Consolidated Infrastructure Group Limited

REVIEWED CONDENSED CONSOLIDATED ANNUAL GROUP RESULTS AND CHANGE TO FINANCIAL YEAR END

for the year ended 31 August 2019

COMMENTARY

INTRODUCTION

Consolidated Infrastructure Group Limited (CIG or the Company, and including its subsidiaries, the group) is a leading pan-African infrastructure-focused group with a diversified portfolio in Power, Building Materials, Oil & Gas and Rail. The group's footprint spans South Africa, sub-Saharan Africa and the Middle East.

CIG reports disappointing results for the year ended 31 August 2019 after an especially difficult first six months trading to 28 February 2019. Following targeted operational initiatives, the group experienced some improvement in core operating results in the second half of the financial year from its building materials businesses (CBM) and its pre-paid power business, Conlog Proprietary Limited (Conlog).

Group revenue remained largely unchanged at R3,169 million, compared with the restated F2018*: revenue of R3,137 million (F2018 previously reported revenue of R2,706 million).

The after-tax loss for the group is reported at R1,343 million, compared with a restated F2018* after-tax loss of R1,678 million (F2018 previously reported after-tax loss of R2,028 million).

The group incurred a loss per share of R3,98 compared with a restated F2018* loss of R8,53 (F2018 previously reported loss per share of R10,30).

After adjusting for the impairment of goodwill and intangible assets, the headline loss per share is R3,66 compared with a restated F2018* loss per share of R6,12 (F2018 previously reported loss per share of R7,21).

The results were impacted by a tough macro-economic environment with pressure on most of the group's operations, especially in the engineering, procurement and construction (EPC) businesses within the Power and Rail segments which includes Consolidated Power Projects Proprietary Limited (Conco).

The results were also impacted by impairments to unrecoverable work in progress and receivables, mainly in the Conco business, as well as impairments to goodwill and intangibles and the reassessment of deferred taxation liabilities made in the first half of the financial year. These impairments and adjustments did not represent future cash outflows and therefore do not impact the group's liquidity forecasts.

The performance of the group's CBM segment and Conlog business improved in the second half of the financial year and continue to show signs of improvement in their respective businesses going into calendar year-end.

The group reports net cash of R98,3 million (F2018: R40,7 million) at financial year end.

Included in the statement of financial position is amounts due from contracts relating to contract debtors of R869,5 million and contracts work in progress of R490,0 million (F2018: R815,5 million and R940,1* million respectively) and amounts due on contracts in the form of advance payments of R168,4 million and amounts due to contract customers of R286,7 million (F2018: R255,6 million and R501,1* million respectively). These represent a decrease over the prior year due to both the decreasing volume of trade in the period and as a result of the accounting impairments processed in H1 F2019.

Despite the significant operating loss, only R326,4 million of cash was utilised in operations due to the non-cash nature of a material portion of the losses reported in the year. (F2018: R38,2* million generated).

GROUP RECAPITALISATION AND DEBT RESTRUCTURE

During the year, the company successfully concluded its capital raising and, following a rights offer which closed on 21 December 2018, received R765 million of net capital, resulting in Fairfax Africa Holdings Corporation (Fairfax Africa) acquiring a significant shareholding in CIG. In addition, the board of directors was reconstituted on 30 January 2019.

The company is pleased to announce that it and its largest subsidiary, Conco, have reached general terms of agreement, and are in the process of finalising binding legal agreements with their respective lenders with respect to the restructuring of their interest-bearing borrowings. These agreements are with the bond holders of the previously listed CIG DMTN bond programme and the bank lenders at Conco and will be subject to normal conditions precedent.

** Restated for the adoption of certain standards and interpretations which became effective during the current year, in particular the adoption of IFRS 9:* Financial Instruments*, the adoption of IFRS 15:* Revenue from Contracts with Customers*, and the correction of various errors and reclassifications detailed later in the document.*

It is anticipated that the legal agreements will be concluded by 6 December 2019, or a later date as agreed between the relevant parties.

The impact of the restructuring is that a substantial portion of the debt owed by the company and a portion of the debt owed by Conco will be converted to term debt with a value of R1 billion being reclassified from short term to long term debt. In addition, the lenders support the group by maintaining other short term debt facilities in place under the group's current term agreement and conditions. In return, the group will provide certain assets as security for the term debt.

DIVISIONAL OVERVIEW

BUILDING MATERIALS

	Reviewed	
R'000	2019	2018
Revenue	**483 410**	515 701
EBITDA**	**42 001**	76 175
(Loss)/profit after tax	**(78 644)**	27 275

*** Earnings before interest, taxation, depreciation and amortisation.*

Drift Supersand mines a range of aggregates and West End Claybrick (West End) manufactures clay bricks and concrete roof tiles.

The segment contributed 15,3% (F2018: 16,4%) to group revenue. It continued to perform steadily in difficult local conditions, which were amplified by the lack of expenditure within traditional construction works.

During H1 F2019 an impairment of goodwill of R64,3 million was recorded relating to both the aggregate and clay brick businesses. In addition, the aggregate business enhanced its provision for its mining rehabilitation liability.

During the second half of the financial year the segment implemented a focused recovery programme, which addressed both costs as well as market share and product mix. The benefits of this programme have started to flow, evidenced by improved earnings and cash performance.

While there is little macro-economic improvement to the prospects for the sector, the actions taken in F2019 continue to deliver results, and the improvement realised in the second half of the F2019 financial year is being sustained.

POWER

Conco

	Reviewed	
R'000	2019	Restated* 2018
Revenue	**1 923 173**	1 664 380
EBITDA**	**(725 326)**	(702 267)
Loss after tax	**(878 831)**	(891 958)

*** Loss before interest, taxation, depreciation and amortisation.*

The Conco results should be considered in the context of the adoption of IFRS 15: *Revenue from Contracts with Customers*. This, together with revenue recognition error adjustments, impacted opening retained earnings. While assessing the impact of IFRS 15, the revenue recognition practices were reassessed and resulted in a restatement of the prior year's results. The restatement reduces the losses recorded in F2019 and F2018 and reduces retained earnings in the F2017 and the financial years preceding F2017.

During the first half of F2019, the group adopted the modified retrospective approach to account for IFRS 15 which did not adjust comparative numbers, however due to the eventual magnitude of the adjustment at R670 million, management decided to perform a fully retrospective adoption to account for IFRS 15 as it would provide the user with more meaningful information. Further information regarding the prior period's error restatement is disclosed later in this document.

Conco supplies substations and delivers high voltage electrification services, including wind farms and solar parks across Africa and the Middle East. The business contributed 60,7% (F2018: 53,1%*) to group revenue.

This business continues to suffer difficult trading conditions, unfavourable work conditions in South Africa, slower than anticipated contract awards and downward pressure on margins. This resulted in budgeted profit from unsecured contracts failing to materialise, along with an under-recovery on project overheads carried in

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anticipation of these contracts. Support services costs remain in excess of those required to profitably sustain the current trading volumes.

In H1 F2019, following progress made in improving its project management and financial reporting processes, several impairments were recorded to work in progress and receivables balances, as well as to intangible assets. These related to costs incurred and cash spent in previous years. Internally-generated intangible assets were impaired due to the early stages of development of a product and thus its unsuitability for recognition as an asset. In addition, a provision for the possible impairment to under-certified revenue and contract debtors on various projects was recorded. Accruals for various direct and indirect taxation liabilities in multiple jurisdictions, as well as the reversal of taxation assets not expected to be recoverable, were charged against earnings.

Material active contracts were also re-assessed and downward margin adjustments were processed to reflect the expected realisable completion margin. In addition, the cost to complete on active contracts was reassessed and a charge against earnings was recorded on a few onerous contracts. Stock and materials on hand were assessed and some scrapped. Deferred taxation liabilities required for temporary differences was reassessed by each of the Conco operations and raised. The impact of all the above adjustments has been factored into the division's liquidity forecasts.

