19 Annual Financial Statements

FOR THE 4 MONTHS ENDED
31 DECEMBER 2019

Consolidated Infrastructure Group Limited

Annual financial statements

CONTENTS

Directors' responsibilities and approval

The directors are responsible for the maintenance of proper accounting records and the preparation, integrity and fair presentation of the group annual financial statements of Consolidated Infrastructure Group Limited and its subsidiaries. The annual financial statements, presented on pages 3 to 102 have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act in South Africa and include amounts based on judgements and estimates made by management.

The directors acknowledge that they are ultimately responsible for the process of risk management and the system of internal financial control established by the group and place considerable importance on assessing the control environment and addressing any weaknesses should they be identified. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures, adequate segregation of duties and focused intervention to identify and correct weaknesses, if so identified, to ensure an acceptable level of risk. The controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. Whilst operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Internal audit provides the board with assurance on the group's system of internal control, and this assurance was delivered by an outsourced internal auditor firm who provided comfort over the control environment at various of the group's businesses. Management and internal audit are responsible for assessing the adequacy of the control environment of these entities. The board has considered the results of the internal audit reports and takes reliance on the systems of internal control based upon the results of these reviews. The Consolidated Power Projects business (Conco) did not undergo a traditional internal audit assessment. Instead "Project Visibility", a business intervention with a focus on ensuring improved effectiveness and addressing the financial health on a number of areas including financial reporting, governance and control was implemented and continues as a focused intervention.

The going concern basis has been adopted in preparing the financial statements. Refer to note 1 for the assessment performed by the directors. The directors believe that the group is a going concern in the foreseeable future based on forecasts and available cash resources.

The annual financial statements have been audited by the independent accounting firm, PricewaterhouseCoopers Inc., which has been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. PricewaterhouseCoopers Inc.'s unmodified audit report is presented on pages 10 to 14. The annual financial statements were prepared by the chief financial officer CA(SA) and approved by the board of directors on 20 February 2020 and are signed on its behalf by:

MS Wilkerson
Chairman

RG Gamsu
Chief executive officer

20 February 2020

Declaration of the company secretary

For the year ended 31 December 2019, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act, 71 of 2008, and all such returns are true, correct and up to date in respect of the financial year reported on.

G Prestwich
Company secretary

20 February 2020

Directors' report

NATURE OF BUSINESS

Consolidated Infrastructure Group Limited (CIG) is an infrastructure-focused company listed on the JSE Main Board in the Electronic and Electrical Equipment sector. In the year under review the group operated through the following reportable divisions: Power, which supplies high voltage infrastructure and metering to the energy sector, Building Materials, which supplies heavy building materials to the construction industry; Oil & Gas, which provides waste management services for the industrial and natural resources exploration sectors; and Rail, which provides maintenance solutions and railway electrification.

GROUP RESULTS

The group reported a loss per share of 71 cents for the four months to 31 December 2019 compared to the loss per share of 398 cents for the 12 months to 31 August 2019.

The headline loss per share for the four months to 31 December 2019 was 72 cents after adjusting for profit on sale of assets. This compares to the loss for the 12 months to 31 August 2019 of 366 cents per share after adjusting for impairment of goodwill and intangible assets.

In January 2019 the group successfully concluded a rights issue, raising net proceeds of R765 million by issuing 200 million shares. This resulted in an increase in the weighted number of issued shares from 196 million to 334 million. The loss per share for the 12 months to 31 August 2019 is based on the 334 million shares. The loss per share for the four months to 31 December 2019 is based on the total 396 million shares in issue.

Group revenue for the four-months to 31 December 2019 was R955,4 million compared with the revenue reported for the 12 months to 31 August 2019 of R3,169 million. The impact on revenue due to the limited trading month in the holiday period of December is more apparent in a four-month measurement period.

The financial statements on pages 3 to 102 set out fully the financial position, results of operations and cash flows for the group for the four months ended 31 December 2019. Segmental information as approved by the directors relating to the business of the group is set out on note 36.

FINANCIAL PERFORMANCE

CIG continued to trade in extremely difficult macro-economic conditions, with pressure on all businesses. The group has initiated interventions to respond to these conditions, which resulted in most businesses trading in line with board and management expectations.

The group's most challenging business remains Consolidated Power Projects ("CONCO"). Although the positive impact of focused management and operational execution oversight has started to materialise, this could not fully negate the costs associated with an overhead structure that is oversized relative to the level of current market activity.

The results were further impacted by material finance charges on interest-bearing borrowings.

Conlog was impacted by higher than budgeted operating costs, including sizeable once-off costs following the relocation of the office and manufacturing operation in November 2019 and the requirement to operate two manufacturing plants simultaneously for a period. Sales were delayed as a result of the implementation of the company's improved financial risk management strategy of not accepting sales orders without appropriate payment guarantees to protect working capital.

Although Building Materials continued to be impacted by the slowdown in the construction industry in South Africa, the benefits of a restructuring programme have started to improve earnings and cash flow.

The 30.5% associate, Angola Environmental Servicos Limitada ("AES") in Oil & Gas performed in line with expectations and delivered cash returns in the period.

The Rail cluster delivered a performance ahead of budget, breaking into a positive trading position for the four months ended 31 December 2019 following losses in the 12 months to August 2019.

