still come down in FY2017 compared to FY2016 because we don't think that the decline in earnings that we expect in the Oil & Gas platform will actually be offset by the growth in the other platforms. We are not alarmed by this because we understand that if you work in the natural resources market space it is a cyclical business. And we are finding ourselves currently in that cycle.

So the big takeaway, ladies and gentlemen, is Murray & Roberts from a strategic point of view has taken a bold decision to divest from its Infrastructure & Building businesses and from Genrec, and the group is now focussed as a multinational projects company in oil & gas, metals and minerals and power & water market sectors.

The highlights of the past financial year, I mentioned earlier on because of the decision to dispose of certain businesses those have been classified as discontinued, but if you look at continuing revenue of R26.1 billion this is marginally up on what it was last year. Headline earnings per share diluted for continuing operations are 10% at 175 cents. Attributable earnings down to R753 million, and you will see the detail a little bit later on continuing operations. Attributable earnings were loss on last year. It is in the discontinued operations that we had some losses in FY2016. Net cash we have spoken about. Net asset value per share is R16 per share.

The order book for the group including discontinued operations is down to R33 billion. And we will get to some detail around the order book for continuing operations just now. Near orders at R8.6 billion. This clearly relates to the continuing operations. And subsequent to year end after 30th June of that R8.6 billion R1.3 billion has been converted to orders. So that has found its way into the order book after 30th June. And all of the pipeline of R540 billion is opportunities that we have identified.

From a safety point of view it is a bittersweet story because on the one hand we had a fantastic performance from a lost-time injury frequency rate point of view and we recorded a rate of 0.68 compared to the target of 0.9. That is an outstanding performance and we benchmark our performance in the various platforms with other players in those industries and sectors. And it is a world-class performance so we are very pleased about that. Having said that regrettably we still had two deaths in the business in the past year, and that is a bit disappointing to us. We needed to find a way to prevent or manage or mitigate this risk of these major incidents happening in our business.

We understand as a projects company building projects in oil & gas, underground mining and the power & water sectors that we do operate in environments that do present risks to our employees. We need to mitigate those. And we have decided to implement a programme which we call the Major Accident Prevention Programme called MAP. That is a programme that is aimed at specifically addressing the risk of major accidents and major incidents happening. We hope that by June next year that we would have rolled out this programme 80% to 90%. So it is a very aggressive implementation plan but we think it is essentially because we would really like to get to the point that we can eliminate deaths from our business. I must say early in the new financial year unfortunately we had another incident where an employee lost his life in one of our projects. And we are busy with the investigation and we have not concluded on that investigation yet.

I don’t want to say much about the Grayston incident. I think it was well covered at the time that it happened in October last year. All I can say at this stage is that the enquiry led by the Department of Labour is ongoing and the next sitting is Monday next week. It is still some time from the point where we will be able to get some indications as to what the findings were out of this investigation. But we are cooperating fully in the process and we will do everything we can to really understand what happened as far as the Grayston incident is concerned.

As far as financial performance you will recall that the group went through a period of substantial losses, and that ended in FY2012 and we have been profitable since then. What you see on this graph in yellow is attributable earnings from continuing operations and then the grey bar is attributable earnings from discontinuing operations. If you look at 2016 continuing attributable earnings is actually up on the prior year from R810 million to R877 million, but we had in the discontinued operations a loss of R123 million in the past financial year. so overall from a group point of view attributable earnings of R753 million and headline earnings per share, the black line that you see on the screen, down to 175 cents per share which is a 10% lower number than what we recorded last year.

Underground Mining as I’ve mentioned had a fantastic year, and we see this coming through in the results of continuing operations. We had a pullback in the Oil & Gas and in the Power & Water sector I think we had the last of some legacy projects, but as a platform they reported profits in the past financial year. The losses in discontinued relates predominantly to Genrec where we had to take an impairment on the asset value and also from operational losses in the financial year.

Let me explain a little bit about this important decision that was taken by our board. I can tell you the decision to divest of our Infrastructure & Building businesses was not a knee-jerk reaction. It is not a decision which was taken over a weekend. It was the debated and considered by the board for a two-year period of time. What we did a little bit more than two years ago is went through a very thorough and detailed review of our group strategy. And we concluded with a few strategic objectives and strategic priorities against each of those objectives. And you have seen this slide before, but what you have not seen is what is highlighted in yellow. The disposal of the Infrastructure & Building businesses possibility was identified way back when the new strategic future plan for the group was developed.

We could not share it with you because of the fact that the board did not get to a point yet to reach consensus on the decision. But as I said after two years of debate and of consideration we did get to a point that we decided to take this decision. And as I said I think it probably is the biggest strategic decision since the merger of Murray & Stewart and Roberts Construction in 1967. Now, how did we come to this decision? There are a number of factors that we have considered key factors. Firstly financial return versus the aspiration that we set ourselves as an executive. We looked at the financial return possibility in various market sectors and various industries. And we concluded that the opportunity that we have in Oil & Gas, Underground Mining and Power & Water presents us with a better chance of meeting the financial returns that we want to get for our shareholders. And for that reason we've decided on those market sectors as the strategic sectors for Murray & Roberts to focus on.

The Infrastructure & Building businesses that we will be disposing of if you look at them relative to their peer group they don't underperform relative to the peer group. But as I said relative to the potential that is available to the group in the other market sectors that we have identified we have decided to focus on the natural resources sector. We also looked at market volatility and opportunity that we see in the market. And we think that in the long term the opportunity in metals and minerals, in power & water and oil & gas presents bigger opportunities and more sustainable opportunities. And the strategic drivers for that is global economic growth, global population growth and obviously ongoing urbanisation that we see around the world. And all of those strategic drivers point to sustainable demand for natural resources into the future.