Operationally, Conco remains focused on successful execution of Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) Round 4 projects in hand, which represents approximately 60% of current work. A clear objective of the REIPPPP is to maximise local content supply to the projects and, as such, all key electrical equipment must be procured from South African manufacturers. Conco management is concerned that the manufacturers of key components struggle to execute on their contracts timeously or to necessary quality standards. These sub-contract supply issues require extensive management intervention by Conco to ensure that the external supply does not place Conco at risk for late completion and associated penalties.

Although the markets this business operates in have significant potential, the current environment remains very challenging, with very few infrastructure contracts in its South African and rest of Africa markets.

As Conco remains the business with the most challenges, including a high level of unrecovered overheads and requires rightsizing, CIG and Conco senior management implemented Project Visibility, a comprehensive program to address four key areas, including:

- reliability and accuracy of financial reporting including contract profit recognition;
- contract delivery including tendering, execution, and commercial management;
- liquidity management and forecasting; and
- business sustainability.

To assist with the implementation of Project Visibility, CIG appointed independent construction experts with a track record of successful contract management and construction business leadership who are well regarded in the industry including the appointment of Andrew McJannet, the former CEO of the Power Group, as interim head of operations.

The project is now into its second phase. In the second half of F2019 significant focus was applied to the review of contract execution, commercial management, forecasting and liquidity management.

These initiatives identified certain adjustments that were required on various contracts' total estimated profit recognition. This resulted in a charge against earnings in the period. Although a material portion of these charges are being addressed with remedial action to avoid them converting into cash outflow, they have been included into the group's liquidity models to ensure a more conservative approach to liquidity management.

Key remedial action plans have also been implemented to mitigate any negative cashflow impact and any further earnings impact. These actions are monitored regularly by CIG and Conco management. Recovery plans have been implemented on all projects which indicated a completion date later than the initial programme. These actions have resulted in an improvement in commercial contracting practices addressing claim management and recovery.

A cautious approach continues to be adopted regarding the inclusion of earnings and cash enhancements from unapproved variation orders and claims.

The availability of contracts within the traditional substation, overhead lines, and protection and automation business in South Africa is at a very low ebb, with no major project awards anticipated presently.

South Africa has committed to an integrated resource plan that substantially favours the Conco type of business. Uncertainty remains, however, on the timing of pricing submissions and the time required to achieve financial close on these projects. The business expects an improvement in the renewable energy solutions project development cycle in the markets in the rest of Africa.

Conlog

	Reviewed	
R'000	2019	2018
Revenue	**488 157**	656 075
EBITDA**	**106 871**	232 430
Profit after tax	**42 065**	152 275

*** Earnings before interest, taxation, depreciation and amortisation.*

Conlog provides prepaid and smart electronic metering devices and solutions, from design to distribution. Services for utilities and municipalities include revenue management, revenue protection, pre-payment with smart load control and load management.

The business contributed 15,4% (F2018: 20,9*%) to group revenue. Conlog's performance for the second half of the year was satisfactory in the prevailing economic landscape and recovered off a weak first half of the financial year. The business implemented a revenue growth and diversification strategy, coupled with a cost reduction focus with short term delivery deadlines. This programme has been successfully implemented and the improvement in earnings and cash flow was demonstrable in the second half of the financial year. Sales levels have started to recover in the second half of the financial year and is expected to continue into 2020.

The management team continued to focus on country diversification and product range growth which has a distinct demand in South Africa and the rest of Africa. It has made significant progress in establishing a new manufacturing plant with upgraded electronic assembly lines which was commissioned in November 2019.

It has developed two new metering products which ensures that the current portfolio of products offers higher growth prospects.

The growth strategy is being pursued balanced by a conservative credit risk assessment process. The business has demonstrated its willingness to sacrifice revenue and margin to better manage credit risk by deferring the manufacturing and despatch of product until it had received appropriate payment guarantees. Conlog has positioned itself to benefit from the changing Nigerian power market. Nigeria has the possibility of becoming the largest market for Conlog with a focus on long term annuity returns. Conlog will continue targeting meter leasing and platform opportunities.

Other

	Reviewed	
R'000	2019	2018
Revenue	**34 913**	41 238
EBITDA**	**(19 230)**	10 331
Loss after tax	**(27 396)**	(120 717)

*** Loss before interest, taxation, depreciation and amortisation.*

The other power businesses contributed 1,1% (F2018: 1,3%*) to group revenue.

Consolidated Power Maintenance maintains renewable energy sites and transmission substations. In H1 F2019 impairments and charges against earnings of R20,2 million were recorded. In the second half of the year the market remained subdued.

The business has been assessed, with specific restructuring initiatives identified. These include a reduction in cost base and improved risk management. These interventions will be implemented in the first quarter of calendar 2020.

CIGenCo, the group's development business, designs and develops mid-sized power generation projects in Africa. CIGenCo remains focused on co-developing and operating clean energy power-producing plants to grow annuity income. The contribution from its Namibian Ejuva Solar Energy projects remains pleasing, although a relatively small contributor to group earnings.

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In H1 F2019 the group also impaired the recognition of all costs incurred on projects under development where the group deems financial close not to be achievable in the short term. This impacted the segment results by R67,8 million.

OIL & GAS

	Reviewed	
R'000	2019	Restated** 2018
Loss after tax	**(29 149)**	(85 421)

*** Restated for correction of errors and reclassification detailed later in the document.*

Angola Environmental Services Limitada (AES) is a leading provider of waste disposal services to the offshore oil and gas industry in Angola.

Operationally the company performed well in the period and contributed positively. It was however impacted by foreign exchange losses due to the extent that the business invoices and is paid in Angolan Kwanza and experienced a weakening in this currency, relative to the functional currency of the business which is denominated as United States Dollars.

The business remains in an ebb, but the level of drilling activity is planned to increase over the next 18 months, which has a positive correlation to expected improvement in operating results.

During the year the group received dividends from the investment.

A risk facing AES is the potential inability of the business to obtain a renewal in 2020 of its operating licence from the local environmental authorities and the continued pressure being applied by the authorities to the business to relocate from its current operating premises in Luanda's oil and gas logistics base. The behaviour exhibited by certain elements of the authorities and their actions taken are viewed by the business as unprocedural and/or illegal. This risk is being managed. Legal actions have been taken to enforce the business's rights to compel the authorities to act appropriately as it appears that their decisions are based on a lack of understanding of the current safety practices at AES. AES operates under best practice ISO quality standards which have had independent verification on quality and compliance.

AES continues to have some strong near-term growth opportunities as the number of new oil rigs increases.

RAIL

	Reviewed	
R'000	2019	2018
Revenue	**238 922**	259 123
EBITDA**	**(107 338)**	(40 966)
Profit after tax	**(132 777)**	(43 331)

*** Loss before interest, taxation, depreciation and amortisation.*

Tractionel specialises in the electrification of railways and the installation of overhead traction equipment.

In H2 F2019 a provision of R86 million was made against two contracts in which there are ongoing legal disputes, resulting in the business reporting a loss for the period. In addition, a deferred taxation asset of R27,2 million related to assessed losses, which was previously raised, was reversed and charged against earnings until its utilisation can be reasonably demonstrated.

The business continued to experience quiet activity levels with limited new contracts awarded and a resultant under-recovery of overheads. In these conditions, the business profitability was critically assessed. A significant cost reduction and restructuring plan has been developed with implementation scheduled for the first quarter of calendar 2020. This will ensure the business returns to profitability and is expected to reduce the risk of cash funding required from the group.

BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

These reviewed condensed consolidated annual financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act, 71 of 2008 of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

ACCOUNTING POLICIES AND RESTATEMENT OF PRIOR YEAR REPORTED RESULTS

The accounting policies applied in the preparation of these reviewed annual financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements for the year ended 31 August 2018, other than the adoption of certain standards and interpretations which became effective during the current year, in particular as indicated in this note, the adoption of IFRS 9: *Financial Instruments*, the adoption of IFRS 15: *Revenue from Contracts with Customers*, and the correction of various errors and reclassifications.