FINANCIAL POSITION

Included in the statement of financial position at 31 December 2019 is net current assets relating to contracting activities of R515,8 million (31 August 2019: R904,3 million) consisting of:

- contract debtors of R656,8 million (31 August 2019: R869,5 million)
- contracts work in progress of R212,5 million (31 August 2019: R490,0 million)
- amounts due on contracts in the form of advance payments of R31,1 million (31 August 2019: R168,4 million)
- amounts due to contract customers of R322,5 million (31 August 2019: R286,7 million)

The reduced net position is as a result of an unwinding order book and increased focus on working capital management.

CASH FLOW

The group reported a net overdraft of R39,6 million (31 August 2019: R98,2 million cash on hand) at 31 December 2019.

Despite the decrease in net cash, cash was generated from operations of R53,4 million (31 August 2019: R326,4 million outflow). However, the cash generated from operations was absorbed by net finance costs paid to lenders.

The group had limited free cash at year end. This was 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 projects ahead of cash expected to be received on final certification on projects 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; and
- An under-recovery of overhead costs as a result of lower than expected rate of trade.

All the group's engineering, procurement and construction (EPC) businesses were impacted by the removal of credit insurance cover during the 12 months ended 31 August 2019 and an under-recovery of overhead costs which absorbed free cash in both financial periods under review.

To address the risk of short-term cash pressure, management has prepared budgets for financial years 2020 – 2022, as well as a robust liquidity model which includes cash flow forecasts covering a minimum period of 12 months from the date of these financial statements. Refer to note 1, the going concern note, for detailed disclosure on liquidity management and going concern assumptions. Details on capital expenditure by segment are set out on Annexure B of these consolidated annual financial statements.

SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

The interest in subsidiaries, joint arrangements and associated companies, are set out on note 15, 16, 20 and Annexure A of these consolidated annual financial statements.

STATED CAPITAL

There were no movements in share capital.

The authorised and issued share capital is as follows:

Authorised

600 million no par value shares (as at 31 August 2019: 600 million)

Issued

402 091 069 ordinary shares of no par value (as at 31 August 2019: 402 091 069 shares)

All shares have been fully paid up.

5 932 055 shares (as at 31 August 2019: 5 932 055) are held as treasury stock in terms of the trust deeds.

SPECIAL RESOLUTIONS

Other than the authorisation to repurchase shares, approval of non-executive directors' remuneration and authority to provide financial support to subsidiary companies, no special resolutions relating to the capital structure, borrowing powers or any other material matter that affects the understanding of the group were passed.

RELATED PARTY TRANSACTIONS

Related parties to the group are identified as the group's directors and prescribed officers, subsidiaries, joint ventures and associates. Disclosure of transactions with these parties during the year is provided on note 34 of the group annual financial statements.

SHAREHOLDER SPREAD

Details of shareholder categories are set out on Annexure C of these annual financial statements.

DIVIDEND DECLARATION

No dividend was declared in the year.

Directors' report continued

DIRECTORS

NAME	DESIGNATION	CHANGE IN DIRECTORSHIP IN THE CURRENT FINANCIAL YEAR
K Bucknor	Independent non-executive director	
M Wilkerson	Chairman of the board	
J Beck	Independent non-executive director	
C Hess	Independent non-executive director	Resigned 15 November 2019
R Hogarth	Lead independent non-executive director	
T Hudson	Non-executive director	
K Kariuki	Independent non-executive director	
A Mazar	Non-executive director	
Q McLean	Non-executive director	
S Melnick	Non-executive director	
J Nwokedi	Independent non-executive director	
R Gamsu	Chief executive officer	
C Teixeira	Chief financial officer	

DIRECTORS' SHAREHOLDINGS

At 31 August 2019 and 31 December 2019, the number of ordinary shares held beneficially and non-beneficially by the current directors was 9 352 894 and 66 636 703 shares respectively. There has been no material change in their holdings between the year end and the date of this report. Refer to Annexure C in the annual financial statements for additional disclosure.

Further information on the directors, including their interest in the shares of the company and share-based remuneration schemes are provided in Annexure C and note 6 of the annual financial statements.

No contracts in which the directors share an interest were entered into.

Appointments to the board are recommended by the nominations committee and considered by the board as a whole. This involves evaluating the existing balance of skills and experience against the needs of the group.

BORROWING POWERS

In terms of the memorandum of incorporation, the company has unlimited borrowing powers. The revised memorandum of incorporation was approved by the shareholders at a general meeting of the shareholders held on 29 August 2018.

GOING CONCERN

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly, the annual financial statements have been prepared on a going concern basis. Refer to note 1 in the annual financial statements for the going concern assessment. The board is not aware of any new material changes that may adversely impact the group.

COMPLIANCE

The board is not aware of any material non-compliance with statutory or regulatory requirements. The board is not aware of any pending changes in legislation in any of the major countries in which it operates that may affect the group.

EVENTS AFTER REPORTING DATE

On 5 December 2019 the group announced that it had entered into various agreements with Wearne Aggregates Proprietary Limited to purchase the latter's quarry business, property and mining rights for an aggregate compensation of R50 million. In January 2020 the first portion of the acquisition was implemented with the acquisition of property, plant and equipment for R9 million.