We understand it is cyclical. That is the nature of the natural resource sector. It is cyclical. You go through difficult times and you go through more easy times to do business in. and currently we are still finding ourselves in a period of difficult trading conditions. But we believe that the strategic initiatives that we have taken over the past couple of years and that we are continuing to take is really positioning this group very well for the upturn and we will see the benefit coming through once we see the upturn in the market.

But we have also considered risk. When I talk about risk I'm not talking about a moral definition about risk, I'm talking about a broader definition for risk which incorporates operational risk, which incorporates market risk, which incorporates financial risk. And we felt that the Infrastructure & Building business to us is a much riskier sector compared to the other sectors that we've identified as key focus areas for the group.

And then finally we also have to consider the profile of Murray & Roberts as a group and the environment and the geographies in which we are doing our business. We know that South Africa has changed dramatically over the past 20 years. And we believe that the Infrastructure & Building businesses will have a greater future should it end up as part of a black-owned group in South Africa than what potential it would have as continuing as part of Murray & Roberts. So this decision to dispose of these businesses I think is a good news story. It is a good news story for the group because it allows the group to focus its efforts on these natural resources markets that I've spoken about. It focusses the group's efforts to become the multinational group which we aspire to being. And it also presents a great opportunity for the businesses we will be selling to be more successful in South Africa than what potentially would be possible as part of the Murray & Roberts group.

And you also know the results that we've reported for the past four years, even the FY2016 financial results, the profits that we report in the group predominantly come from the Underground Mining and the Oil & Gas sector. Should we get to the point that we can announce the transaction it will not have a material impact on the financials of Murray & Roberts as a group. Our profits over the past four years are predominantly coming from Underground Mining and Oil & Gas and we see that continuing into the future.

This disposal will assist us and enable the group to achieve its strategic objectives, and I spoke about these earlier. The growing of profitability and cash flow. This transaction will increase our net cash. It will increase the overall margin in the group and it will move us closer to our financial aspirations. We have excluded the Middle East businesses and we have excluded the Bombela Concession Company, the Bombela Operating Company and the Bombela Civil Joint Venture. We will pursue those. We've got major claims in those businesses and we believe we are making good progress in getting to a point that we can close those out.

As the net cash of the group should improve as a consequence of the transaction we believe we will be able to make investments in the natural resources market sector where it will be possible for us to achieve higher sustainable growth. And that means there will be acquisitive growth in the group. And we are reviewing various options at this stage, and the one which is probably at this stage most advanced is in the oil & gas sector. As you know we have got a very strong capability across the value chain in Australia and South-east Asia. We have established a very good engineering competence and capability in the Americas, but we don't have an implementation capability in the US. And for the Oil & Gas platform to truly become a multinational business we need to acquire that capability to implement projects in the Americas. So we are looking at that option currently in the Oil & Gas platform.

The Underground Mining platform already has achieved the level of geographic diversification that we would like to see for all three remaining platforms in this business. The Underground Mining business has got a significant presence in the Americas and Canada and it is managed by a very competent executive team in those geographies. Similarly in Australia and Asia we have got a very good mining business there managed by a competent executive team. And we have the same in South Africa. We want to have a similar scenario in the Oil & Gas business where we have a very competent executive team responsible for the geographic regions of Australia and Asia, but we also would like to see that in the US. That is where we are moving towards.

The diversification of the business model to put it simply all projects go through various phases of development and a lifecycle of a project. Projects right in the early stages go through a development phase. Then you go into the engineering and detailed design phase. Then you get to the phase of constructing the project whether it is a mine, whether it is an LNG facility or whether it is a power plant. After that you move into the operational phase. After that you move into the asset support phase and eventually the demobilisation of the project. So if we talk about our business model we are pretty much in a position that we can provide this service across the lifecycle of a project.

We also think that this decision will enhance the market valuation and positioning of Murray & Roberts. I was saying to some people earlier today social media is just a crazy thing. I don't follow social media. I don't even know how to find my way around social media. But my wife showed me something this morning that people have tweeted or said about this transaction. When I read that I just realised how ill-informed the market is about Murray & Roberts as a group. The market today still believes that Murray & Roberts is a civil engineering and building company. That is what they think Murray & Roberts is, regardless of the fact that over the past four years we have communicated a message and we've said that we're generating our profits in Underground Mining, Oil & Gas and Power & Water. That perception is still there.

We are listed under the heavy construction sector on the JSE. When you look at the definition of heavy construction sector it does not describe the Murray & Roberts business. So we need to think whether that is still the appropriate place for us to be listed or whether we should find another subsector. Because currently we do not fit the heavy construction subsector after the proposed transaction has been implemented. There is also still very little knowledge. I would say the investment community understand this well, but the public at large doesn't have an understanding about Murray & Roberts and where we actually generate our profits from. The fact that we have 95% of our earnings that we earn in either US Dollars or Australian Dollars I think is still not something that is well understood by many. I think if that messaging comes through and if we start to perform in the three remaining platforms in the group we believe that there will be enhancement in valuation and positioning.

And then finally from a safety point of view in the Infrastructure & Building businesses you make use of subcontractors extensively. And after the divestment of these businesses we will be less exposed to subcontractor work. We will be self-performing more of the work ourselves. And we believe that will give us an opportunity to address the risk better as far as safety performance is concerned.

And ultimately what it would lead to that we can see in yellow there, and this is a new vision for the group revised from what we had previously. Previously we set ourselves a target by 2020. We now say 2025 because the implementation that is planned is a little bit impacted by the weak global economy. So we say by 2025 we want to be a leading multinational group in all three market sectors or business platforms in Murray & Roberts, in Oil & Gas, Underground Mining and Power & Water. I think we have achieved that already in Underground Mining. I think we will be there in Oil & Gas in about two years' time. But it will take us a little bit longer to become multinational in the Power & Water.

