Consolidated Infrastructure Group Limited

Formerly Buildworks Group Limited

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

for six months ended 28 February 2011 and Changes to the board of directors

- **Revenue increased by 8%**
- **Fully diluted headline earnings per share increased by 13%**
- **Order book R1,5 billion up 40% from a year ago**
- **First 400kv overhead contract line awarded for R190 million**

Condensed consolidated statements of comprehensive income

	Unaudited Six months ended 28 February 2011 R'000	Unaudited Six months ended 28 February 2010 R'000	Audited Year ended 31 August 2010 R'000
Revenue	**680 034**	629 107	1 229 748
Cost of sales	**(507 504)**	(463 764)	(886 241)
Gross profit	**172 530**	165 343	343 507
Other income	**–**	133	1 209
Operating expenses	**(92 011)**	(82 176)	(180 087)
Foreign exchange loss	**(4 025)**	(4 214)	(12 611)
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	**76 494**	79 086	152 018
Fair value adjustment			21 786
Depreciation and amortisation	**(12 680)**	(15 492)	(32 452)
Impairment of goodwill			(24 578)
Profit before interest and taxation	**63 814**	63 594	116 774
Interest received	**1 762**	2 243	7 299
Interest paid	**(1 095)**	(8 802)	(14 529)
Profit before taxation	**64 481**	57 035	109 544
Taxation	**(17 942)**	(15 897)	(32 889)
Profit for the period attributable to the ordinary shareholders	**46 539**	41 138	76 655
Other comprehensive income:			
Exchange rate differences on translating foreign operations	**(3 115)**		(3 379)
Total comprehensive income for the period attributable to the ordinary shareholders	**43 424**	41 138	73 276
Basic earnings per share (cents)	**4,10**	4,39	7,99
Fully diluted earnings per share (cents)	**4,10**	3,62	6,75
Reconciliation of headline earnings:			
Profit attributable to ordinary shareholders	**46 539**	41 138	76 655
Adjusted for:			
Profit on disposal of property, plant and equipment	**(120)**	(133)	(205)
Impairment of goodwill			24 578
Headline earnings attributable to ordinary shareholders	**46 419**	41 005	101 028
Weighted average number of shares in issue (000's)	**1 136 409**	936 409	959 971
Fully diluted weighted average number of shares in issue (000's)	**1 136 409**	1 136 409	1 136 409
Headline earnings per share (cents)	**4,08**	4,38	10,52
Fully diluted headline earnings per share (cents)	**4,08**	3,61	8,89

Condensed consolidated statements of financial position

	Unaudited As at 28 February 2011 R'000	Unaudited As at 28 February 2010 R'000	Audited As at 31 August 2010 R'000
ASSETS			
Non-current assets	**784 414**	811 520	788 083
Property, plant and equipment	**276 247**	278 519	277 971
Goodwill	**462 220**	482 595	462 220
Intangible assets	**37 050**	44 923	38 792
Deferred tax	**7 040**	4 476	7 522
Financial assets	**1 857**	1 007	1 578
Current assets	**572 683**	695 202	672 786
Inventories	**40 665**	36 247	34 388
Trade and other receivables	**25 682**	65 747	59 952
Amounts due from contract customers	**381 429**	342 511	328 683
Current taxation	**5 524**	–	6 568
Cash and cash equivalents	**119 383**	250 697	243 195
Total assets	**1 357 097**	1 506 722	1 460 869
EQUITY AND LIABILITIES			
Equity	**879 341**	804 011	835 917
Issued capital	**11**	9	11
Share premium	**676 153**	536 387	676 153
Shares to be issued	**–**	140 000	–
Foreign currency translation reserve	**(6 494)**	–	(3 379)
Accumulated profits	**209 671**	127 615	163 132
Non-current liabilities	**82 342**	140 353	84 556
Other financial liabilities	**32 567**	25 367	37 734
Provisions	**8 346**	8 183	8 283
Instalment sale liabilities	**10 273**	80 949	7 047
Deferred tax	**31 156**	25 854	31 492
Current liabilities	**395 414**	562 358	540 396
Other financial liabilities	**7 615**	59 637	53 698
Trade and other payables	**180 177**	145 319	170 137
Amounts received in advance	**1 385**	20 657	45 954
Amounts due to contract customers	**155 374**	277 883	241 719
Bank overdraft	**14 766**	9 149	9 335
Instalment sale liabilities	**5 288**	23 921	5 160
Current tax payable	**30 809**	25 792	14 393
Total equity and liabilities	**1 357 097**	1 506 722	1 460 869
Number of shares in issue (000's)	**1 136 409**	936 409	1 136 409
Net asset value per share (cents)	**77,38**	85,86	73,56
Net tangible asset value per share (cents)	**33,44**	29,53	29,47

