Consolidated Infrastructure Group Limited

CONSOLIDATED INFRASTRUCTURE RELEASES REVIEWED RESULTS

for the year ended 31 August 2011

Salient features

- **Revenue up 17,5% to R1,4 billion**
- **EBITDA up 23% to R187 million**
- **Fully diluted HEPS 100,51 cps (2010: 88,90 cps)**

Condensed consolidated statements of comprehensive income

	Reviewed Year ended 31 August 2011 R'000	Audited Year ended 31 August 2010 R'000
Revenue	**1 445 556**	1 229 748
Cost of sales	**(1 036 075)**	(886 241)
Gross profit	**409 481**	343 507
Other income	**1 273**	1 209
Operating expenses	**(216 864)**	(180 087)
Foreign exchange loss	**(7 096)**	(12 611)
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	**186 794**	152 018
Fair value adjustment	**–**	21 786
Depreciation	**(27 469)**	(32 452)
Impairment of goodwill	**–**	(24 578)
Profit before interest and taxation	**159 325**	116 774
Interest received	**3 628**	7 299
Interest paid	**(8 547)**	(14 529)
Profit before taxation	**154 406**	109 544
Taxation	**(43 314)**	(32 889)
Profit for the year	**111 092**	76 655
Other comprehensive income:		
Exchange rate differences on translating foreign operations	**(545)**	(3 379)
Total comprehensive income	**110 547**	73 276
Basic earnings per share (cents)	**97,76**	79,85
Fully diluted earnings per share (cents)	**97,76**	67,45
Reconciliation of headline earnings:		
Profit attributable to ordinary shareholders	**111 092**	76 655
Adjusted for:		
Loss/(profit) on disposal of property, plant and equipment	**3 131**	(205)
Impairment of goodwill	**–**	24 578
Headline earnings attributable to ordinary shareholders	**114 223**	101 028
Weighted average number of shares in issue (000's)	**113 641**	95 971
Fully diluted weighted average number of shares in issue (000's)	**113 641**	113 641
Headline earnings per share (cents)	**100,51**	105,24
Fully diluted headline earnings per share (cents)	**100,51**	88,90

Condensed consolidated statements of financial position

	Reviewed As at 31 August 2011 R'000	Audited As at 31 August 2010 R'000
ASSETS		
Non-current assets	**817 423**	788 083
Property, plant and equipment	**307 529**	277 971
Goodwill	**462 220**	462 220
Intangible assets	**35 309**	38 792
Deferred tax	**10 115**	7 522
Financial assets	**2 250**	1 578
Current assets	**807 528**	672 786
Inventories	**40 228**	34 388
Trade and other receivables	**51 102**	59 952
Amounts due from contract customers	**569 624**	328 683
Taxation receivable	**7 811**	6 568
Cash and cash equivalents	**138 763**	243 195
Total assets	**1 624 951**	1 460 869
EQUITY AND LIABILITIES		
Equity	**946 311**	835 917
Issued capital	**11**	11
Share premium	**676 000**	676 153
Foreign currency translation reserve	**(3 924)**	(3 379)
Accumulated profits	**274 224**	163 132
Non-current liabilities	**132 570**	84 556
Other financial liabilities	**70 469**	37 734
Provisions	**7 881**	8 283
Instalment sale liabilities	**11 182**	7 047
Deferred tax	**43 038**	31 492
Current liabilities	**546 070**	540 396
Other financial liabilities	**10 029**	53 698
Trade and other payables	**299 816**	170 137
Amounts received in advance	**45 883**	45 954
Amounts due to contract customers	**170 850**	241 719
Bank overdraft	**2 727**	9 335
Instalment sale liabilities	**6 852**	5 160
Taxation payable	**9 913**	14 393
Total equity and liabilities	**1 624 951**	1 460 869
Number of shares in issue (000's)	**113 641**	113 641
Net asset value per share (cents)	**832,72**	735,58
Net tangible asset value per share (cents)	**394,91**	294,70