Then we want to apply our project lifecycle capabilities. I have explained that a little bit earlier on we are not limiting our service offerings purely to the construction component of a project. It is a lifecycle service offering and the capabilities we have as a group is to offer this service across the lifecycle of a project. And we do that with optimised fixed capital investment. To put it simply, to have successful projects that are built within time and within budget for our clients so that they can achieve the return that they want on their investments. So that is the Murray & Roberts of the future. It is a multinational group targeted on these three sectors, Oil & Gas, Underground Mining and Power & Water. And we want to excel in providing a service to those markets.

You know this slide. But today you see only three platforms, Oil & Gas, Underground Mining and Power & Water, no longer Infrastructure & Building. So this is how the group is structured from an operational point of view into the future. Each of these business platforms are managed by the Chief Executive Officer responsible for that business and multinational businesses. In Oil & Gas it is Peter Bennett. Peter, please stand up. Underground Mining is Orrie Fenn. And Power & Water is Steve Harrison. So each of these businesses has competent executives leading these businesses and who know what our long-term objectives are for each of these.

I said we want to be a multinational group, and I think we are a multinational already. If you look at this map you can see where the Oil & Gas platform is based and where the Power & Water platform is based and where the Underground Mining platform is based. What you can see there is where we have a permanent presence, where we have an office. If I can just take Underground Mining you will see there in the US and in Canada offices in Salt Lake City in the US and then in Canada in Vancouver and also in Quebec. In Africa an office in Johannesburg and an office in Zambia. And in Australia an office in Perth and an office in Kalgoorlie. That is where we have permanent basis from where we service the market. And similarly for the Oil & Gas sector. Power & Water for now we're really looking at South Africa. We've got an office in Maputo and we've got an office in Accra in Ghana. But we are truly a multinational group.

Our business model, each of these platforms capabilities from early in the project phase to engineering right through to commissioning and maintenance. And what you see in Underground Mining is operations as well. I said earlier for the first time we are running mines. We are doing operations for mining companies not only in South Africa but also in Australia and also in the Americas. And very soon we will be able to do the same for Power & Water. We will be able to put down operations there because I think it is a matter of time for the George biomass power plant to reach a financial close. We are part of the development, the builder on an EPC basis and we will also operate it. And at that stage we will be able to put operations down under Power & Water for that platform.

Again getting back to this diversification of the business model. We don't want the markets to be confused when we talk about diversification. Murray & Roberts has been selling off assets over the past number of years. The manufacturing businesses we divested from. We are looking at selling off Infrastructure & Building businesses and Genrec. So that talks to more focus. It doesn't talk t diversification. It talks to focus. And that is what we would like to be focussed on the chosen market sectors. But the diversification that we are talking about is from a geographic point of view and then also from a project value chain point of view or a project lifecycle point of view.

What you see there in the yellow block is the construction phase of a project lifecycle. That is where companies would construct the project. And when you look at the return and the margins it is lower than what you would find in development, engineering, operations or other services on a project. So the diversification is to say we want to do more work in these segments and we want to do more work in these segments. And once we achieve that position we believe that as a group we will be able to achieve our investment returns and financial aspirations. We will not be able to achieve that if we limit our service offering purely to the construction phase of building projects. We don't think so.

A final slide before I hand over to Cobus. We have undertaken over the past number of years a few small bolt-on acquisitions. And these acquisitions are not material from a financial point of view. They are very small. But they are very material from a strategic point of view with CH4 and Booth Welsh, the acquisitions in the Oil & Gas platforms to achieve a presence through CH4 in the US and through Booth Welsh in Europe. It is a company that operates out of Glasgow. What you can see there is the growth that we've achieved in revenue and the growth that we have achieved in earnings before interest and tax since the time we made these acquisitions. Now, it is unrealistic to expect that this rate of growth will be maintained into the future. It is not sustainable. It is attractive if you look at it on the screen, but it is off a very small base. But we are very pleased that these acquisitions have played a part, strategically a significant part and financially a small part, in the results of the group. I want to hand over to Cobus. I said earlier on when you look at these slides you will see blue skies. So I hope the financial results are talking about blue skies, Cobus.

Cobus Bester
Thanks Henry. Seeing that you are all financially literate we will be very quick now. I see Orrie is here so I will slow down a little. Okay, so we are going to say a few times that we've restated the financials due to the fact that we have now classified two of the businesses as discontinued. So the strange thing with IFRS and auditors is that you restate the income statement but you don't restate the balance sheet. So when you get to the balance sheet you will be totally confused, but let's take it one slide at a time.

So the revenue of R26 billion does not include the businesses that we sold. There is a slide later on if you go to page 42 in your pack line by line there are more explanations exactly how the numbers are made up. The R26 billion excludes the I&B and Genrec businesses. So there has been a growth in revenue compared to the same type of businesses last year. EBITDA is really your profit including depreciation. You will see depreciation was more or less R440 million or so, which was in line with last year. And when you get to fixed assets capex was also R400 million. R300 million of that was expansion and R100 million replacement capex. But if depreciation is R400 million and capex is R400 million your asset base hasn't really moved.

Interest is more or less the same. Let me go back to EBIT. So R1.275 billion is the increase on last year. So you will see at the very last slide in your pack is a quality of earnings slide. I think it is important. We have never disclosed so much detail to the market. But you will see there are lots of once-off windfalls and once-off negatives. We believe if you do the calculation and identify all those once-offs you get to a slightly higher number than the R1.275 billion. So the conclusion that we have come to is this R1.2 billion is probably a fair result for the year. It does include foreign exchange gain, and there are two elements to that. The one element is your normal operations, and depending what the Rand does in the current financial year it could be a negative. That is part of our business. 75% of our business is outside the country so you are exposed to that. However there is a further amount of about R223 million included in that R1.275 billion. We have decided to simplify the international statutory structure and to get rid of a few holding companies and subsidiaries within that structure. And that resulted in the R223 million release to the EBIT line. It is included in EPS but it is excluded from HEPS.