Application of IFRS 9: *Financial Instruments*

The group has adopted IFRS 9: *Financial Instruments* as at 1 September 2018. IFRS 9 replaces IAS 39: *Financial Instruments* and introduces new requirements for: 1) the classification and measurement of financial assets and financial liabilities; and 2) impairment for financial assets.

The adoption of IFRS 9 had the following impact on the group:

- Change from the IAS 39 incurred loss model to the expected credit loss (ECL) model to calculate impairments of trade receivables; and
- Change in classification of the measurement categories for financial instruments.

IFRS 9 introduces new measurement categories for financial assets. From 1 September 2018 the group classifies financial assets in each of the IFRS 9 measurement categories based on the group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

The group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. The group has elected not to restate the prior periods, with any material difference between the previous carrying amount and the carrying amount at the beginning of the current year allocated to retained earnings.

After assessing the trade and other receivables, including contract debtors and trade debtors and their provisions, no material impact was noted to the financial statements. The adoption of IFRS 9 from 1 September 2018 therefore had an immaterial impact on the financial statements. No restatement was therefore done for prior periods.

Reclassification into the new measurement categories of IFRS 9 did not have a significant impact on the group.

Application of IFRS 15: *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 18: *Revenue*, IAS 11: *Construction Contracts* and related interpretations for annual periods beginning on or after 1 January 2018. IFRS 15 applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, providing additional guidance in many areas not covered in detail under the previous revenue standards and interpretations. The standard requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying the framework to the contracts with customers. The standard also specifies the accounting treatment for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. IFRS 15 further includes extensive new disclosure requirements.

The group has applied IFRS 15 with an initial date of application of 1 September 2018 in accordance with the fully retrospective transitional approach. The comparative information has therefore been restated.

In assessing contract positions on an individual project basis, as required by IFRS 15, contract assets recognised under IAS 11, were not regarded as contractually receivable and were therefore reversed under IFRS 15 into cost of sales. The effect of the application on the group is reflected below.

The group derives revenue from contracts with customers for the supply of goods and services. Below is the group's revised revenue treatment of each product type.

Segment	Type of revenue stream	Treatment under IAS 11 or IAS 18	Treatment under IFRS 15
Building Materials	Revenue generated from the sale of crushed stone, rock and aggregates for the construction industry for application in roads, ready mix, concrete and for stabilisation	Individual contract per customer with revenue recognised on delivering of goods (IAS 18)	Individual contract per customer with revenue recognised on delivery of goods – revenue recognised at a point in time
	Revenue generated from the manufacture and sale of a range of clay bricks and concrete roof tiles for the building sector including developers, contractors and wholesalers	Individual contract per customer with revenue recognised on transfer of completed unit (IAS 18)	Individual contract per customer with revenue recognised on transfer of completed unit – revenue recognised at a point in time
Power – Conco	Revenue generated from the construction of high-voltage turnkey electrical substations, overhead power lines, renewable energy – wind and solar – and related products	Individual contract with revenue recognised based on percentage completion (IAS 11) of different components of overall project	Individual contract treatment with revenue recognised over time for ore performance obligation
Power – Conlog	Revenue generated from manufacturing and distribution of prepaid electricity meters along with related applications and support services	Individual contract per customer with revenue recognised on transfer of completed unit and provision of support service (IAS 18)	Individual contract per customer with revenue recognised on transfer of completed unit – revenue recognised at a point in time
Power – Other	Revenue generated from long-term operational and maintenance services to wind farms, solar parks, municipalities and utilities – often on projects constructed by Conco	Individual contract per customer with revenue recognised over the period of maintenance services being provided (IAS 18)	Individual contract treatment with revenue recognised over time as the maintenance services are being rendered for the customer
Oil & Gas in associate	Revenue from waste management services provided to the oil and gas industry. This encompasses the collection, recycling and disposal of oil-based waste created during the drilling process	Individual contract per customer with revenue recognised over the period of waste management services being provided (IAS 18)	Individual contract treatment with revenue recognised over time as the waste management services are being rendered for the customer
Rail	Revenue generated from provision of transmission lines, substations up to 132 kV as well as installation and maintenance of electrical lines for railway lines	Individual contract per customer with revenue recognised on percentage completion for the construction of the transmission lines and substations (IAS 11), on installation for the customer (IAS 18) and over the period of maintenance of electrical lines (IAS 18)	Individual contract per customer with three performance obligations. Revenue on construction of transmission lines and substations to be recognised over time. Revenue recognised over time as maintenance of electrical lines are completed
	Revenue generated from provision of railway maintenance services to Gautrain, Transnet, PRASA and private siding owners such as mining houses	Individual contract per customer with revenue generated from the maintenance provided over time (IAS 18)	Individual contract treatment with revenue recognised over time as maintenance services are being rendered for the customer
Corporate	No revenue is generated by the corporate segment		

Correction of revenue recognition error

While assessing the impact of IFRS 15 in the current financial year, the revenue recognition practices were reassessed to be more appropriate. This resulted in a restatement of prior years' results.

In prior years most of Conco's construction projects were treated as multiple performance obligation contracts divided into the different lines of business that delivered different services to the project. These services recognised revenue at different percentages of completion and different profit margins.

IFRS 15 provides guidance as to whether a construction project should be treated as one performance obligation or multiple performance obligations. In applying the IFRS 15 guidance, most of the group's projects are seen as single performance obligations and for group purposes were treated on a consolidated basis. The revised treatment resulted in a single percentage of completion per project, a single profit margin for the project and appropriate elimination of inter-business profit margins.

IFRS 15 requires revenue to only be recognised when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The "highly probable" criteria meant that revenue recognised to date had to be reassessed for potential uncertainties and potential onerous contracts as a result of decreased revenue. Resultant work in progress and onerous contract positions for the comparative periods were also assessed.

The integrated nature of the restatement makes it impossible to allocate the restatement between a pure IFRS 15 adoption restatement and prior year error restatement.

The following areas of focus were identified which gave rise to the error component of the restatement:

- When considering revenue recognition for group reporting purposes, inter-company and intra-company transactions raised were not always eliminated when determining the percentage of completion computation. This distorted the profit margins recognised on the contract through an overstatement of cost, and hence the percentage of completion and resultant work in progress asset recorded.
- Onerous provisions were historically not adequately recognised for unavoidable costs and losses to be incurred to complete loss-making contracts.

The effect of the adjustment is reflected in the table below. This restatement impacts the income statement and the statement of financial position, but has no impact on the cashflow statement.

Correction of error in carrying value of the Investment in Joint Venture AES

During the current financial year, management reassessed the functional currency of its joint venture investment in AES and reconsidered it to be the US Dollar. In the previous year the investment was incorrectly treated with a combination of Angolan Kwanza and USD as functional currency. In addition, management reassessed the depreciation estimate for property, plant and equipment owned by AES. Management also reconciled the carrying value of the company's investment against the net asset value of AES for each financial year since the date of acquisition. This led to a restatement of prior years' investment carrying value.

The effect of this adjustment is reflected in the table of this note. This error impacts retained income and the statement of financial position, but has no impact on the cashflow statement.

Correction of classification of trade finance liability

The Conco businesses utilises trade finance facilities provided by its banking partners. These facilities are interest-bearing. In prior years, any liability due under the trade finance facilities was disclosed within trade and other payables. During the current financial year, management reviewed this disclosure and determined it more appropriate to disclose this liability as a financial liability.

This required a restatement of the statement of financial position, with a reduction in trade and other payables of R457 million in F2018 and R449 million in F2017 and a corresponding increase in current financial liabilities due in the same periods.