Condensed consolidated statements of cashflow

	Reviewed Year ended 31 August 2011 R'000	Audited Year ended 31 August 2010 R'000
Cash generated by operations before changes in working capital	**190 736**	151 931
Changes in working capital	**(179 735)**	43 493
Net interest received/(interest paid)	**(4 919)**	(7 230)
Taxation paid	**(39 986)**	(75 724)
Cash flows from operating activities	**(33 904)**	112 470
Cash flows from investing activities	**(58 567)**	(20 475)
Cash flows from financing activities	**(5 261)**	(77 921)
Net (decrease)/increase in cash and cash equivalents	**(97 732)**	14 074
Effect on foreign currency translation reserve movement on cash balances	**(92)**	(184)
Cash and cash equivalents at beginning of year	**233 860**	219 970
Cash and cash equivalents at end of year	**136 036**	233 860

Condensed consolidated statements of changes in equity

	Reviewed Year ended 31 August 2011 R'000	Audited Year ended 31 August 2010 R'000
Balance at beginning of year	**835 917**	762 873
Issue of share capital and share issue expenses	**(153)**	(232)
Total comprehensive income for the year	**110 547**	73 276
Balance at end of year	**946 311**	835 917

Segmental analysis

	Reviewed 31 August 2011 R'000	Audited 31 August 2010 R'000	Reviewed 31 August 2011 % of total	Audited 31 August 2010 % of total
Revenue				
Heavy building materials	**202 890**	202 312	**14**	16
Power	**1 242 666**	1 027 436	**86**	84
Corporate	**–**	–	**–**	–
Total	**1 445 556**	1 229 748	**100**	100
EBITDA				
Heavy building materials	**28 299**	28 840	**15**	19
Power	**165 866**	129 716	**89**	85
Corporate	**(7 371)**	(6 538)	**(4)**	(4)
Total	**186 794**	152 018	**100**	100

Segmental analysis continued

	Reviewed 31 August 2011 R'000	Audited 31 August 2010 R'000
Reconciliation of profit before tax		
EBITDA per segment analysis	**186 794**	152 018
Fair value adjustment	**–**	21 786
Depreciation	**(27 469)**	(32 452)
Impairment of goodwill	**–**	(24 578)
Net interest paid	**(4 919)**	(7 230)
Profit before tax	**154 406**	109 544
Assets		
Heavy building materials	**422 954**	400 768
Power	**848 016**	673 635
Corporate	**1 137 134**	1 178 202
Total assets including group loan accounts	**2 408 104**	2 252 605
Inter-group elimination	**(783 153)**	(791 736)
Total	**1 624 951**	1 460 869
Liabilities		
Heavy building materials	**336 101**	318 276
Power	**515 704**	448 986
Corporate	**60 630**	94 417
Total liabilities including group loan accounts	**912 435**	861 679
Inter-group elimination	**(233 795)**	(236 727)
Total	**678 640**	624 952

Commentary

CIG CEO, Raoul Gamsu, commented: "These solid results demonstrate another year of sustainable growth for CIG, in the power and electrification sector. The growth outlook for our core business, Conco, remains strong given that we are ideally placed to benefit from the increased infrastructure spend in power generation and transmission in South Africa, rest of Africa and the Middle East as well as from the maintenance and refurbishment of South Africa's ageing electricity distribution infrastructure.

CIG is well placed to build on a track record which has produced compound annual growth in EBITDA of 23% over the past three years and we look forward to another year of growth and successful delivery in FY2012."

OVERVIEW

CIG is the largest turnkey developer and installer of high-voltage electrical substations in Sub-Saharan Africa and an installer of high-voltage overhead cables focusing on the African power high-voltage transmission market. The group supplies electrical protection and automation systems and established a South African renewable energy business aimed at designing, developing and installing electrical solutions and grid connections for the regional renewable energy industry.

CIG also produces and supplies a range of construction materials including aggregates and a wide variety of brick and roof tiles within its building materials division.