Interest is more or less in line with last year and we will come back to interest-bearing debt on the balance sheet. Tax is a slightly higher rate than last year. A few factors did increase the rate. We have made the profit in Zambia, and of course as you take money out of Zambia you pay withholding taxes, and the withholding taxes end up on that line. We paid less tax in Australia. We formed a tax grouping some years ago following those losses on the GPMOF contract. And we have now utilised all those losses, so that brought the tax rate down. So we see the tax rate increasing slightly next year. Income from equity investments is really our investment in the Bombela Operating Company. We have 23% share in that company and it is bringing in a small profit.

Discontinuing operations, when we look at the segment slides you will see more detail. But the bulk of the R124 million is from operational losses in Genrec and then impairment of assets of R36 million. the Infrastructure & Building business was profitable but you will see in the segment accounts that we took an impairment on goodwill because as we sell the business there are some companies that we are also selling, and one or two of those companies had a goodwill element to it. Non-controlling interest, that should really be the end of it now. That job in Qatar, we had a minority shareholder in there. This job turned out to be quite profitable, and that's really their share of the profit which shouldn't be there next year.

So the balance sheet you will see a lot of variances. When you classify something as held for sale you group all the assets held for sale and you group all the liabilities held for sale and you put it on that line. But it is still sitting in the 2015 numbers. So I think the serious analysts – as Henry would call them – will get to how these numbers are made up, the 2016 numbers. So don't pay too much attention to the variances because the variances include assets that are classified on that held for sale number. Other non-current assets of R3.9 billion include things like goodwill and our investment in the Bombela Concession Company. That investment is now sitting at R800 million. And as you know a concession investment you take the revaluation through the income statement and you increase then your investment on the balance sheet. But as you get a dividend you receive the cash and you decrease your investment. So this year there is a bit of a mismatch between the dividends received and the fair value adjustment. The fair value adjustment in the current year is R156 million and the dividend is R54 million. There is a very good reason for that and we can discuss it in the private sessions or the one-on-one sessions. Also included in the R3.906 billion are deferred tax assets.

And then the two large claims, the Dubai Airport claim and the Bombela Gautrain claim, will not be collected in the next 12 months. That is why it is classified as non-current assets. We don't have separate slides on major claims, but the Gautrain claim has not moved at all. We are still confident that is money that we will collect. And then the claim on Dubai in Dirhams it hasn't moved. However with exchange rates moving it has moved slightly. We never disclose to the market the make-up of that, but if you go to the detailed notes the two are added together and you will see what the number is there, more or less R1.5 billion between the two.

Current assets, no real issues there. We always disclose amounts received from clients in advance. So that is good. But it has come down in the current year from R2.2 billion to R1.5 billion. So the R1.5 billion is made up out of advance payments received and then of course a little bit of over-change depending on the structure of your bill of quantity. So there has been a repayment of the advances of R700 million over the last 12 months. But despite that the cash net of interest-bearing debt increased from R1.4 billion to R1.7 billion. So that is also a good news story. This cash of R2.8 billion I would say about 80% of that cash is offshore and 20% in southern Africa. On the interest-bearing debt line that is really two elements to that, asset-based finance in the different businesses as well as the revolving credit facility that we have in Australia. Two and a half years ago when we bought out the minorities we had a $160 million from SA banks to buy out the minorities to top up the cash that was already on the balance sheet. That $160 million outstanding amount is now $35 million. So over the last few years we have managed to bring the interest-bearing debt down quite significantly.

Last year and the year before we had a discussion about a large subcontractor in the Middle East. And they have a claim against us, and that is a flow-through claim to the client of about R1 billion. That subcontractor has not formulated their claim over the last five years so that has been taken out of the balance sheet. So we used to carry an asset and a liability. That is now totally out. And then the two amounts that must be offset against each other, assets held for sale and liabilities held for sale, is made up of three elements. A little bit of property left in Clough, about $4 million, and then the book value of the Infrastructure & Building business together with the book value of Genrec.

So the message out of this slide is that Oil & Gas and Underground Mining make up 77% of revenue and 96% of EBIT. And I think Henry alluded to that. Construction still makes up a large percentage of revenue, 54%, but remember we have now excluded Infrastructure & Building from these numbers. That is not your traditional civil, roads, building type of revenue. That is mechanical electrical engineering and construction work that we o on the oil & gas facilities, underground mining construction. It is that type of thing we are talking about. And it is good to see that there is growth in commissioning, because that is the message that we tried to give to the market the last few years. And you will see also the profits coming through on finishing. From a geographical point of view 27% of revenue is from South Africa but only 5% of the profits.

Into the segment reporting. Maybe we should start here at the bottom, the order book. The order book of Oil & Gas has come down over the years because the nature of the business has changed. A few years ago we had lots of capital projects reported under Construction and Global Marine. You can see the order book is quite low now. The revenue is low. But the Engineering revenue is slightly down. Commissioning and brownfields revenue is up, margin is maintained, profit is up. The sad thing about that is it's going to come to an end. The commissioning will come to an end. There is probably another year and a half, maybe two years of commissioning work left. And then you are into the brownfields. Remember these plants are built for 30 to 50 years and you spend the capital cost again over the life of the plant by maintaining it. The market is now quite tight. There are no capital projects. So all the contractors are now interested in this market. And we will see pressure on margins.

The order book is down and there are further slides that Henry will discuss. We have done R11 billion this year and the order book is R6.4 billion. And not all of the R6.4 billion will obviously be done in 2017. So there is a big challenge to pick up new work. However the work that we are picking up, the engineering, commissioning and brownfields work, you don't pick up a contract of billions. You don't pick up a contract of a year-long duration. It is smaller contracts and more of them. So you will never see an order book again that reflects two or three years of revenue, not in the short term. Hopefully the oil price stays a while at $50 and hopefully there a few questions for Steve afterwards because he would be able to give you more insight into how capital expenditure is managed by the Oil & Gas side. But we believe the sooner it gets to the sustainable level of $50 to $60 capital projects will come back to the market.