The effect of this adjustment is reflected in the table below. This reclassification does not impact the income statement, but reclassifies the statement of financial position. In addition, any movement in trade finance during the year impacted the cash flow statements and required a restatement of the cash flow statement with movements reflecting as financing activities but had no effect on the net cash position.

Correction of classification of retirement benefit obligation

The short term portion of the retirement benefit obligation was transferred to trade and other payables to ensure a more appropriate disclosure of the timing of the realisation of this liability.

This restatement does not affect the groups' income statement or cash flow statement.

Restated number of shares in issue

The F2017 and F2018 reported number of shares in issue have been restated. The reported number of shares decreased by 96 231 shares due to an error noted in the current year of the disclosure provided in the annual financial statements previously. The number of shares in issue at 1 September 2016 was overstated by 96 231 shares, resulting in the F2017 and F2018 shares in issue decreasing from 196 255 245 to 196 159 014.

This restatement does not affect the group's statement of financial position or cash flow statement. This restatement does not affect the group's profit or income statement, but would amend the earnings per share disclosures in F2018 and F2017.

The effect of this adjustment is reflected in the table below.

Reorganisation of segmental report

Management has re-evaluated the group's segmental reporting following an assessment of the group's chief operating decision makers' reporting structure and information requirements. As a result, the group's four reporting segments were expanded by increasing disclosure and transparency within the Power segment, the group's largest segment. This segment now provides sub-disclosure of Conco, the group's turnkey power project contracting business and Conlog, the group's prepaid electricity metres manufacturer. The balance is reflected as other and represents the Consolidated Power Maintenance business, a provider of operational and maintenance services, and CIGenco, a development centre that invests and oversees the development of power projects. In addition, the category of "inter-group elimination" was removed for ease of disclosure and review of segments on a net basis.

This restatement does not affect the group's income statement, statement of financial position or cash flow statement.

Impact of the adoption of IFRS 15, correction of prior period errors and reclassification entries on the consolidated financial statements for prior periods presented

Consolidated statement of financial position R'000	As reported August 2017	IFRS 15 and revenue recognition error adjustment	AES adjustment	Trade finance and retirement benefit obligation reallocation	Adjusted August 2017
ASSETS					
Investment in joint ventures	724 783	–	(125 907)	–	598 876
Trade and other receivables	522 958	(69 125)	–	–	453 833
Contracts work in progress	2 003 121	(869 175)	–	–	1 133 946
EQUITY					
Accumulated (loss)/profit	1 418 640	(979 401)	(125 907)	–	313 332
LIABILITIES					
Retirement benefit obligation	15 598	–	–	(306)	15 292
Financial liabilities – current	948 227	–	–	449 309	1 397 536
Trade and other payables	1 466 352	48 941	–	(449 003)	1 066 289
Contract excess billings	68 276	(7 839)	–	–	60 437

Consolidated statement of financial position R'000	As reported August 2018	IFRS 15 and revenue recognition error adjustment	AES adjustment	Trade finance and retirement benefit obligation reallocation	Adjusted August 2018
ASSETS					
Investment in joint ventures	727 526	–	(127 871)	–	599 655
Trade and other receivables	729 460	(112 393)	–	–	617 067
Contracts work in progress	1 196 462	(256 406)	–	–	940 056
EQUITY					
Accumulated (loss)/profit	(600 265)	(627 668)	(127 871)	–	(1 355 804)
LIABILITIES					
Retirement benefit obligation	14 349	–	–	(378)	13 971
Financial liabilities – current	483 057	–	–	456 630	939 687
Trade and other payables	1 250 669	127 155	–	(456 252)	921 572
Contract excess billings	369 362	131 713	–	–	501 075

Consolidated income statement R'000	As reported August 2018	IFRS 15 and revenue recognition error adjustment	AES adjustment	Adjusted August 2018
Revenue	2 706 570	429 948	–	3 136 518
Cost of sales	(2 837 268)	(78 215)	–	(2 915 483)
Impairment of carrying value in joint arrangement	(134 401)	–	134 401	–
Equity-accounted income from joint ventures and associates	50 944	–	(136 365)	(85 421)
Loss before taxation	(1 839 880)	351 733	(1 964)	(1 490 111)
Loss for the period	(2 027 762)	351 733	(1 964)	(1 677 993)
Loss attributable to equity shareholders of CIG	(2 022 177)	351 733	(1 964)	(1 672 408)
Basic loss per share (rands)	(10,30)	–	–	(8,53)
Diluted loss per share (rands)	(10,30)	–	–	(8,53)

Consolidated cash flow statement R'000	As reported August 2018	Trade finance reallocation	Adjusted August 2018
Net cash from operating activities	(239 746)	23 379	(216 367)
Net cash from financing activities	409 049	(23 379)	385 670

ASSESSMENT OF GOING CONCERN

In determining the appropriate basis of preparation of the annual financial statements, the directors are required to consider whether the group can continue in operational existence for the foreseeable future

The financial performance of the group is impacted by the wider economic environment in which the group operates, as well as internal conditions.

As a result of the factors outlined in this document the group reported a net loss of R1,343 million (F2018*: R1,678 million loss).

Material losses reported by Conco in the last few financial years, have resulted in the group reporting accumulated losses at 31 August 2019 of R2,7 billion. Even after a successful rights issue during the financial year which introduced R765 million net cash proceeds into equity, the group's net equity reduced to R574,6 million at 31 August 2019 (F2018*: R1,1 billion).

During the year the board of directors, working with an external corporate finance advisor, completed an interim assessment of the group's key investments including the groups Conlog business, its investment in AES and the carrying value of its building material segment. This has been used to confirm the recoverability of the group's carrying value and that no further impairments are required.

The group has considered the recoverability of all current taxation assets and deferred tax assets and has adopted a more conservative approach in terms of the raising of deferred taxation assets.

Factors that impacted liquidity

Although still cash positive, the group has limited free cash at year end.

This is mainly due to the funding requirements of Conco, the group's largest business. The group's free cash was applied to fund the following:

- completion of contracts ahead of cash expected to be received on final certification on contracts nearing completion;
- a change in the group's working capital cycle following a reduction and removal of external credit guarantee insurance available to suppliers. This necessitated upfront and advance payments by the group to suppliers and shorter credit terms afforded to the group;
- a decreasing order book due to market conditions. This resulted in the unwind of the businesses' working capital; and
- an under recovery of overhead costs as a result of lower than expected rate of trade.

All the group's EPC businesses were impacted by the removal of credit insurance cover and under recovery of overhead costs which has absorbed free cash in the year.

Liquidity management

The first half of the financial year saw an underperformance by all businesses in the group as a result of a mixture of both market conditions and internal factors. This led to several initiatives being implemented, which are regularly reported-on to CIG management and the board.

These initiatives include:

- business re-engineering programmes where required;
- critically assessing budgets for the four months to December^ 2019, 12 months to December 2020, 2021 and 2022; and
- robust liquidity models which includes cash flow forecasts covering a period of 12 months from the date of these financial statements.

Business recovery interventions

Non-EPC# businesses

The Conlog business implemented a revenue growth and diversification strategy coupled with a cost reduction focus with short-term delivery deadlines. These interventions were successfully implemented and the improvement in earnings and cash flow was demonstrable in the second half of the financial year. The team continued to focus on country diversification and the development of a product with a distinct demand in South Africa and the rest of Africa. The growth strategy is being pursued balanced by a conservative credit risk assessment process and the business has demonstrated its willingness to sacrifice revenue and margin to better manage credit risk by deferring the manufacturing and despatch of product until it had received appropriate payment guarantees. The budgets and free cash flow expected to be generated by this business have been critically assessed for the short-term and medium-term.

The building materials businesses operate in a very difficult market as it supplies into a depressed South African construction market. The CBM businesses implemented a focused recovery programme, which addressed both costs and the enhancement of market share and product mix. The benefits of this programme have also been evident in the second half of the financial year, with improved earnings and cash performance by the segment. The budgets and free cash flow expected to be generated by this business have been critically assessed for the short-term and medium-term.