Negotiations with the group's lenders referred to under borrowings are ongoing.

SHARE OPTION SCHEMES

Details of the group's share option schemes are set out on note 37.

BORROWINGS

The group maintains the following interest-bearing borrowings:

R'000	**31 December 2019**	31 August 2019
Secured loan bearing interest at rates ranging from 3% to 12%	**762 632**	848 865
Unsecured loans bearing interest at rates ranging from 10% to 11%	**924 254**	928 402
Instalment sales	**–**	25 871
	1 686 886	**1 803 138**
Current liabilities	**1 311 875**	1 409 714
Non-current liabilities	**375 011**	393 424
	1 686 886	**1 803 138**

The Board of directors is pleased to announce that it and Conco are in the process of finalising binding legal agreements for the restructure of portion of this interest-bearing debt, which agreements will be subject to normal conditions precedent. It is anticipated that the legal agreements will be concluded by 31 March 2020, or such later date as agreed between the relevant parties. The restructured debt will provide the group with an improved liquidity profile. Certain assets held by the company will be provided as security for the revised term debt.

AUDITORS

PricewaterhouseCoopers Inc. was appointed in 2019 and will continue in office in accordance with section 90(6) of the Companies Act. At the annual general meeting shareholders will be requested to appoint PricewaterhouseCoopers Inc. as the group's auditors and it is noted that AJ Rossouw will be the individual registered auditor who will undertake the audit.

CHANGE IN YEAR END AND ANNUAL GENERAL MEETING

Shareholders are reminded that CIG has changed its financial year-end from 31 August to 31 December. The reason for the change in 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 has:

- published reviewed summarised annual financial statements for the 12 months ended 31 August 2019 on 2 December 2019;
- published and distributed audited annual financial statements for the 12 months ended 31 August 2019 on 20 December 2019.

CIG will:

- publish and distribute audited summarised annual financial statements for the four months ended 31 December 2019 on 28 February 2020;
- publish the audited annual financial statements for the four months ending 31 December 2019 on 28 February 2020;
- 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, CIG 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 for the year ended 31 August 2019. Instead an annual report, containing the summarised audited annual financial statements for the twelve months ended 31 August 2019 and the four months ended 31 December 2019, was to be distributed to shareholders by no later than 28 February 2020. The notice of annual general meeting was also to be distributed by no later than 28 February 2020 and includes resolutions required for both the 12 months to 31 August 2019 and the four months to 31 December 2019 financial year ends.

DOMICILE, COUNTRY OF INCORPORATION AND REGISTERED OFFICE

The company is incorporated in the Republic of South Africa, its domicile and registered offices are:

First Floor, 30 Melrose Boulevard, Melrose Arch, 2196.

Report of the audit and risk committee

This report is provided by the Audit and Risk Committee in compliance with The Companies Act, No 71 of 2008 (South Africa) and as recommended by King IV.

MEMBERSHIP

The members of audit and risk committee at the beginning of this four month financial period comprised Roger Hogarth who is the lead independent non-executive director to the main board and the chairman of the audit and risk committee along with Cindy Hess and Kevin Kariuki. During the current financial period Cindy Hess resigned from the board of directors and from the audit and risk committee.
Judy Nwokedi, an independent director, was appointed to the audit and risk committee as announced on 2 December 2019.

All members are independent non-executive directors who have the requisite financial skills and experience to contribute to the committee's deliberations.

MEETINGS

The committee meets at least three times a year in a normal twelve month financial year with ad hoc special meetings when required. The chief executive officer, the chief financial officer and representatives from external and internal audit and risk function, attend meetings by invitation.

The audit committee is responsible for overseeing the content of the consolidated annual financial statements, and met on 19 February 2020 to consider the group financial results.

STATUTORY DUTIES

The committee adopts a work plan annually in advance in order to manage the discharge of its responsibilities under the Companies Act, King IV, its own charter and the JSE regulations. In addition, the audit committee focuses on areas of significant judgement, including contract claims and profit as well as assessments of uncertain taxation positions, due to the number of tax jurisdictions in which the group operates across Africa.

During the current year, the committee also paid particular attention to the adoption of IFRS 16: *Leases* as reflected in note 2.25 and note 12 to the annual financial statements, and the group's going concern and liquidity assessments and statements reflected in note 1 to the annual financial statements.

The members of the audit and risk committee are satisfied that they have acted with the necessary degree of care, skill and diligence in the recommendation of the annual financial statements to the board of directors.

The external and internal auditors have unfettered access to the audit committee and its members, and both presented formal reports to the committee. The chairperson of the audit and risk committee met with the outsourced internal audit service providers who were responsible for assessing the control environment within their scope. The external auditors meet independently with the committee at least once annually per financial year. The committee has satisfied itself that the external auditor was independent of the company, as set out in section 94(8) of the Companies Act, No 71 of 2008, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board of Auditors. The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted fees for the twelve months to 31 August 2019 and four months to 31 December 2019. The committee has reviewed and agreed the nature and value of non-audit services that the external auditor may provide and this is monitored at each meeting.