The overheads, the Oil & Gas corporate overheads, it looks like a high number and it is a high number. But included in that R522 million is about R120 million, $10.8 million related to an onerous lease cost that we had to book. So in 2010 the occupancy availability in Perth was less than 1%. We then signed up 12 floors in the new building, and a few years later this is where we are. The building is half empty. We are sub-letting some part of it, but in terms of the accounting rules we have to take an onerous lease cost. So unfortunately that had to be booked in the current financial year. It also includes some restructuring cost, and that restructuring cost will result in R30 million to R40 million permanent overhead savings in years to come on an annualised basis.

On the global marine side the order book is quite low, so the number that you see there, the R341 million, is a project that we're doing in Saldanha. In this financial year we have completed the Wheatstone project. That was a $500 million project. You can recall that we have not taken profit on the project. We are in a commercial discussion with the client and hopefully it will have a good ending.

Underground Mining, I think that's the good news story for the year. Order book is still strong, slightly down on last year. Included in Africa, included in that R9.7 billion is still R4.8 billion on the Kalagadi project. The project has not yet started. We have extended our ender validity. We are in discussions with the client when to start. So hopefully the job will start and that will be a big boost to this business. You can see without Kalagadi we maintained more or less the levels of last year. Profit is slightly down on last year. on the two largest projects, Booysendal and Venetia, we had labour unrest. If you have labour unrest obviously your people can't get to the workplace. And then you end up not making your production targets. And the way these contracts are structured you always recover part of your cost but you never get your bonuses if you don't meet your tonnages.

Australasia is a fantastic story. An increase in revenue from R830 million to R1.4 billion. And looking at the new year they have already secured more than 100% of their budgeted revenue for the year. And they have increased their margin from 7% to 9%. In America there are two areas there. We have decided to close the South American office so there is a little bit of de-structuring and closure cost there, but it is not a lot of money. In the Americas we operate in Canada and the USA and the USA had an excellent performance. After the year end we have picked up more work in Canada so hopefully we will get to a point where both America and Canada would do well.

Power & Water. The power programme is the one that surprises us every year. You can see the order book there, R5.1 billion last year. It is now sitting at R5.8 billion. And we have been saying for the last three years Kusile and Medupi is nearing its end and that order book and that revenue will disappear. But year on year that revenue has gone up. But eventually it will stop. We are very pleased with that result. You can see the revenue is up substantially R2.8 billion to R3.6 billion. We are maintaining the margin. That is primarily Hitachi. We are also doing work on other power programmes. We have picked up work at Botswana. We have this George biomass project which could start within the next two or three months.

On the engineering side we had this discussion in December and that number hasn't changed materially since December. The issue there is the business is restructuring. The electrical control business and what was then called resources and industrial had a number of bad projects. A view was taken last year. Obviously that view was wrong, and it resulted… This is a net number, the R189 million. The legacy issues in that R189 million is in fact R225 million. All those projects are now completed. We do not carry any uncertified revenues, no work in progress, no debtors. They are completed, so hopefully that's the end of it. The order book needs to be replaced from the power programme into the engineering and hopefully we will pick up work outside the Kusile and Medupi contracts on power.

So what is now remaining out of the original Infrastructure & Building business is what we call Bombela and Middle East. Bombela is the concession investment and then the legal costs that we're still incurring on all these arbitrations in the Bombela construction joint venture. The fair value adjustment as I said earlier is R156 million, but then it is offset against the legal cost bringing it down to R74 million. In the Middle East we've got four contracts left. The largest is called the Mafraq Hospital. It is close to 90% complete. It is really not moving forward at this stage. We are waiting for the client to sort out their financial affairs. And there are maybe 100 or 200 people left on site just maintaining that 90% project. The project value is in the region of 3.6 billion dirhams. Multiply that by 4.5 and you can imagine what this hospital looks like. It is more than a five star hotel. Hopefully we can close it out in the next 12 months and then that will be the end of it. a decision was made not to tender on any future work in the Middle East so once these projects are completed we need to close out our legal issues on the Dubai Airport claim, hopefully collect uncertified revenues that we've taken, and then that's the end of the Middle East for now.

In discontinued operations this you have seen before. Obviously the Infrastructure & Building business is now being introduced here. So the R7 million is a little bit distorted. The fact is that there was an operational profit of about R60 million, but as I said earlier we had to take a view on goodwill of the companies that we are now selling or closing down and that brought the profit down. A very good performance by the infrastructure business, which is the roads and civil side. Not so much civil work, but very good performance on the road side. And we have recently started also with two property developments. We have not been in property development for many years so we are doing a property development in the east of Pretoria, 1,000 houses in the price range of R1.2 million to R1.8 million. Then we are doing the Embassy Towers in Sandton just behind the US embassy. I think it is a 13 storey apartment block of 84 units. So if you have a spare R5 million or R6 million you can go and buy 100 square meters if you want to. In Genrec there is an impairment of R36 million, part of that R108 million, and the balance is operational loss.

The order book in Genrec is down to R100 million. So they are going through difficult times. And the R36 million impairment could be more unless we pick up work. Obviously we have classified it as discontinued operations. And hopefully the deal will be closed soon and the buyer can do something with the business. On corporate and properties I think the only thing I want to highlight here is that overheads have all come down. This number of R149 million five years ago was R260 million. If you escalate R260 million you get a very big number. So corporate overheads can come further down but R149 million is a saving on the previous year. That was a very quick overview for all the literate financial people.

Henry Laas
Thank you Cobus. Let's look at the order book. On the far right-hand side of the screen you see the total order book. That is for the group including the discontinued operations. In the second block from the right you will see discontinued operations. That R4.7 billion is predominantly the order book that we have in the Infrastructure & Building businesses, those that we are disposing of. Bombela and Middle East, the R1.4 billion is really the remaining value on the four projects currently under construction in the Middle East. We will run those out. And as Cobus has said we are not going to secure new work in that market. The important part of the order book for us to consider in this meeting is Oil & Gas, Underground Mining and Power & Water.