The AES business provides steady cash flow to the group.

EPC businesses

The EPC or related businesses consist of the power businesses Conco and Consolidated Power Maintenance (CPM) and the rail business (Tractionel).

The CPM business was assessed, with planned restructuring initiatives logged for implementation during the first quarter of calendar 2020. These initiatives include a reduction in cost and improved risk management.

The Tractionel business' profitability and cash generation in the next 12 months was critically assessed. A sizeable cost cutting and restructuring plan was developed. This is currently being implemented with a completion date of the first quarter of calendar 2020.

The Conco business continued to be the business under the most pressure, being affected by the extremely slow roll out of expected infrastructure programmes in South Africa and the rest of Africa. Although this business has a strong pipeline of projects it currently has a high level of unrecovered overheads, requires rightsizing and to date has required sizeable cash injections by the group, as discussed earlier.

** Restated for the adoption of certain standards and interpretations which became effective during the current year, in particular the adoption of IFRS 9:* Financial Instruments*, the adoption of IFRS 15:* Revenue from Contracts with Customers*, and the correction of various errors and reclassifications detailed later in the document.*

^ The group is changing its year end to from August to December with the first year-end being December 2019.

 # Engineering, procure and construct.

To address this CIG and Conco senior management implemented Project Visibility, a targeted turnaround programme, which is now into its second phase. The project focuses on four streams namely:

- Stream 1: reliability and accuracy of Conco's financial reporting including contract profit recognition;
- Stream 2: operational contract delivery including contract execution, commercial management and contract tendering;
- Stream 3: liquidity management and forecasting; and
- Stream 4: business sustainability.

To assist management with the implementation of Project Visibility, CIG appointed independent construction experts with a track record of successful contract management and construction business leadership.

Cash liquidity forecast models

Two separate cash models are maintained by the group, namely the non-EPC business cash model and the EPC business cash model. The non-EPC cash model is updated quarterly due to the nature of the business cash flows included in the model and their relative stability. The EPC business cash model is updated and assessed monthly.

Non-EPC business liquidity model

The non-EPC business liquidity model consolidates the free cash flow available to the group from the non-EPC businesses assuming a portfolio approach to cash management. Budgets including performance projections and cash flow statements are determined by each business leadership team. These are critically assessed for reasonableness by the CIG management team.

The sources of cash for the non-EPC business liquidity model is:

- the free cash deemed available for distribution by the Conlog, Building Materials and the AES businesses is consolidated into a group cash flow;
- along with a value on proceeds of disposal of assets; and
- a refinancing of remaining debt in the long term.

Which is used to service:

- the South African and Mauritius corporate office costs;
- external finance costs; and
- debt capital repayments.

This liquidity model is also the key input into the financial covenants negotiated with lenders for the establishment of a longer-term debt profile. The non-EPC model generates enough cash to maintain the covenant levels required with the service of the debt repayments and interest payments.

The EPC business liquidity model

This model is a monthly consolidation of the following inputs:

Input	Nature	Source
Secured contract cash flow	Secured contract cash flow	Contract forecasting system which is validated at individual project review meetings presented by project managers and assessed for appropriateness by independent construction experts prior to input into the cash model A variance analysis between forecasted cash flows to actual cash flow by contract is performed monthly by CIG with variations explained
Overhead costs	Cash incurred on non-project related overheads, including salaries and other overheads is included in the cash model	Based on projected overheads costs. A monthly comparison between actual costs incurred and forecasted cost is performed by CIG for reasonableness
Balance sheet unwind	The collection of incurred working capital, including the collection of client billings previously raised less payment of creditor liabilities[@]	The cash model maintains the full debtors age analysis value and collections are monitored daily with the forecasted collection timing included in the short-term portion of the model and monitored Creditors are now based on the full creditors age analysis payable and payment profile confirmed by contract managers and the construction advisors
This net cash flow therefore reflects the cash generation or absorption prior to any further contract awards		
Unsecured cash flow	Cash billings and cost outflow forecast are included per contract as potential unsecured work to be awarded and are individually assessed with a key focus on timing of expected cash inflow and outflow	Forecasting system of submitted tenders, tenders in preparation and future tenders being targeted individually assessed against probability and timing. This includes further "offset" on expected timing of award to trade to cash collection Forecast cash flow and its required timing can be monitored against expectations and updated monthly. In addition, the levels of guarantees/bonds can be ascertained and planned for

[@] *Note that the collection of retention balances due to the business and the unwind of the advance payment due on contracts are included in the secured contract cash flow described above.*

The liquidity model is prepared and presented to CIG monthly, evaluated against forecast expectations and variances monitored. An update on progress and performance is presented to the group's financial committee (FINCOM) which is the operating group of CIG's Investment Committee. The forecasts and any variances are presented to the board of directors at least on a quarterly basis or more frequently, as required.

This liquidity model is also the key input into the financial covenants negotiated with current lenders for the establishment of a longer-term debt profile at Conco. The EPC model currently generates enough cash to maintain the covenant levels required for the service of the debt repayments and interest payments.

Performance and liquidity operational improvement initiatives

Certain improvement initiatives have been identified which, if successful, can enhance the business liquidity profile and have not been included in the base case liquidity model on which the business' going concern is based. These are listed as follows:

Secured contract cash flow

- Enhanced contract execution following implementation of corrective action identified by construction specialists and being implemented as part of Phase 2 of Project Visibility.

- Accelerating the realisation of claim opportunities and other short-term cash opportunities in favour of the group.

Overhead costs

- The benefit of a reduced cost structure and the savings flowing from this, net of the costs to be incurred to realise these, have not been included in the base case model and are expected to be material for the business.

Balance sheet unwind

- Recovery of specific contract debtors where the debtor has been provided for due to the difficulty in obtaining cash settlement although the debt due to the group is deemed valid and recoverable.

Converting long term assets in the group to short term

- Cash flow from the disposal of long-term assets either within the EPC businesses or from the non-EPC businesses has not been included within the EPC cash forecast.

Estimates, assumptions and judgements considered within the group's liquidity assessment

As would be expected, the group's liquidity model forecasts the timing and quantum of key drivers of cash flow. These forecasts therefor include a considerable number of estimates, assumptions and judgements.

The material assumptions are:

Secured EPC contracts trade at their forecasted tendered margin

- A key assumption to the EPC businesses liquidity forecast is that contracts will be executed in line with forecast contract margins.
- Contract performance is re-forecasted on a monthly basis and the liquidity model constantly updated with current contract conditions.
- Any contract losses or any reduction in cash profitability from secured work would therefore have a direct impact on the liquidity model.

Secured EPC contracts can recover on provisioning raised in the current year

- Included in forecasts is certain adjustments which were made to various contracts' total estimated profit recognition which reflected a charge against earnings in the period.
- Although a material portion of these charges are not expected to convert into cash outflow, they have been included in the group's liquidity models to ensure a more conservative approach to liquidity management.
- Any saving or recovery on this position would have a direct positive impact on the liquidity model.

Balance sheet forecast collections and payment not realised in line with forecast

- Delayed receipt of debtors' payments or accelerated creditors' payments that are different to the forecast could impact the immediate and short-term cash forecast and funding position of the business.

Unsecured construction contracts identified are secured and traded in the forecast period

- Some risk to the certainty of the timing and profitability of these awards exist as the group has experienced a delay in contract awards which impacted the budgeted profit, with unsecured work not materializing in F2019.
- In addition, the group is experiencing an increase in the cost of doing business with input costs to contract bids increasing significantly.
- In response to these factors, the group has included a low level of cash profits from unsecured work within the short-term liquidity model. The liquidity model is therefore not materially impacted by unsecured contracts. The probability rating assigned is based on the next 12 months liquidity profile. The dependency on unsecured work being awarded and traded naturally becomes more significant to the liquidity forecasts in later years as the current order book winds down.
- The level of unsecured work to be earned is dependent on the group continuing to be supported by its lenders for guarantee facilities as envisaged once the group concludes its debt restructuring agreement.