Condensed consolidated statements of cashflow

	Unaudited Six months ended 28 February 2011 R'000	Unaudited Six months ended 28 February 2010 R'000	Audited Year ended 31 August 2010 R'000
Cash generated by operations before changes in working capital	**79 927**	57 209	151 931
Changes in working capital	**(145 906)**	16 067	43 493
Net interest received/(interest paid)	**667**	(6 559)	(7 230)
Taxation paid	**(6 577)**	(21 982)	(75 724)
Cash flows from operating activities	**(71 889)**	44 735	112 470
Cash flows from investing activities	**(9 214)**	(9 913)	(20 475)
Cash flows from financing activities	**(47 896)**	13 244	(77 921)
Net (decrease)/increase in cash and cash equivalents	**(128 999)**	21 578	14 074
Effect on foreign currency translation reserve movement on cash balances	**(244)**		(184)
Cash and cash equivalents at beginning of period	**233 860**	219 970	219 970
Cash and cash equivalents at end of period	**104 617**	241 548	233 860

Condensed consolidated statements of changes in equity

	Unaudited Six months ended 28 February 2011 R'000	Unaudited Six months ended 28 February 2010 R'000	Audited Year ended 31 August 2010 R'000
Balance at beginning of period	**835 917**	762 873	762 873
Issue of share capital and share issue expenses	**–**	–	(232)
Total comprehensive income for period	**43 424**	41 138	73 276
Balance at end of period	**879 341**	804 011	835 917

Segmental analysis

	Unaudited 28 February 2011 R'000	Unaudited 28 February 2010 R'000	Audited 31 August 2010 R'000	**Unaudited 28 February 2011 % of total**	Unaudited 28 February 2010 % of total	Audited 31 August 2010 % of total
External revenue						
Heavy building materials	**96 729**	100 443	202 312	**14**	16	16
West End Claybrick	**48 787**	43 059	86 881	**7**	7	7
Drift Supersand	**47 942**	57 384	115 431	**7**	9	9
Power	**583 305**	528 665	1 027 436	**86**	84	84
Corporate	**–**	–	–	**–**	–	–
Total	**680 034**	629 107	1 229 748		100	100
EBITDA						
Heavy building materials	**17 541**	16 766	28 840	**23**	21	19
West End Claybrick	**6 160**	1 038	(1 966)	**8**	1	(1)
Drift Supersand	**11 381**	15 728	30 806	**15**	20	20
Power	**62 609**	66 626	129 716	**82**	84	85
Corporate	**(3 656)**	(4 306)	(6 538)	**(5)**	(5)	(4)
Total	**76 494**	79 086	152 018	**100**	100	100
Reconciliation of profit before tax						
EBITDA per segment analysis	**76 494**					
Depreciation	**(12 680)**					
Net interest received	**667**					
Profit before tax	**64 481**					

	Unaudited 28 February 2011 R'000	Unaudited 28 February 2010 R'000	Audited 31 August 2010 R'000
Assets			
Heavy building materials	**394 913**	428 556	400 768
West End Claybrick	**252 496**	279 665	250 198
Drift Supersand	**142 417**	148 891	150 570
Power	**624 788**	664 503	673 635
Corporate	**1 127 436**	1 132 683	1 178 202
Total assets including loan accounts	**2 147 137**	2 225 742	2 252 605
Inter-group elimination	**(790 040)**	(719 020)	(791 736)
Total	**1 357 097**	1 506 722	1 460 869
Liabilities			
Heavy building materials	**308 329**	320 452	318 276
West End Claybrick	**210 403**	205 442	207 391
Drift Supersand	**97 926**	115 010	110 885
Power	**361 279**	452 888	448 986
Corporate	**43 178**	93 382	94 417
Total liabilities including group loan accounts	**712 786**	866 722	861 679
Inter-group elimination	**(235 030)**	(164 011)	(236 727)
Total	**477 756**	702 711	624 952

Commentary

INTRODUCTION

Consolidated Infrastructure is the largest turnkey developer of high-voltage electrical substations in Sub-Saharan Africa, and is a substantial provider of high-voltage overhead cables and protection and automation systems. The group delivered a highly satisfactory set of results for the half year ended 28 February 2011. Fully diluted headline earnings increased by 13% to 4,08 cents per share. Headline earnings per share are 4,08 cents and basic earnings per share are 4,10 cents, both of which are marginal decreases over the previous comparative period.