Oil & Gas has an order book of R6.4 billion. It is low. It is reflecting two things, first of all the weakness of the market as a whole and secondly the fact that in Australasia in the recent past we had big chunks of value in the order book that we did the construction work. All the LNG facilities have now been built. They are being commissioned now. So you don't have the big construction value in the order book anymore. So there is a lot of commissioning and there is a lot of asset support and maintenance type of opportunities coming through. We have a business that we want to grow. Steven says A$200 million by 2020. I will take that. That's a good number. That is the aspiration that we have in this platform. If you look at the order book as it is now, R6.4 billion, you can see there is little opportunity.

So what do you do? Do you say I'm going to target projects only in oil & gas, or am I going to make a practical move in this current market whilst there is limited opportunity in oil & gas how do I sustain my business with other opportunities? So what we have agreed is for the Oil & Gas business in Australia to also on a very selective basis undertake some construction work. While we do have a capability in marine you will remember that when we acquired Clough it had a strong marine capability and Murray & Roberts had a company called Murry & Roberts Marine that was also doing marine work. We have merged those businesses and it now reports in our Oil & Gas platform reporting to Peter. So there will be a lot more of that type of marine construction activity that we are targeting. But there is also in Perth significant opportunity on road and tunnel type projects. So if we are successful with those we will be sharing with the market project wins in that space. But it is purely a tactical move given the depressed market that we are experiencing currently in Oil & Gas.

Underground Mining, a R14.2 billion. It is a good order book. It does include Kalagadi which is R4.8 billion. And we do expect that project to start in the current financial year. But there are also significant opportunities that we will look at just now. Power & Water, R6.7 billion. The power programme is coming to an end. The increase that we've seen in our order book on the power side is because Steven's team are securing more work outside of the initial scope. As Eskom is trying to build these projects out within the deadlines that they have set themselves everybody is taking on more work to complete the remaining work in a shorter period of time. So you see that increase in the order book.

This is a very interesting slide. We have explained to you before that the order book is secured orders that we've got agreements signed with clients in our order book. And you can see for continuing operations R28.7 billion. If you add in discontinued of R4.7 billion the total for FY2016 was R33.4 billion, and that is a little bit down on what it was last year at R38.3 billion. Near orders is where we are the preferred contractor on a project, essentially it has been awarded to us, but we still need to achieve financial and commercial close. I would say 90% of that R8.6 billion should find its way into the order book. It is an exception to reach the near order stage if you can't close an agreement with a client. Having said that since the end of June to today of that R8.6 billion R1.3 billion has been converted to orders. It has found its way into the order books after the 30th June end of the financial year 2016.

Category one is tenders that we are actively working on at this stage. R20.8 billion category one in the Oil & Gas business. I think 50% of that value is probably represented by one project, the Freight Link project. And if we are successful with that then it will find its way into the order book. Category two is not tenders but where we are working with clients on feasibility studies and doing budgets for them on projects. Those opportunities are a little bit further out. Category three are specific opportunities that we have identified by name but we are not working on them either in the form of budget work or feasibility work or tenders. So they haven't come to market yet for feasibility work or for budget work or for tender work. So it is even further out. But there are significant opportunities in Oil & Gas of R396 billion. Now obviously if those opportunities find their way into category one where it will be tendered not all of them will find their way into category one because they will probably not pass the feasibility stage. And the ones that make it into category one we don't win every tender that we bid on. I think our current success rate is about 11% in value. So the value of tenders that we submit about 11% of that value we are successful in securing. But this is the pipeline. I think it is a significant pipeline. And in the near orders of that R8.6 billion R1.3 billion is already converted to orders.

If you look at the time distribution that you see on the far right-hand side, financial years 2017, 2018 and 2019, that order value if you take Oil & Gas is R6.4 billion. Of that R4.1 billion is to be executed in FY2017 and then smaller values into 2018 and smaller values into 2019. And that gives you a feel for the softness of the market and the work that we need to do to get to a point that we can grow the order book again and we can grow our profits. For that to happen we do need confidence to come back in the market. We do need oil & gas companies to start investing again in projects. We cannot achieve the levels of profitability that we've had in the past purely from doing commissioning work and doing asset support work. We do need to get to a point where we build new projects for clients in the Oil & Gas space.

Underground Mining we are very pleased with the performance, we are very pleased with the order book, and the Venetia project and the Booysendal underground mining project are of strategic importance for the Underground Mining platform for its business in South Africa. Those projects have got significant value in them – multi billion Rand opportunities on both of them – and our teams need to continue to perform, Orrie, and do well to make sure that we execute this and work with our clients and achieve the potential that we believe is available in those opportunities. Power & Water I think we have spoken about. Bombela and the Middle East, in the Middle East the R1.4 billion order book will run itself out, and the discontinued operations at R3.7 billion is predominantly the I&D business that we will sell in future.

This is an interesting slide. I'm not sure whether it is all that important but we always get questions asked from the investment community. What is your exposure to coal? What is your exposure to copper? What is your exposure to other commodities? What you see there is the various geographic regions, America, Australasia and Africa. The colours represent the commodities that you can see on the left hand here. And this includes the R4.8 billion Kalagadi project.

I don't want to be long on the major claims and outlook. There are basically two categories of major claims, Gautrain and the Dubai International Airport. We do communicate on a regular basis with the market. The Gautrain project has three main categories which is the Sandton Cavern which was awarded in our favour at R624 million, appealed by the provincial government, so we have not accounted for that at all. Delay and disruption is the cantilevered bridges in Pretoria, and then also the late handover of land. From a legal point of view we think we are making good progress in furthering our case there. Then on water ingress you will recall the provision that we have made of R300 million, our share of a R600 million provision for potential work on a section of tunnel between Park and Rosebank. But we do have a very intense legal process underway and we will see how this all plays out. The Dubai International Airport we believe that we've made good progress. April 2017 is the hearing date. It will start in April and continue for two months. And a lot of work was required leading up to this point, but we are actually in a position that an arbitration panel will hear the dispute in arbitration starting in April next year. And if all goes well we expect that by the end of calendar year 2017 that there will be an outcome and an award on this dispute.