Overhead reduction strategies are implemented and achieved

- The group has forecasted only limited overheads reduction strategies within its current liquidity model.
- The intended rightsizing of the EPC business, via a reduction of overheads and costs, therefore presents a material opportunity to enhance the liquidity profile of the EPC businesses.

Secured contract cash flow – acceleration of claim opportunities

- Accelerating the realization of claim opportunities and other short-term cash opportunities in favour of the group will enhance the liquidity forecasts

Recovery of debtors

- Recovery of specific contract debtors where the debt has been provided for due to the difficulty in obtaining cash settlement, although the debt due to the group is deemed valid and recoverable is assessed as a low probability for the short term/next 12-month profile.
- Should this be realised, it will enhance the liquidity forecast and profile of the business as it has not been included in forecasts.

The group also reports contingent liabilities of R2,1 billion in the form of financial institution-backed performance guarantees provided to third parties. The group does not expect any of these to convert into an actual claim that isn't already recognised as a contract liability in the financial statements.

Solvency and liquidity position at 31 August 2019

At 31 August 2019 the group's total assets exceeded total liabilities by R574,6 million. However, current liabilities exceeded its current assets by R701,3 million. This is an indication that the group may require further funding to settle its current obligations and continue as a going concern. The higher than expected current liabilities include certain adjustments which were made to various contracts' total estimated profit recognition. This reflected a charge against earnings in the period. Although a material portion of these charges is not expected to convert into cash outflow, it has been included in the group's liquidity models to ensure a more conservative approach to liquidity management. Any saving or recovery on this position would have a direct positive impact on the liquidity model.

To address this:

- Key remedial action plans have been implemented to recover against these contract adjustments and mitigate on any cash outflows. These actions are monitored regularly by CIG management and the Conco CEO. Phase 2 of Project Visibility has commenced, which includes active management of these action plans.
- The company has engaged with its lenders, being the bond holders of the previously listed CIG DMTN bond programme and the local bank lenders at Conco to restructure short term debt. This restructuring would result in a substantial value of the short-term debt owed by the company, and a portion of the debt owed by Conco, to be converted to term debt. A value of R1 billion will be reclassified from short-term debt to long term debt. In addition, the lenders support the group by maintaining other short term debt facilities in place under the group's current term agreement and conditions. In return, the group would provide certain assets as security for the term debt.
  - The group is pleased to announce that it and Conco are in the process of finalising binding legal agreements, which will be subject to normal conditions precedent. It is anticipated that the legal agreements will be concluded by 6 December 2019, or such later date as agreed between the relevant parties.

Conclusion

The events, conditions, judgements and assumptions described earlier inherently include material uncertainty on the timing of future cash flows. Any significant deviations may therefore cast significant doubt on the group's ability to continue as a going concern and its ability to realise assets and discharge liabilities in the normal course of business. The directors have considered the financial plans and forecasts, the actions taken by the group, and based on the information available to them, are therefore of the opinion that the going concern assumption is appropriate in the preparation of the financial statements.

PREPARATION AND REVIEW

The reviewed condensed consolidated annual financial statements have been prepared by C de Kock CA(SA) under the supervision of CMF Teixeira CA(SA). The directors take full responsibility for the preparation of the reviewed condensed consolidated annual financial statements.

The condensed consolidated annual financial statements have been reviewed by the group's external auditor.

The reviewed condensed consolidated annual financial statements of Consolidated Infrastructure Group Limited were authorised for issue by the board of directors on 29 November 2019.

BORROWINGS

The group reflects the following interest-bearing borrowings:

R'000	2019	2018
Secured loans	**848 865**	887 243
Unsecured loans	**1 003 230**	1 000 377
Instalment sales	**25 871**	32 894
Total	**1 877 966**	1 920 514
Current liabilities	**1 409 714**	939 687
Non-current liabilities	**468 252**	980 827
Total	**1 877 966**	1 920 514

The company and its subsidiary Conco are in the process of finalising binding legal agreements with their respective lenders, being the bond holders of the previously-listed CIG DMTN bond programme and the local bank lenders at Conco, with respect to the restructuring of their interest-bearing borrowings.

The restructuring will result in a substantial portion of the debt owed by the company, and a portion of the debt owed by Conco, to convert to term debt, with a value of R1 billion being reclassified from short-term debt to long term debt. In addition, the lenders support the group by maintaining other short term debt facilities in place under the group's current term agreement and conditions. In return, the group will provide certain assets as security for the term debt.

ESTIMATES AND CONTINGENCIES

The group makes estimates and assumptions concerning the future, particularly regarding construction contract profit taking, provisions, arbitrations, claims and various fair value accounting policies. Accounting estimates and judgements can, by definition, only approximate results, as the actual results may differ from such estimates. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Total financial institution guarantees offered to third parties on behalf of subsidiary companies amounted to R2,1 billion.

REVIEW CONCLUSION

These condensed consolidated financial statements for the year ended 31 August 2019 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion thereon. The review conclusion draws attention to the material uncertainty relating to going concern as described in these provisional condensed consolidated financial statements. A copy of the auditor's review conclusion is available for inspection at the company's registered office, together with the financial statements identified in the auditor's report.

DIVIDEND

The group's policy is for the board of directors to consider a dividend on an annual basis after reviewing the annual results. No dividend is recommended.

SPECIAL RESOLUTIONS

In terms of the provisions of section 45(5)(a) of the Companies Act, 71 of 2018 (the Act) and pursuant to the special resolution passed at the annual general meeting of the company held on 27 March 2019 authorising the board of directors (the board) to provide direct or indirect financial assistance to related and inter-related parties, notification is hereby given that the board has adopted a resolution in terms of section 45(3) (b) of the Act authorising the company to provide financial assistance for working capital purposes to Consolidated Power Projects Group Limited (Conco) and Tension Overhead Electrification Proprietary Limited, trading as Tractionel Enterprise, both wholly-owned subsidiaries of CIG, which constitutes financial assistance in terms of section 45 of the Act and which financial assistance exceeds one tenth of one percent of the company's net worth.

In accordance with section 45 of the Act, the board is satisfied and acknowledges that:

- Immediately after providing such financial assistance, CIG would have satisfied the solvency and liquidity test as provided for in section 4 of the Act, and
- The terms under which such financial assistance has been given are fair and reasonable to CIG.

OUTLOOK

Opportunities for the group's various power businesses continue to be driven by the substantial demographic growth and mega-cities build along with the implementation of new major infrastructure projects across the continent.

Significant growth is expected in the development of renewable energy and off-grid industrial-scale opportunities in Africa.

The group's offering of complete power solution, from development, build, operate and then ultimately revenue collection remains a differentiator. This positions the group to benefit from the expected growth in power demand in the medium and long term.

The South African markets remains difficult to predict. It suffers with an aging power grid as well as an old generation fleet that requires closure, and consequently, a significant potential generation shortfall exists. The group is well positioned as the leading provider of electrification of wind projects and turnkey developer of substation solutions, to benefit over the medium to long term. In the short-term though uncertainty remains with regards to the Eskom's strategic direction, the municipalities ability to execute and the level of industrial development that will be executed.

A key challenge in South Africa and the African continent is the collection of electricity revenue billed. The group's business Conlog is a leading provider of prepaid electricity meters and has a proven track record in providing pre-payment solutions. Consequently, we expect strong growth from this business.

The group has had notable success in the development of the power projects in which it retains partial ownership. Management remains focused on the long-term strategy of establishing a sustainable platform supplying power needs across Africa.

CHANGE TO FINANCIAL YEAR-END

Shareholders are advised that CIG will change its financial year-end from 31 August to 31 December. The reason for the decision to change the financial year-end is to align the company's financial reporting periods with those of its major shareholder.