INTERNAL CONTROL

Internal audit provides the board with assurance on the group's system of internal control, and this assurance was delivered by an outsourced internal auditor firm who provided comfort over the control environment at various of the group's businesses. Management and internal audit are responsible for assessing the adequacy of the control environment of these entities. The audit committee has considered the results of the internal audit reports and places reliance on the systems of internal control based upon the results of these reviews. The Consolidated Power Projects business (Conco) did not undergo a traditional internal audit assessment due to the specific weaknesses in controls identified during the prior financial year as well as the restructuring of the business. Instead "Project Visibility", a business intervention with a focus on ensuring improved effectiveness and addressing the financial controls in a number of areas including financial reporting, governance project management was implemented and continuous with focused attention.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Following our review, and having regard to all material factors and risks that may impact on the integrity of the consolidated annual financial statements, we accordingly recommend the consolidated annual financial statements of Consolidated Infrastructure Group Limited for the four month period ended 31 December 2019 to the board of directors for approval on 20 February 2020.

EVALUATION

The board was satisfied that the committee members collectively have sufficient appropriate academic qualifications or experience as required by section 94(5) of the Companies Act, 71 of 2008 (as amended), read with Regulation 42.

In terms of the JSE Listings Requirements, the audit and risk committee have considered and satisfied itself of the appropriateness of the expertise and experience of the chief financial officer, Cristina Teixeira.

R Hogarth
Lead independent non-executive director and chairperson of the audit and risk committee

20 February 2020

Independent auditor's report

TO THE SHAREHOLDERS OF CONSOLIDATED INFRASTRUCTURE GROUP LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Consolidated Infrastructure Group Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the four month period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Consolidated Infrastructure Group Limited's consolidated and separate financial statements set out on pages 15 to 100 comprise:

- the consolidated and separate statements of financial position as at 31 December 2019;
- the consolidated and separate income statements for the four month period then ended;
- the consolidated and separate statements of comprehensive income for the four month period then ended;
- the consolidated and separate statements of changes in equity for the four month period then ended;
- the consolidated and separate statements of cash flow for the four month period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Material uncertainty relating to going concern

We draw attention to Note 1 to the consolidated and separate financial statements, which indicates that the Group and Company incurred net losses of R284 million and R275 million, respectively, during the four month period ended 31 December 2019 and, as of that date, the Group's and Company's current liabilities exceeded their current assets by R1,043 million and R967 million, respectively. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview

Overall group materiality

- Overall group materiality: R14 million, which represents 5% of consolidated loss before taxation.

Group audit scope

- The group comprises 50 business units of which 16 units require full scope audits and 7 units require specified procedures. The remainder of the business units were considered to be insignificant components.

Key audit matters

- Estimation uncertainty involved in accounting for construction contracts.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R14 million.
How we determined it	5% of consolidated loss before taxation.
Rationale for the materiality benchmark applied	We chose consolidated loss before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In-scope business units that were subject to audits were identified based on scoping benchmarks such as the business unit's contribution to key financial statement line items (consolidated loss before tax, consolidated revenue and consolidated total assets) and the risks associated with the business unit.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

The group comprises 50 business units. The audits undertaken for Group reporting purposes are in respect of the key reporting business units of the Group, equating to full scope audit procedures being performed at 16 business units. We performed specified audit procedures at a further 7 business units and analytical review procedures on all insignificant business units.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty relating to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

<table>
<tr><th>Key audit matter (Group)</th><th>How our audit addressed the key audit matter</th></tr>
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Estimation uncertainty involved in accounting for construction contracts

Refer to the following accounting policies and notes to the consolidated financial statements:

- Note 2.10, Contracts work in progress and amounts due to contract customers;
- Note 2.16, Revenue;
- Note 2.24, Significant judgements: Construction contracts; and
- Note 36, Segmental information.

Revenue relating to construction contracts with customers contributes to a significant portion of the Group's revenue. Revenue from construction contracts with customers is recognised over time, measured at the fair value of the consideration received or receivable and includes variations and claims approved by the client. To determine the progress towards the satisfaction of the performance obligations on each contract, the group uses an input method, measuring the costs incurred to date relative to the total estimated cost of the contract. Anticipated losses to completion are immediately recognised as an expense in contract costs.

Construction contract revenue within the Group results from cost-plus, re-measurable and fixed price contracts. Recognition of these revenues involves a higher degree of estimation uncertainty and complexity as reflected in note 2.24 to the consolidated financial statements.

The assumptions and estimates used by management in the input method calculations that are key include:

- Total estimated project costs;
- Progress towards the satisfaction of performance obligations; and
- The profit margins on the contracts.

These assumptions and inputs represent the basis for the calculation of construction contract revenue, work-in-progress and amounts due to contract customers including the onerous contract provision to be recognised in the consolidated financial statements.

We considered the accounting for construction contracts to be a matter of most significance to our current year audit due to the following:

- Management's assessment involves making significant estimates about the profit margin, progress towards satisfaction of performance obligations and cost to completion; and
- Given the magnitude of the contract revenue recognised and the work-in-progress and amounts due to contract customers, the accounting treatment of construction contracts could have a significant impact on the financial statements.

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Our audit procedures, as noted below, included an evaluation of the relevance and application of the significant assumptions and estimates within the Group's input method calculations for all types of construction contracts (Cost-Plus, Re-measurable and Fixed Price contracts).