On outlook I think we have spoken about Oil & Gas. It's a difficult market. You did see the order book that we have for FY2017 on some of the earlier slides. We do expect that in FY2017 that there will be a further decline in contribution from the Oil & Gas platform. Underground Mining, I think that's the good news story. It had a very good result in the past financial year. We expect that to continue into the future and the business is really doing well. Power & Water, with all the legacy issues of the past now behind us you will see in the consolidated results for the platform they did report a profit of R27 million for the year compared to I think a loss of R153 million in the prior financial year. And the R27 million was after losses that Cobus has explained. So we believe that this platform has now turned the corner and we will have a meaningful contribution to earnings from Power & Water in FY2017. And I think Bombela and the Middle East we have spoken about.

So finally in conclusion we have made this announcement with our results that the board has decided to dispose of the businesses in Infrastructure & Building excluding the Middle East and the Bombela investments, and also the decision to dispose of Genrec. As you will see in the results we presented to you, should those transactions be accepted and implemented the impact on the group earnings will be immaterial. The profit that we have earned in the past really came from the other platforms. Having said that, this decision to dispose of these businesses we believe is a good news story for the group as a whole for the reasons that we have mentioned but it is also a good news story for these businesses, because we believe that these businesses if they end up to be part of a black-owned group of companies they will be more successful in undertaking work in South Africa than the potential if they were to remain part of the Murray & Roberts group. I think this is a good news story for all of us. We had communication to our employees yesterday afternoon and also this morning. And I am very pleased to tell you that the message has been received in a very positive way and there is understanding for the rationale and acceptance of the decision by employees.

So that leaves Murray & Roberts then as a multinational group that applies our project lifecycle capabilities, and we do that to have successful projects for our clients to optimise fixed capital investment. And we do that in Oil & Gas, Underground Mining and Power & Water. So it is a new strategic future for Murray & Roberts. As I said the decision that was taken by the board is probably the biggest strategic decision since the merger of Murray Stewart and Roberts Construction back in 1967. As the executive team and the board we are very excited about the potential of this business into the future long term. But having said that we do expect that FY2017 will be a year with lower earnings than what we had for FY2016. But longer term we are really very pleased with the position that we have achieved. And I think our strategic plan has now been fully implemented. We need to grow from this base. After all the information that we would have wanted to communicate with the market we have reached a point today that we have disclosed what the strategy of the group is all about and there is nothing that we are not able to share with the market today. I'm very pleased that we have reached this point. So thank you very much for your attendance. We are now going to move into a question and answer session. Ed, I'm going to ask you to manage this for us.

Ed Jardim
Thanks Henry. Let's start with questions in the room. For the benefit of those on the webcast and on the call we have got microphones in the room. Before you start your question if you could please wait for a microphone and introduce yourself if you can. Any questions from the room?

Alex [?]
Sorry, just going back, you mentioned that you are looking to expand your capability into the US. Are there any potential target companies or groups that you're looking at over the next six to eight months?

Henry Laas
Yes. There is a target that we are looking at at this stage. But you can't tell whether you are going to be successful in acquiring the target company. It is early days. But we have had engagements with the target company and if everything goes well we should be able to make an announcement in the next financial year. But it is purely dependant on whether we reach agreement with the target company and whether the board will then also approve the transaction. So it is too early to really tell, but yes, we do have a target that we are currently engaging with.

Alex
One more question on underground mining. You have shown a growth in revenue of more than continuing operations' revenue growth. But with the order book decline for 2016 how do you see that panning out for next year? I know there is a positive outlook, but order book declined [unclear].

Henry Laas
I think where we find ourselves in the Underground Mining business the order book is very lumpy. It is not that you've got a smooth running out of the order book or a smooth increase of the order book. Even one project of R3.5 billion your order book jumps by R3.5 billion on one project. So we do have in category one tenders that we have submitted and quite substantial opportunities. If we were to be successful with those we are pretty confident that the order book will reflect that growth again. In Australia we are very pleased with the growth recorded in the order book in that market specifically. I think in the US and in Canada the level of activity is not as it is in Australia as it is today, but we see good signs. So overall we are optimistic. Can you imagine if we were to get to a point that the commodity cycle really starts to turn? If we are able to achieve this level of profitability in a depressed market, if you need to overlay that with greenfields new mine opportunities we are very optimistic about the long-term future of this platform.

Ed Jardim
Thanks Alex.

Marc ter Mors

Marc ter Mors from SBG Securities. A question about your Oil & Gas business. Can you explain in the order book for Oil & Gas what the difference between the commissioning business and new brownfield operations is? [Inaudible segment] commissioning to brownfields. And from the commentary what the difference in margin could be between new capital projects in the sector versus the ongoing maintenance and services operations.

Henry Laas
Okay. I'm going to ask Peter to answer the question. But what I can add is that we don't have the detail with us, the breakdown in the order book between commissioning and brownfields activities. We will get the detail and Ed will give you the information after the meeting.

Peter Bennett
We have commissioning services at the moment continuing to deliver good earnings. They do hold a relatively good margin certainly compared to ongoing maintenance work. We see we have just picked up a little bit more work in that space. And as Henry alluded to earlier we expect to see the commissioning market continuing to be strong in Australia through this year and into next. That is also one of the capabilities we look to get a bit more growth with. The brownfields market is really where the oil & gas market is seeing a lot of activity at the moment. Having said that the fact that there is little opportunity elsewhere means that all the competitors are in that, so margins are quite depressed. Historically they do have a lower margin than greenfields construction or commissioning work. They are longer programmes, five or ten year contracts with a little bit lower margin. But they do give that sustainable revenue volume.