Financial overview

Revenue grew by 17,5% to R1,4 billion (2010: R1,2 billion). Trading margins are slightly up at 28,3% (2010: 27,9%). Conco were able to maintain margins through improved efficiencies, supply chain initiatives and spreading the geographic and project mix at the division.

The power and electrification sector remains a core area for revenue and earnings generation with 86% of CIG's revenue and an increased 89% of earnings before interest, taxation, depreciation and amortisation ("EBITDA") directly attributed to this sector.

Profit for the period of R111 million represents a 45% increase over the prior year (2010: R77 million). Headline earnings of R114 million was a 13% increase on the prior year (2010: R101 million). In the prior year headline earnings were impacted favourably by a once off fair value adjustment of R22 million.

Fully diluted headline earnings per share of 100,51 cents and fully diluted earnings per share of 97,76 cents represent an increase of 13% and 45% respectively over the previous year.

Due to the timing fluctuations of turnkey development and the growth of the business there was a significant increase in amounts due from contract customers towards year-end. An investment in additional fixed assets of R58 million was made to support growth and improve efficiencies. As a result, the year-end net cash position decreased to R136 million (2010: R234 million). We are however satisfied to report that at our year-end there was no year-on-year increase in overdue accounts and we are not anticipating any delays in the collection of receivables.

The debt-to-equity ratio declined to 10% (2010: 12%) as debt declined by R5 million to R98 million (2010: R103 million), interest cover as measured against EBITDA was 38 times (2010: 21 times), while the net debt to EBITDA ratio declined to 0,53 times (2010: 0,68 times). Net finance charges decreased 32% to R4,9 million (2010: R7,2 million) due to the effect of lower average borrowings over the course of the year.

CIG's financial position remains strong due to strict contract management, where advance and progress payments are negotiated upfront. Working capital management remained an area of critical focus.

During the financial year CIG encountered an increasing trend by customers to only accept performance bonds and guarantees for upfront payments from major banks. Previously Insurance related products were widely accepted. Accordingly guarantee facilities have been substantially increased by our bankers. We anticipate that this trend will continue and we will continue to work with our bankers to increase our facilities.

The attractive growth trajectory expected in Africa and in the Renewable Energy Projects in South Africa in the coming years will place a strain on the group's working capital. The group's financial position however, allows for additional borrowing capacity and the group has taken the precaution of increasing its banking facilities to allow for additional funding lines. CIG is evaluating various medium-term funding options and has already agreed in principle with the Industrial Development Corporation to obtain R100 million additional revolving credit facility which will alleviate some of the constraints to meet the expected organic growth in turnover.

Conco's short-term order book of R1,45 billion is up 11% over the prior year (2010: R1,3 billion). 50% of the order book consists of African-based projects and currently excludes any potential projects emanating from renewable energy.

The building materials division has operated at satisfactory capacity, which is pleasing given the weaker market conditions and has also managed to increase its market share. The division recorded an operating profit for the year.

DIVISIONAL OVERVIEW

Conco

Conco, a market leader in its field, had another impressive year and completed projects across 12 Sub-Saharan countries. The division tendered on 209 deals during the year and a satisfactory win rate was achieved on those tenders adjudicated. To date there are 88 tenders still awaiting adjudication. Revenue increased 20,9% to R1,242 billion (2010: R1,027 billion) and EBITDA improved 28% to R166 million (2010: R130 million). A supplier of choice, the division differentiates itself through distinctive design, a superior skills base and an excellent delivery record.

Conco responded to Africa's and the Middle East's long-term power demands and maintained a robust development programme for new operating capacity and has the ability to supply different technologies across 18 geographies. Conco expanded its 400kv line capacity to contribute to an estimated 8 000 km in domestic demand. The regulatory approvals for the investment in Saudi Arabia were received and the office in Al-Khobar on the East Coast of the Arabian Gulf was opened in December 2010. This office is well positioned to respond to an 8% per annum estimated electricity growth rate in Saudi Arabia. The group currently dominates the turnkey provision of substations to South African municipalities and utilities, with an estimated 50% established market share. Management believes that capacity building precedes demand and has increased its skills capacity by 33% in key positions over the prior year. Notwithstanding CIG's capital outlay to strengthen Conco's delivery potential, trading profits from Conco improved. The division has seen an increase in potential work within its target markets with an increase of 60% in tenders awaiting adjudication, 52% of this outside South Africa.