The current order book has grown to a record R1,5 billion from R1,05 billion a year ago, representing a 42% increase. The order book has increased by R200 million since 31 August 2010, representing an increase of 15% over the six months. Included in this increase is the award of CIG's first 400kv overhead-lines tender, for R190 million. 400kv overhead lines is a segment of the market which the group had targeted strategically but had not previously participated.

86% of all CIG's revenue and 82% of CIG's earnings before interest, taxation, depreciation and amortisation ("EBITDA") are directly attributable to the power and electrification sector. CIG built significant new operating capacity in this business in the last six months: establishing the Renewable Energy Division, expanding 400kv line capacity, opening a Middle East office, and hiring in additional project-execution skills. Nevertheless, trading profits reflected a good contribution from Consolidated Power Projects (Pty) Limited ("Conco").The Building Materials Division recorded slightly higher profits due to an improved performance at West End Claybrick ("West End").

Financial overview

Revenue for the period grew 8% to R680 million (Feb 2010: R629 million). The trading margin was 25,4% which was marginally lower than the previous comparative period (Feb 2010: 26,3%), due to upfront tender margins at Conco coming under slight pressure and a change in the sales mix in the projects executed during the period.

Our financial position remains strong and the group is appropriately capitalised. Total debt, decreased by R48 million to R55 million (Aug 2010: R103 million). Overall the group's debt-to-equity ratio declined to 6% which is a significant improvement on the 12% as at 31 August 2010. CIG therefore has significant borrowing capacity.

The cash position at 28 February 2010 was R105 million (Aug 2010: R234 million). Excess cash was used in the period to reduce debt, and to enhance margins by taking advantage of prompt-payment discounts offered by our suppliers. There was therefore an overall increase in the investment in the working capital.

It is the view of CIG's board of directors that headline earnings and fully diluted headline earnings per share provide the most meaningful understanding of the results for the period. The number of shares in issue increased by 21% when all the Conco warranties were achieved. Headline earnings for the six months ended 28 February 2011 was R46,4 million which is an increase of 13% over the previous six months ended 28 February 2010.

DIVISIONAL OVERVIEW

Conco

The business had a good six months. Conco achieved revenue of R583 million (Feb 2010: R528 million) and EBITDA of R62,6 million (Feb 2010: R66,6 million). This was achieved after sustained investment in capacity as Conco recruited highly skilled personnel to assist with project execution. The key metric of substantial progress in this regard has been the growth of the order book. The order book currently stands at R1,5 billion (Feb 2010: R1,05 billion).

The business has enjoyed a substantial uplift in tender activity with higher than expected levels emerging from across the African Continent. It has also been a busy period in South Africa. We are of the view that despite recent substantial gains in our order book we still have additional capacity within the business and we are aggressively targeting prospective projects.

The period was characterised by capacity building of highly skilled project execution personnel and services that support project execution. Since August 2010, Conco has increased the head count of those key employees involved in revenue and profit generation by 11%. We have improved our business development, health, safety and human capital management. Information Technology has been upgraded to handle the multi-country and project risks that we need to manage. This change process is still underway.

Building materials

West End delivered an operating profit for the six months ended 28 February 2011 as opposed to an operating loss in the prior comparative period. Turnover increased by 13% to R48 million as a result of an increase in roof-tile sales compared to the prior year. EBITDA improved to R6 million (Feb 2010: R1 million). The decline in activity in the residential construction industry appears to have levelled, and there are early signs of a recovery in demand. West End has secured sufficient facilities to sustain itself through the current downturn, and to handle an uptick in activity levels.

Drift had a satisfactory six months despite a 16% reduction in turnover to R48 million. The continued decline in the residential and commercial sectors coupled with a decrease in volumes supplied to the roads sector resulted in turnover decreasing. Volumes were 28% lower than the previous comparative period. The business continued to maintain tight cost controls and productivity improvements. Despite these actions at Drift the reduction in turnover resulted in EBITDA decreasing to R11 million from (Feb 2010: R16 million).

PROSPECTS

The group's strategic positioning in the provision of infrastructure to the African Power Market, with the majority of the clients being South African or African utilities, provides a fairly robust buffer against the volatility of the market place. The imbalance of substantially higher demand levels for power generation and transmission against the current supply shortage will remain for decades but the constraints to growth remain a funding capacity for projects and shortage of skills to execute the projects.