To comply with paragraph 3.15 of the JSE Listings Requirements, CIG will publish:

- summarised annual financial statements for the 12 months ended 31 August 2019 within three months of 31 August 2019;
- distribute audited annual financial statements for the 12 months ended 31 August 2019 within four months of 31 August 2019;
- publish summarised annual financial statements for the four months ended 31 December 2019 within three months of 31 December 2019
- distribute the audited annual financial statement for the 12 months ending 31 December 2019 within four months of 31 December 2019; and
- publish interim results for the six months ending 30 June 2020 within three months of 30 June 2020.

Given that the change of financial year end results in a four-month financial year end to 31 December 2019, the company sought, and obtained, a dispensation from the JSE from compliance with the corporate governance disclosures typically found in an annual report and from the requirement to distribute the notice of annual general meeting within four months of year end. An annual report containing the audited annual financial statements for the year ended 31 August and the year ended 31 December will be distributed to shareholders by no later than 29 February 2020. The notice of annual general meeting will also be distributed by no later than 29 February 2020 and will include the resolutions required for both the 31 August 2019 and the 31 December financial year ends.

CHANGES TO THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

A previously announced, a new Board of Directors was constituted in February following the introduction of Fairfax Africa as a shareholder of the company. As announced on 18 November 2019, Cindy Hess resigned as independent non-executive director, member of the audit and risk committee and member of the social and ethics committee with effect from 15 November 2019. Judi Nwokedi, a non-executive director of the company, has been appointed a member of the audit and risk committee replacing Ms Hess.

On 2 April 2019, Cristina Teixeira was appointed as group chief financial officer and as a director of the company. Ms Teixeira has already made a substantial and invaluable contribution to the group as is reflected by the significant improvement in the quality of financial management and reporting seen in the latter half of the financial year.

By order of the board

Michael Wilkerson
Chairman

Raoul Gamsu
Chief executive officer

Johannesburg
29 November 2019

CONDENSED CONSOLIDATED INCOME STATEMENT

for the year ended 31 August 2019

R'000	GROUP Reviewed 2019	Restated* 2018
Revenue	**3 168 574**	3 136 518
Operating expenses	**(4 114 193)**	(3 886 204)
Gross loss	**(945 619)**	(749 686)
Other income	**61 563**	39 615
Impairment of intangible assets	**(39 387)**	–
Impairment of goodwill	**(66 241)**	(472 490)
Operating loss	**(989 684)**	(1 182 561)
Share of equity accounted losses – net	**(29 056)**	(85 421)
Finance income	**36 066**	26 212
Finance cost	**(296 708)**	(248 341)
Loss before taxation	**(1 279 382)**	(1 490 111)
Taxation	**(63 603)**	(187 882)
Loss for the year	**(1 342 985)**	(1 677 993)
Loss attributable to:		
Equity holders of the parent	**(1 331 228)**	(1 672 408)
Non-controlling interest	**(11 757)**	(5 585)
	(1 342 985)	(1 677 993)
Loss per share (Rands)		
Basic	**(3,98)**	(8,53)
Diluted	**(3,98)**	(8,53)

** Restated for the adoption of certain standards and interpretations which became effective during the current year, in particular the adoption of IFRS 9:* Financial Instruments, *the adoption of IFRS 15:* Revenue from Contracts with Customers, *and the correction of various errors and reclassifications.*

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 August 2019

R'000	GROUP Reviewed 2019	Restated* 2018
Loss for the year	**(1 342 985)**	(1 677 993)
Other comprehensive income:		
Items that may not subsequently be reclassified to profit or loss		
Remeasurements on net defined benefit liability	**838**	3 272
Items that may subsequently be reclassified to profit or loss		
Exchange differences on translating foreign operations	**40 443**	19 708
Other comprehensive income for the year net of taxation	**41 281**	22 980
Total comprehensive loss for the year	**(1 301 704)**	(1 655 013)
Total comprehensive loss attributable to:		
Equity holders of the parent	**(1 290 006)**	(1 648 684)
Non-controlling interest	**(11 698)**	(6 329)
Total comprehensive loss for the year	**(1 301 704)**	(1 655 013)

** Restated for the adoption of certain standards and interpretations which became effective during the current year, in particular the adoption of IFRS 9:* Financial Instruments, *the adoption of IFRS 15:* Revenue from Contracts with Customers, *and the correction of various errors and reclassifications.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 August 2019

R'000	GROUP Reviewed 2019	Restated* 2018	Restated* 2017
ASSETS			
Non-current assets	**1 818 977**	2 007 765	2 582 178
Property, plant and equipment	**521 068**	526 984	513 660
Goodwill	**613 237**	679 478	1 151 969
Intangible assets	**111 144**	161 881	163 373
Investment in joint arrangements	**562 184**	599 655	598 876
Financial assets	**7 900**	7 393	14 007
Deferred taxation	**3 444**	32 374	140 293
Current assets	**3 003 467**	3 324 164	3 365 242
Inventories	**312 208**	327 996	232 208
Financial assets	**–**	796	7 191
Current taxation receivable	**38 250**	51 328	73 334
Contract debtors	**869 498**	815 477	1 104 512
Contract work in progress	**490 004**	940 056	1 133 946
Trade and other receivables	**527 839**	617 067	453 833
Cash and cash equivalents	**765 668**	571 444	360 218
Total assets	**4 822 444**	5 331 929	5 947 420
EQUITY AND LIABILITIES			
Equity attributable to equity holders of parent	**574 641**	1 098 814	2 735 950
Share capital	**3 094 759**	2 328 926	2 328 926
Foreign currency translation reserve	**105 118**	64 734	44 282
Share-based payment reserve	**60 958**	60 958	49 410
Accumulated (loss)/income	**(2 686 194)**	(1 355 804)	313 332
Non-controlling interest	**(22 437)**	(8 239)	(1 910)
Total equity	**552 204**	1 090 575	2 734 040
LIABILITIES			
Non-current liabilities	**565 430**	1 075 459	229 013
Borrowings	**468 252**	980 827	112 735
Operating lease liability	**2 183**	1 766	6 569
Retirement benefit obligation	**14 439**	13 971	15 292
Deferred taxation	**65 382**	72 270	87 512
Provisions	**15 174**	6 625	6 905
Current liabilities	**3 704 810**	3 165 895	2 984 367
Borrowings	**1 409 714**	939 687	1 397 536
Current taxation payable	**50 698**	11 760	6 040
Operating lease liability	**–**	4 804	3 377
Trade and other payables	**1 121 405**	921 572	1 066 289
Provisions	**419**	589	589
Amounts received in advance	**168 439**	255 626	79 325
Amounts due to contract customers	**286 755**	501 075	60 437
Bank overdraft	**667 380**	530 782	370 774
Total liabilities	**4 270 240**	4 241 354	3 213 380
Total equity and liabilities	**4 822 444**	5 331 929	5 947 420

** Restated for the adoption of certain standards and interpretations which became effective during the current year, in particular the adoption of IFRS 9:* Financial Instruments, *the adoption of IFRS 15:* Revenue from Contracts with Customers, *and the correction of various errors and reclassifications.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 31 August 2019