We performed the following procedures for a sample of construction contracts:

- Assessed the reasonableness of significant assumptions and estimates relating to the final cost of completion of the contract, final estimated revenue, claims recognised and penalties recognised, through inspection of contract documentation (e.g. bill of quantities, tender budgets and forecasts and correspondence between the contractor and client). We did not find any material exceptions;
- Utilised our internal quantity surveying expertise to assess the reasonableness of total contract costs through performance of site visits and inspection of contract documentation (e.g. tender budgets and forecasts and bills of quantities). We did not identify any material exceptions;
- We obtained evidence regarding the total contract revenue by examining signed contracts, enforceable contract penalties, management's costing per contract and signed variation order documentation. We further discussed the status of contracts with management, directors, finance and technical staff. We did not identify any material exceptions;
- We tested a sample of costs incurred to date from a selection of contracts by agreeing them to relevant documentation. No material differences were noted;
- We compared the estimated progress towards the satisfaction of the performance obligations on each contract (cost to date as a percentage of total estimated costs) to work certified to date by contract engineering experts with no material exceptions noted;
- We assessed the competency of management's contract engineering experts by obtaining evidence relating to their qualifications and professional memberships;
- We tested profit margins from year to year on projects running over the current financial year end. Deviations in margins were identified and evaluated against explanations from management and other evidence (e.g. documents relating to external factors such as sub-contractors delays). Based on the results of our work performed, we accepted the reasonability of the deviations identified; and
- We recalculated the revenue per contract based on the input method calculations. Based on our recalculation, we agreed the adjustments between certified progress revenue and revenue recognised to the work-in-progress, provision for onerous contracts and retentions recognised in the financial statements. No material differences were noted.

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OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled *"Consolidated Infrastructure Group Limited Annual Financial Statements 2019"*, which includes the Directors' Report, the Report of the Audit and Risk Committee and the Declaration of the Company Secretary as required by the Companies Act of South Africa, and the document titled *"Consolidated Infrastructure Group Limited Integrated Annual Report 2019"*. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

Independent auditor's report continued

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Consolidated Infrastructure Group Limited for 2 years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: AJ Rossouw
Registered Auditor

4 Lisbon Lane
Waterfall City

26 February 2020

Income statements

FOR THE FOUR MONTH PERIOD ENDED 31 DECEMBER 2019

R'000	Notes	GROUP 4 months ended 31 December 2019	GROUP 12 months ended 31 August 2019	COMPANY 4 months ended 31 December 2019	COMPANY 12 months ended 31 August 2019
Sale of goods	36	**308 703**	976 425	**–**	–
Construction contracts	36	**646 714**	2 192 149	**–**	–
Management fees		**–**		**5 724**	20 247
Revenue		**955 417**	3 168 574	**5 724**	20 247
Materials		**(381 168)**	(1 424 406)	**–**	–
Subcontractor		**(183 702)**	(652 172)	**–**	–
Plant cost		**(119 311)**	(177 170)	**–**	–
Payroll cost	5	**(262 955)**	(946 108)	**(5 972)**	(31 623)
Depreciation	11, 12	**(33 266)**	(70 654)	**(146)**	(474)
Amortisation	14	**(12 083)**	(34 831)	**–**	–
Legal and professional fees		**(31 063)**	(144 392)	**(7 373)**	(16 940)
Audit and accounting fees		**(7 566)**	(12 430)	**(1 097)**	(1 298)
Site and office costs		**(24 494)**	(149 321)	**(947)**	(1 895)
Transport		**(62 001)**	(165 575)	**(47)**	–
Travel		**(8 319)**	(50 498)	**(802)**	–
Machinery and equipment		**(8 232)**	(90 257)	**(3)**	–
Impairment of trade and contract receivables		**(5 045)**	(162 796)	**–**	–
Other administration expenses		**(28 605)**	(33 584)	**(7 191)**	(22 160)
Operating expenses	4	**(1 167 810)**	(4 114 194)	**(23 578)**	(74 390)
Other income		**35 733**	61 564	**–**	–
Dividend received		**–**	–	**–**	109 495
Loss from equity-accounted investments	16	**(9 741)**	(29 056)	**–**	–
Impairment of intangible assets	14	**–**	(39 387)	**–**	–
Impairment of loans in subsidiaries		**–**	–	**(218 250)**	(1 908 649)
Impairment of goodwill	13	**–**	(66 241)	**–**	–
Finance income	7	**16 703**	36 066	**8 335**	53 438
Finance cost	8	**(110 571)**	(296 708)	**(45 060)**	(152 150)
Loss before taxation		**(280 269)**	(1 279 382)	**(272 829)**	(1 952 009)
Taxation	9	**(3 862)**	(63 603)	**(1 910)**	878
Loss for the year		**(284 131)**	(1 342 985)	**(274 739)**	(1 951 131)
Loss attributable to:					
Equity shareholders of CIG Limited		**(282 023)**	(1 331 228)	**(274 739)**	(1 951 131)
Non-controlling interest		**(2 108)**	(11 757)	**–**	
		(284 131)	(1 342 985)	**(274 739)**	(1 951 131)
Loss per share (Rands)					
Basic	10	**(0,71)**	(3,98)	**(0,69)**	(5,83)
Diluted	10	**(0,71)**	(3,98)	**(0,69)**	(5,83)