The Renewable Energy Division has submitted an increasing number of proposals to execute the Balance of Plant ("BoP") for major wind-farm projects in South Africa. We are optimistic that the Renewable Energy business will make a material contribution to the future results of the group, and will justify our decision to establish a dedicated division to handle Renewable Energy projects. Our ability to execute successful projects with South African expertise and a successful track record in the sector leaves Conco well positioned for a significant increase in these Renewable Energy Projects. We all wait for successful contractual conclusion between NERSA and the developers to be concluded.

Conco continues to add capacity to execute work and expand on its business development network across Africa. We are focused on improving our success rate in Africa with tighter performance measures and a more aggressive strategic approach to closing work in those targeted African countries.

The regulatory approvals for our investment in Saudi Arabia have been received and our office in Al-Khobar on the East Coast of the Arabian Gulf has been opened. We remain highly confident that we will find the appropriate offering in this high growth market.

The Building Materials Division is expected to remain under pressure for the remainder of the financial year. The division is currently operating a tightly controlled expense base, and we are hopeful that expansion in sales and distribution capacity will increase our market share.

The group is confident that we are structurally well positioned for higher-than-normal organic growth over the medium to longer term. Sustained demand for our services and goods, combined with a balance sheet that has some latitude for growth, re-inforces the strategic intent that we will, at the appropriate time, acquire additional operating companies. These prospective acquisitions would fulfil our strategic intent to provide infrastructure and infrastructure services across the African Continent.

CHANGES TO THE BOARD OF DIRECTORS

Peter Baird, who has been acting as chairman since November 2010, has been appointed chairman of the group.

Peter is a Senior Advisor to Vantage Capital. He also serves on the boards of EastPharma, listed on the London Stock Exchange, and Catalent Pharma Solutions, a portfolio company of the Blackstone Group. He was previously the president of DJO, Inc., a medical-devices company also owned by the Blackstone Group, and was also a partner at McKinsey & Company.

Robert Horton, a partner of Kingdom Zephyr Africa Management, has been appointed to the board as a non-executive director. Rob has 11 years of private-equity investment experience, and has served as non-executive director of unlisted companies operating in the building supplies, consumer goods, distribution and light manufacturing sectors.

Robert worked in the oil and gas sector at Masefield in London. In 1998 he moved back to South Africa and worked in corporate finance before joining a leading private equity firm providing development and buyout capital to small and medium sized enterprises.

Robert has a BCom in Accounting and in Information Systems from UCT and is a Chartered Accountant.

Nathan Mintah, previously a non-executive director of the group, is now an independent non-executive director.

Andrea Geisser has resigned from the board. The board wishes to thank Andrea for his contribution to the group during his term as a director.

DIVIDEND POLICY

The dividend policy will be reviewed periodically taking into account prevailing circumstances and future cash requirements. At present, all earnings generated by the group will be utilised to fund future growth.

Accordingly, no dividend has been recommended for the six months ended 28 February 2011.

BASIS OF PREPARATION

These condensed consolidated interim financial results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), Interim Financial Reporting (IAS34), AC500 series of interpretations, the JSE Listing Requirements and comply with the South African Companies Act (1973), as amended. The accounting policies applied are consistent with those applied in the annual financial statements for the year ended 31 August 2010. These results have not been audited or reviewed by the group's auditors.

SUBSEQUENT EVENTS

It is highly pleasing to report that subsequent to the period under review, Conco secured an order on one of its key initiatives – its first 400kv overhead line project with Eskom for R190 million. This contract is included in our reported order book, but no financial implications have yet been recorded. This award is an important milestone for Conco, as we have now entered a significant segment of the high-voltage power industry to which we had no previous exposure.

No other material events have occurred subsequent to the interim period and the date of this announcement.

APPRECIATION

The directors and management of Consolidated Infrastructure wish to thank all staff for their focused efforts and loyalty over the period. We also thank our customers, business partners, advisors, suppliers and our shareholders for their ongoing support and faith in the group.

By order of the board

Peter Baird
Chairman

Raoul Gamsu
CEO

13 April 2011

Consolidated Infrastructure Group Limited
(Formerly Buildworks Group Limited)
(Incorporated in the Republic of South Africa)
(Registration number 2007/004935/06)
Share code: CIL ISIN: ZAE000148201
("Consolidated Infrastructure" or "CIG" or "the group")

Non-executive directors:
F Boner, P Voutyritsas*, R Horton

Independent non-executive directors:
P Baird (Chairman)**, AD Dixon, A Darko***,N Mintah**

Executive directors:
RD Gamsu, IM Klitzner, B Berelowitz

**Greek, **American, ***Ghanaian*

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Sponsor:
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Visit our website: *www.ciglimited.co.za*