A dedicated Renewable Energy Division has been staffed with an initial focus on providing designs, budgets and costings for wind farm developers and international turbine manufacturers. The business has submitted 45 tenders and budgets.

Building materials

Despite the economic downturn in the building sector, the building materials division successfully grew its market share resulting in a slight increase in trading profits.

Revenue of R202 million and EBITDA of R28 million was consistent with the prior year. Management reviewed the merits of having two separate management teams and reporting lines for West End and Drift operations. It was decided that a single management team would be both effective and efficient and the operations have been consolidated into a single business unit with cost savings expected in the 2012 financial year. Building Materials is now managed and reported on as one division.

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.

Geographically between 35% to 45% of the company's business is currently sourced from Sub-Saharan Africa excluding South Africa, while 52% of the value of tenders awaiting adjudication relates to other African markets. This trend is set to continue with the company seeking to increase its percentage turnover earned from this region. In South Africa, Eskom is expected to spend R26 billion on transmission upgrades over the next six years. Conco estimates that the Gauteng province alone requires between 20 to 25 new substations per annum to keep up with demand. The municipality sector is required to spend between R25 billion to R30 billion on refurbishing its current distribution and transmission infrastructure. Conco is well positioned to benefit from these three areas of demand.

The South African Department of Energy has produced a clear cut programme, worth approximately R60 billion for the imminent roll out of 3 750 mw of renewable energy over the next four years. The first window is to be installed by mid-2014 and Conco has to date submitted 45 tenders or budget proposals to obtain significant work. These first of four tender windows are due for submission on 4 November 2011.

Conco is well positioned to take advantage of the South African Government's commitment to source 15% of new electricity generation from renewable energy sources within the next 20 years. We are especially excited that we have built a South African renewable energy business. This division has a highly competent team and proven track record and successful tenders in this division will have a material impact on growth. Constraints to growth do however remain in funding capacity for projects and particularly the size and scope of the individual projects.

The company has not seen indicative metrics to demonstrate a substantial improvement in the domestic construction industry and the current demand for the building material products is expected to remain weak over the medium term. At present the building materials division is trading at higher than expected levels.

REVIEW OPINION

These consolidated annual financial results have been reviewed by Sone Kock of PKF (JHB) Inc. Their unqualified review opinion is available for inspection at Consolidated Infrastructure's registered address.

SHARE CONSOLIDATION

CIG consolidated the share capital on a 10 for 1 basis with effect from 20 June 2011. Earnings per share, headline earnings per share and net asset value per share for the prior year have been adjusted accordingly.

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 year.

BASIS OF PREPARATION

These consolidated annual results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), Interim Financial Reporting (IAS34), AC500 series of interpretations, the JSE Listings Requirements and comply with the South African Companies Act (2008), as amended. The accounting policies applied are consistent with those applied in the prior year.

Due to a change in management structures within the Building Materials division and given the size of each operation relative to the overall profitability and asset base of the group, Building Materials is reported as one segment in the current year and the prior year's segmental reporting has been adjusted accordingly.

These reviewed results have been prepared under the supervision of the group financial director I Klitzner CA(SA).

Appreciation

The directors and management of Consolidated Infrastructure wish to thank all staff for their focused efforts and loyalty over these challenging times. We also thank our customers, business partners, advisors, suppliers and our shareholders for their ongoing support and faith in the group. We would also like to extend a special word of thanks to the IDC for sharing in our vision of sustainable, renewable energy.

By order of the board

Peter Baird
Chairman

Raoul Gamsu
CEO

27 October 2011

Consolidated Infrastructure 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")

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Independent non-executive directors:
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Sponsor:
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PKF (Jhb) Inc.

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