Statements of comprehensive income

FOR THE FOUR MONTH PERIOD ENDED 31 DECEMBER 2019

		GROUP		COMPANY	
R'000	Notes	**4 months ended 31 December 2019**	12 months ended 31 August 2019	**4 months ended 31 December 2019**	12 months ended 31 August 2019
Loss for the year		**(284 131)**	(1 342 985)	**(274 739)**	(1 951 131)
Other comprehensive income (gross and net of taxation):					
Items that may not subsequently be reclassified to profit or loss					
– Remeasurements of net defined benefit obligation	28	**417**	838	**–**	–
Items that may subsequently be reclassified to profit or loss					
– Exchange differences on translating foreign operations		**(23 344)**	40 443	**–**	–
Other comprehensive income for the year – net of taxation		**(22 927)**	41 281	**–**	–
Total comprehensive loss for the year		**(307 058)**	(1 301 704)	**(274 739)**	(1 951 131)
Total comprehensive loss attributable to:					
Equity shareholders of CIG Limited		**(303 883)**	(1 290 006)	**(274 739)**	(1 951 131)
Non-controlling interest		**(3 175)**	(11 698)	**–**	–
Total comprehensive loss for the year		**(307 058)**	(1 301 704)	**(274 739)**	(1 951 131)

Statements of financial position

AT 31 DECEMBER 2019

R'000	Notes	GROUP 31 December 2019	GROUP 31 August 2019	COMPANY 31 December 2019	COMPANY 31 August 2019
ASSETS					
Non-current assets					
Property, plant and equipment	11	**505 873**	521 068	**938**	1 084
Right of use assets	12	**134 130**	–	**–**	–
Goodwill	13	**613 237**	613 237	**–**	–
Intangible assets	14	**104 293**	111 144	**–**	–
Investments in subsidiaries	15	**–**	–	**1 156 181**	1 156 181
Investments in joint arrangements	16	**484 603**	562 184	**–**	–
Loans and receivables at amortised cost	17	**8 861**	7 900	**–**	–
Loans to group companies	20	**–**	–	**298 367**	298 617
Deferred taxation	18	**9 443**	3 444	**–**	–
		1 860 440	1 818 977	**1 455 486**	1 455 882
Current assets					
Inventories	19	**312 187**	312 208	**–**	–
Current taxation receivable		**28 697**	38 250	**–**	1 910
Contract and other debtors	22	**656 847**	869 498	**–**	–
Contract work in progress	21	**212 548**	490 004	**–**	–
Trade and other receivables	22	**460 106**	527 839	**12 575**	13 946
Cash and cash equivalents	23	**481 545**	765 668	**214 724**	491 116
		2 151 930	3 003 467	**227 299**	506 972
Total assets		**4 012 370**	4 822 444	**1 682 785**	1962 854
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of parent					
Share capital	24	**3 094 759**	3 094 759	**3 085 400**	3 085 400
Foreign currency translation reserve		**82 840**	105 118	**–**	–
Share-based payment reserve	37	**60 958**	60 958	**24 318**	24 318
Accumulated loss		**(2 978 034)**	(2 686 193)	**(2 917 032)**	(2 642 293)
Equity shareholders		**260 523**	574 642	**192 686**	467 425
Non-controlling interest		**(25 611)**	(22 437)	**–**	–
		234 912	552 205	**192 686**	467 425
Liabilities					
Non-current liabilities					
Borrowings	25.1	**375 011**	393 424	**295 925**	294 125
Contingent consideration (vendor loan)	25.6	**–**	74 828	**–**	–
Lease liability	12	**110 315**	–	**–**	–
Other non-current liabilities		**1 246**	2 182	**–**	–
Retirement benefit obligation	28	**14 485**	14 439	**–**	–
Deferred taxation	18	**66 349**	65 382	**–**	–
Provisions	26	**15 397**	15 174	**–**	–
		582 803	565 429	**295 925**	294 125
Current liabilities					
Loans from group companies	20	**–**	–	**221 327**	217 464
Borrowings	25.1	**1 311 875**	1 409 714	**924 000**	924 000
Contingent consideration (vendor loan)	25.6	**12 600**	–	**–**	–
Current taxation payable		**50 771**	50 698	**–**	–
Lease liability	12	**33 772**	–	**–**	–
Trade and other payables	27	**910 499**	1 121 405	**48 847**	59 840
Provisions	26	**374**	419	**–**	–
Amounts received in advance	29	**31 092**	168 439	**–**	–
Amounts due to contract customers	29	**322 499**	286 755	**–**	–
Bank overdraft	23	**521 173**	667 380	**–**	–
		3 194 655	3 704 810	**1 194 174**	1 201 304
Total liabilities		**3 777 458**	4 270 239	**1 490 099**	1 495 429
Total equity and liabilities		**4 012 370**	4 822 444	**1 682 785**	1 962 854