R'000	GROUP Reviewed 2019	GROUP Reviewed Restated* 2018
Cash flow from operating activities		
Cash (utilised)/generated in operations	**(326 388)**	38 243
Finance income	**36 066**	26 212
Finance costs paid	**(296 708)**	(247 292)
Taxation paid	**(26 493)**	(69 913)
Net cash flow from operating activities	**(613 523)**	(252 750)
Cash flow from investing activities		
Acquisition of property, plant and equipment	**(89 031)**	(91 774)
Proceeds on sale of property, plant and equipment	**24 178**	4 433
Development of intangible assets	**(23 480)**	(35 976)
Acquisition of investment in joint arrangement	**–**	(29 672)
Distributions from investment in joint arrangements	**29 635**	36 383
Sale of financial assets	**–**	5 672
Net cash flow from investing activities	**(58 698)**	(110 934)
Cash flow from financing activities		
Proceeds from issue of shares	**765 833**	–
Borrowings raised	**–**	430 612
Repayment of borrowings	**(21 463)**	(35 892)
Repayment of instalment sale liabilities	**(9 579)**	(12 736)
Instalment sale liabilities raised	**925**	3 686
Net cash flow from financing activities	**735 716**	385 670
Effect of exchange rates on cash and cash equivalents	**(5 869)**	29 232
Net increase in cash and cash equivalents	**57 626**	51 218
Cash and cash equivalents at the beginning of the year	**40 662**	(10 556)
Total cash and cash equivalents at the end of the year	**98 288**	40 662

** Restated for the adoption of certain standards and interpretations which became effective during the current year, in particular the adoption of IFRS 9:* Financial Instruments*, the adoption of IFRS 15:* Revenue from Contracts with Customers*, and the correction of various errors and reclassifications.*

DETERMINATION OF HEADLINE LOSS

for the year ended 31 August 2019

R'000	GROUP Reviewed 2019	GROUP Reviewed Restated* 2018
Loss for the year attributable to equity holders of the parent	**(1 331 228)**	(1 672 408)
Adjusted for:		
(Profit)/loss on disposal of property, plant and equipment	**(270)**	22
Impairment of goodwill	**66 241**	472 490
Impairment of intangible assets	**39 387**	–
Tax effect on adjustments	**76**	(6)
Headline loss for the year	**(1 225 794)**	(1 199 902)

** Restated for the adoption of certain standards and interpretations which became effective during the current year, in particular the adoption of IFRS 9:* Financial Instruments*, the adoption of IFRS 15:* Revenue from Contracts with Customers*, and the correction of various errors and reclassifications.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2019

R'000	Share capital	Foreign currency translation reserve	Share-based payment reserve	Accumulated income/(loss)	Total attributable to equity holders of the parents	Non-controlling interest	Total equity
	GROUP						
	Reviewed						
Balance at 1 September 2017*	2 328 926	44 282	49 410	313 332	2 735 950	(1 910)	2 734 040
Loss for the year	–	–	–	(1 672 408)	(1 672 408)	(5 585)	(1 677 993)
Other comprehensive income/(loss)	–	20 452	–	3 272	23 724	(744)	22 980
Share-based payments	–	–	11 548	–	11 548	–	11 548
Balance at 1 September 2018*	2 328 926	64 734	60 958	(1 355 804)	1 098 814	(8 239)	1 090 575
Loss for the year	**–**	**–**	**–**	**(1 331 228)**	**(1 331 228)**	**(11 757)**	**(1 342 985)**
Other comprehensive income	**–**	**40 384**	**–**	**838**	**41 222**	**59**	**41 281**
Issue of shares	**765 833**	**–**	**–**	**–**	**765 833**	**–**	**765 833**
Distributions to non-controlling interest shareholders	**–**	**–**	**–**	**–**	**–**	**(2 500)**	**(2 500)**
Balance at 31 August 2019	**3 094 759**	**105 118**	**60 958**	**(2 686 194)**	**574 641**	**(22 437)**	**552 204**

** Restated for the adoption of certain standards and interpretations which became effective during the current year, in particular the adoption of IFRS 9:* Financial Instruments, *the adoption of IFRS 15:* Revenue from Contracts with Customers, *and the correction of various errors and reclassifications.*

STATISTICS

for the year ended 31 August 2019

	GROUP Reviewed 2019	Restated* 2018
'000		
Number of ordinary shares	**396 159**	196 159
Shares in issue	**402 091**	202 091
Less shares held by share trusts	**(5 932)**	(5 932)
Weighted average number of shares	**344 789**	196 159
Fully diluted weighted average number of shares	**344 789**	196 159
R		
Loss per share	**(3,98)**	(8,53)
Fully diluted loss per share	**(3,98)**	(8,53)
Headline loss per share	**(3,66)**	(6,12)
Fully diluted headline loss per share	**(3,66)**	(6,12)
Net asset value per share**	**1,5**	5,6

** Restated for the adoption of certain standards and interpretations which became effective during the current year, in particular the adoption of IFRS 9:* Financial Instruments, *the adoption of IFRS 15:* Revenue from Contracts with Customers, *and the correction of various errors and reclassifications.*

*** Net asset value relates to that attributable to equity holders of the parent*

CAPITAL EXPENDITURE AND DEPRECIATION

for the year ended 31 August 2019

R'000	GROUP Reviewed 2019	2018
Capital expenditure for the year	**112 511**	127 750
Capital expenditure committed or authorised for the next year	**28 721**	10 870
Depreciation and amortisation for the year	**105 485**	115 746

CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS

	GROUP			
	Reviewed			
	2019		Restated* 2018	
R'000	Revenue	EBITDA**	Revenue	EBITDA**
Building Materials (point in time)	**483 410**	**42 001**	515 701	76 175
Power	**2 446 243**	**(637 685)**	2 361 694	(459 506)
Conco (over time)	**1 923 173**	**(725 326)**	1 664 380	(702 267)
Conlog (point in time)	**488 157**	**106 871**	656 075	232 430
Other (over time)	**34 913**	**(19 230)**	41 239	10 331
Rail (over time)	**238 921**	**(107 338)**	259 123	(40 966)
Corporate	**–**	**(114 933)**	–	(169 002)
Total	**3 168 574**	**(817 955)**	3 136 518	(593 299)
Reconciliation from EBITDA to profit after tax				
EBITDA**		**(817 955)**		(593 299)
Amortisation and depreciation		**(105 486)**		(116 771)
Impairments		**(66 241)**		(472 490)
Income from equited accounted investments		**(29 056)**		(85 421)
Net interest		**(260 642)**		(222 130)
Taxation		**(63 605)**		(187 882)
Loss after tax		**(1 342 985)**		(1 677 993)

** Restated for the adoption of certain standards and interpretations which became effective during the current year, in particular the adoption of IFRS 9:* Financial Instruments, *the adoption of IFRS 15:* Revenue from Contracts with Customers, *and the correction of various errors and reclassifications.*

*** Earnings/(loss) before interest and taxation.*

CORPORATE INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE
Republic of South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES
Turnkey contractor for the electricity supply industry, supplier of heavy building materials to the construction industry and supplier of oil waste management services.

DIRECTORS
RD Gamsu *(Chief executive officer)*
C Teixeira (*Chief financial officer)*
M Wilkerson *(Chairman)***+
R Hogarth*
J Beck*&
K Bucknor#*
T Hudson**+
Dr K Kariuki*°
A Mazar**^
Q McLean**&
S Melnick**~
J Nwokedi*

** Independent non-executive*
*** Non-executive*
 # Ghanaian
° Kenyan
+ American
^ Pakistani
~ British
& Canadian

REGISTERED OFFICE
First Floor, 30 Melrose Boulevard
Melrose Arch 2196
PO Box 651455, Benmore 2010

COMPANY SECRETARY
CIS Company Secretaries Proprietary Limited
Registration number: 2006/024994/07
Rosebank Towers
15 Biermann Avenue, Rosebank 2196
PO Box 61051, Marshalltown 2107

AUDITOR
PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View 2090

SPONSOR
Java Capital Trustees and Sponsors Proprietary Limited
Registration number: 2006/005780/07
6A Sandown Valley Crescent, Sandton 2196

TRANSFER SECRETARIES
Computershare Investor Services Proprietary Limited
Registration number: 2004/003647/07
Rosebank Towers, 15 Biermann Avenue
Rosebank 2196
PO Box 61051, Marshalltown 2107

INVESTOR RELATIONS
Singular Systems IR
25 Scott Street, Waverley 2090

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