Henry Laas
If I may, in Australia how many LNG trains are currently in operation? 21 I think.

Peter Bennett
I think 21 and Gorgon should bring their second train on before the end of this year. I think early in the new year that's the final train. Wheatstone one this year and then one in the first…

Henry Laas
In the low 20s. And three years ago maybe seven.

Peter Bennett
Five.

Henry Laas
Five or seven. So it just shows you what has happened in that market over the past couple of years. It went from five to the low 20s, the number of LNG trains. Now, when you talk about brownfields opportunities once the plant is built and commissioned you don't immediately have a brownfields opportunity. It doesn't immediately present a brownfields opportunity or an immediate maintenance opportunity. It is only after these plants have been in operation for quite some time that you get into your scheduled shutdowns and debottlenecking activities. So the market we expect will be quite significant once these 20 odd LNG trains have been in operation for a couple of years. It is only then I believe we will truly see the asset support and maintenance opportunities that the market will be presenting. So we are not there yet, but the market is busy establishing itself as these plants are being commissioned. Any other questions?

Male speaker
[Inaudible segment] quite big in your five-year projection for your business going forward?

Peter Bennett
The plan on the five-year projection is to get a more balanced portfolio where we are not so heavily domestically focussed for revenue. Something like a 50/50 split domestic and international is what we're looking for.

Male speaker
Just a last question. On the sale of the Infrastructure business what is the timing expected on that to be finalised?

Henry Laas
All we can say at this stage is that the transaction is well advanced. We can't say more than that. We are trading under a cautionary announcement that was put out some time ago. But as soon as we are in a position to announce the transaction we will do that. But we have got confidence that we should be able to close it out. As I said it is well advanced. But you never know until you get right to the end. You can't really tell.

Ed Jardim
I think there are two or three questions on the webcast. Reuters News asks: Commenting on the disposal of the group's Infrastructure & Building business you gave the businesses much more risk here. Could you please elaborate on that risk to which you are referring?

Henry Laas
I think the nature of this business we all understand it is a very low margin business, and we have had experience in the past on one or two projects if things go wrong it goes wrong in a very big way and it knocks out the profitability at the rest of your project. From that point of view it's a risky business. Having said that the opportunity for this business going forward in terms of government procurement policy a black-owned business would have a 20% pricing advantage over another business. So if you price a R100 million project and you're a black-owned entity and you are pricing at 20% more than another company that is not black-owned you will still be successful in winning that tender. As I said earlier on when we spoke about risk it was not only the risk that we see in terms of the financial risk but a broader definition of risk in that sector.

Ed Jardim
A question from Brent Madel from Renaissance Capital. On the sale of the building and construction division do you think there is scope for even more consolidation in the SA industry? How easy is it to sell the business given the excess capacity in the industry?

Henry Laas
I think all the major construction companies are probably thinking about what the next step is for them. I think there was an announcement by Aveng earlier this week that they were thinking about a similar type of transaction. And I'm pretty sure that the other construction companies are also thinking about that. What is it going to do to capacity? I don't think the capacity that we have in the sector will disappear. We hope that these decisions that we are taking will get us to the point where the capacity that we have in the sector will be able to be applied to projects.

Ed Jardim
Two questions for Cobus before we conclude. A question from Mohamed from Fedsure Investment Managers. Both questions from him. What steps have been taken to improve the profitability in Underground Mining and are there more of these to come?

Cobus Bester
I will reply in writing. I think the commercial model in mining is different to the commercial model in Infrastructure & Building where you quite often have a target type of arrangement. So you agree with your clients that he covers a certain level of overhead costs. And then you agree targets. If you make your targets you get maybe 1% or 2% or 3% margin. If you exceed your targets you get more. We don't think that the cost is the issue in mining. I think the costs in the different businesses are where they are. The Cementation Africa business went through several restructuring changes over the last few years. For example they used to occupy two floors here. They now sit on one floor, and yet the revenue is more or less the same. We are not too worried about their cost structures. You must pick up the right type of contracts with the risk commercial model.

Ed Jardim
I've got a final question for you also from Mohamed. How much of your net cash is unencumbered?

Henry Laas

Most of it. Within the Infrastructure & Building business there are lots of joint ventures and then it is restricted cash. In the rest of the businesses we don't really have a lot of joint ventures so we are in full control of that.

Ed Jardim
Then a final question for you. Is Murray & Roberts exiting South Africa?

Henry Laas
Not at all. Not at all. Murray & Roberts, the company after this transaction, has got three operating platforms, each of them focussed on a specific market sector. In Power & Water the majority of its work is currently in South Africa on the power programme building Medupi, building Kusile. We will be building the George biomass project in the not too far future. If you take the Underground Mining business a big part of its business in Africa is in South Africa. I've mentioned the Venetia project. I've mentioned the Booysendal project. Two significant opportunities, both of them in South Africa. It has got nothing to do with the country. It has got to do with the market sectors. We have decided to exit the civil engineering and building sector, nothing to do with the country. And as far as the other business platforms are concerned the intent is to be multinational. That includes South Africa when we are given the opportunity.

The Oil & Gas platform has got very little opportunity currently in South Africa. We do know that there is a lot of talk about the gas to power programme. And there is a lot of overlap between Steve's platform and Peter's platform. But that really is nice opportunities for us to become active in South Africa in the oil & gas space. So certainly not exiting South Africa. It is exiting a market sector, the civil engineering and building market sector. Does that mean that we will never do this type of work? If you build a power plant or if you build an LNG facility or if you build a mine there are always components of civil work involved on projects like this. And there is no reason why we shouldn't call on our current Infrastructure & Building entity to subcontract and to work with us on those projects. But the intention is not to take on big civil engineering and building type projects. Thank you.

Ladies and gentlemen, thank you very much. I think that brings us to an end. We will have something to drink just behind that partition. Please feel free to engage and ask more questions if you would like to. Thank you very much.

END OF TRANSCRIPT