Statements of cash flow

FOR THE FOUR MONTH PERIOD ENDED 31 DECEMBER 2019

		GROUP		COMPANY	
R'000	Notes	**4 months ended 31 December 2019**	12 months ended 31 August 2019	**4 months ended 31 December 2019**	12 months ended 31 August 2019
Cash flow from operating activities					
Cash generated/(utilised) from operations	30	**53 385**	(326 388)	**(25 531)**	(62 320)
Finance income		**16 703**	36 066	**8 049**	53 438
Finance costs		**(108 771)**	(296 708)	**(39 998)**	(152 150)
Taxation refunded/(paid)	31	**3 945**	(26 493)	**–**	–
Cash effect from operating activities		**(34 738)**	(613 523)	**(57 480)**	(161 032)
Cash flow from investing activities					
Acquisition of property, plant and equipment	11	**(35 332)**	(89 030)	**–**	–
Proceeds on sale of property, plant and equipment		**3 953**	24 178	**–**	–
Development of intangible assets	14	**(5 232)**	(23 481)	**–**	–
Distributions from investment in joint arrangements	16	**8 656**	29 635	**–**	–
Proceeds from loans receivable from group companies		**–**	–	**3 088**	51 453
Advances to group companies		**–**	–	**(222 000)**	(605 972)
Dividends received*		**–**	–	**–**	40 000
Cash effect from investing activities		**(27 955)**	(58 698)	**(218 912)**	(514 519)
Cash flow from financing activities					
Proceeds on share issue	24	**–**	765 833	**–**	765 833
Borrowings raised		**–**	–	**–**	108 289
Repayment of borrowings		**(84 531)**	(21 463)	**–**	–
Repayment of finance leases liabilities		**(11 653)**	(9 579)	**–**	–
Instalment sale liabilities raised		**–**	925	**–**	–
Cash effect from financing activities		**(96 184)**	735 716	**–**	874 122
Effect of exchange rates on cash balances		**20 961**	(5 869)	**–**	–
Net (decrease)/increase in cash and cash equivalents		**(137 916)**	57 626	**(276 392)**	198 571
Cash and cash equivalents at the beginning of the year		**98 288**	40 662	**491 116**	292 545
Total cash and cash equivalents at the end of the year	23	**(39 628)**	98 288	**214 724**	491 116

* *Additional non-cash dividend was received.*

Statements of changes in equity

FOR THE FOUR MONTH PERIOD ENDED 31 DECEMBER 2019

R'000	Share capital	Foreign currency translation reserve	Share-based payment reserve	Accu-mulated income/ (loss)	Equity share-holders	Non-controlling interest	Total equity
GROUP							
Balance as at 1 September 2018	2 328 926	64 734	60 958	(1 355 803)	1 098 815	(8 239)	1 090 576
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
Distribution to non-controlling interest	–	–	–	–	–	(2 500)	(2 500)
Balance as at 31 August 2019	3 094 759	105 118	60 958	(2 686 193)	574 642	(22 437)	552 205
Balance as at 1 September 2019, as previously reported	**3 094 759**	**105 118**	**60 958**	**(2 686 193)**	**574 642**	**(22 437)**	**552 205**
Impact of change in accounting policy	**–**	**–**	**–**	**(10 235)**	**(10 235)**	**–**	**(10 235)**
Balance as at 1 September 2019	**3 094 759**	**105 118**	**60 958**	**(2 696 428)**	**564 407**	**(22 437)**	**541 970**
Loss for the year	**–**	**–**	**–**	**(282 023)**	**(282 023)**	**(2 108)**	**(284 131)**
Other comprehensive income	**–**	**(22 278)**	**–**	**417**	**(21 861)**	**(1 066)**	**(22 927)**
Balance as at 31 December 2019	**3 094 759**	**82 840**	**60 958**	**(2 978 034)**	**260 523**	**(25 611)**	**234 912**

NON-CONTROLLING INTEREST

The group regularly enters into construction contracts with joint venture partners. The non-controlling interest mainly relates to the profit share of the joint venture partner, where the group controls such arrangements.

FOREIGN CURRENCY TRANSLATION RESERVE

Non-distributable reserve arising from the translation of the assets and liabilities attributable to foreign operations to the presentation currency.

R'000	Share capital	Share-based payments	Accu-mulated income/ (loss)	Total equity
COMPANY				
Balance as at 1 September 2018	2 319 567	24 318	(691 162)	1 652 723
Loss for the year	–	–	(1 951 131)	(1 951 131)
Issue of shares	765 833	–	–	765 833
Balance as at 31 August 2019	**3 085 400**	**24 318**	**(2 642 293)**	**467 425**
Loss for the year	**–**	**–**	**(274 739)**	**(274 739)**
Balance as at 31 December 2019	**3 085 400**	**24 318**	**(2 917 032)**	**192 686**

Notes to the financial statements

1. BASIS OF PREPARATION

Presentation of financial statements

These consolidated and company financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board and the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS, the JSE Listings Requirements, the Companies Act of South Africa and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council.

The accounting policies are consistent with the prior year other than the adoption of certain standards and interpretations which became effective during the current year, refer to note 3 – adoption of new accounting standards and interpretations, and in particular as indicated on note 2.25, the adoption of IFRS 16: *Leases*.

The company's year end changed from 31 August to 31 December. The current financial year therefore consists of a 4 month period with the comparatives reflecting a 12 month period.

The financial statements are prepared on the historical cost basis unless otherwise stated in the policies, and incorporate the principal accounting policies set out below.

The financial statements are prepared on a going concern basis.

Going concern assessment

Introduction

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. This assessment specifically had to consider the significant losses incurred by Conco over the last three years and the need to restructure the Group's debt position.

The Group's ability to continue as a going concern is dependant on its ability to turn around the Conco business and to restructure the debt portfolio.

Trading conditions during the year

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

The group reported an after-taxation loss for the four month period to 31 December 2019 of R284,1 million compared with the loss reported for the 12 months ended 31 August 2019 of R1,343 million. The company reported an after-tax loss for the four month period ended 31 December 2019 of R274,4 million compared to a loss of R1,951 million for the 12 months ended 31 August 2019. Material losses reported by Conco in the last few financial years, have resulted in the group reporting accumulated losses at 31 December 2019 of R2,98 billion. Even after a successful rights issue in January 2019 which introduced R765 million net cash proceeds into equity, the group's net equity reduced to R234,9 million at 31 December 2019 (31 August 2019: R552,2 million). The group's current liabilities exceed its current assets by R1,043 million.

During the period, the board of directors, assessed the group's key investments including the group's Conlog business and its investment in AES to support the recoverability of the group's carrying value of these assets.

The group reports net overdraft of R39,6 million (31 August 2019: R98,3 million net cash on hand) at 31 December 2019. Cash generated from operations for the four-months to 31 December 2019 was R53,4 million (12-months to 31 August 2019: R326,4 million outflow), which was insufficient to service the net finance costs paid to lenders.

The group's free cash was allocated to the funding requirements of Conco, the group's largest business. It was applied to fund the following:

- completion of contracts ahead of cash 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 activity levels.

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

Liquidity management

The underperformance by the businesses in the group, as a result of both market conditions and internal factors 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 to December 2020, 2021 and 2022; and
- detailed liquidity models which includes cash flow forecasts covering a period of 12 months from the date of these financial statements.

Engineer, procure, construct.

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 12-month financial year ended 31 August 2019. The results for the four months to 31 December 2019 were below expectations. Sales were adversely affected by delayed offtake on a committed order and there were once-off costs in respect of the move to new premises in November 2019. In addition, revenue was delayed as a result of the implementation of the company's financial risk management strategy of not accepting sales orders without appropriate payment guarantees to protect working capital and thus protect and enhance liquidity at the business and in the group.

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 dispatch 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 supplying into a depressed South African construction market. The 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 12-months ending 31 August 2019 and continued into the four-months to 31 December 2019, resulting in improved earnings and cash performance. 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 a steady cash flow to the group through regular dividends.

EPC businesses

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

The CPM business was assessed, with planned restructuring initiatives originally logged for implementation during the first quarter of calendar 2020. These initiatives include a reduction in cost and improved risk management. The bulk of these initiative were implemented before the end of January 2020.

The Tractionel business' profitability and cash generation in the next 12 months was critically assessed. A sizeable cost reduction 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 good 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.

To address this CIG and Conco senior management implemented Project Visibility, a targeted turnaround programme, which is now into its second phase. The phase 1 of the project focused 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. These consultants were mobilised to Conco in the second half of calendar 2019 and continue supporting the business currently.

Project Visibility is now into its second phase. From the second half of the twelve-month financial year ending 31 August 2019 significant focus was applied to the review of contract execution, commercial management, forecasting and liquidity management. The next stage focuses on the implementation of the changes needed in the business, which include a refined business strategy and restructuring initiatives. Performance management is in place with defined performance areas and weekly feedback to the CIG financial committee. The performance areas include a focus on improved operational execution, penalty risk mitigation, working capital enhancement, cost reduction, revised business strategy.

Notes to the financial statements continued

PROJECT STREAMS	KEY DELIVERABLE	STATUS
Stream 1: financial reporting including contract profit recognition	Reliable financial reporting that will inform liquidity forecasts and business sustainability decisions. Critical assessment of profit recognition	*Status to 20 December 2019* Significant work performed to date on both balance sheet assessment and contract profit recognition culminating with the conclusion of a successful year end reporting process supporting the balance sheet asset and liability recognition. The profit recognition is based on the independently assessed expected contract performance and thus the liquidity models incorporate the same independently assessed contract cash forecasts. The balance sheet as reported at year-end is incorporated into Conco liquidity model.
		Status to 20 February 2020 A successful and timeous completion of the group's year-end reporting process is illustrative of the improvements and visibility obtained on all businesses financial reporting including Conco. Reporting periods have been shortened to ensure timeous management information and quality has been enhanced.
Stream 2: operational contract delivery	Critical assessment of contract performance, contract programme, commercial position, forecast of cost and revenue to complete, penalty risk assessment, schedule management, contract cash flows by independent construction experts – Addressed for Top 25 contracts determined by materiality and risk profile. The outcome of these reviews to be incorporated into the group's forecasts.	*Status to 20 December 2019* Stream 2's initiatives identified adjustments to estimates to various contract's total estimated profit recognition, which reflected a charge against earnings in the financial year to 31 August 2019 with ongoing assessment. While plans to mitigate the potential cash outflow have been formulated and material portion of these charges are not expected to convert into cash outflow, they have been included into the Group's liquidity models to ensure a more conservative approach to liquidity management.
		Status to 20 February 2020 Arising from the review, key remedial action plans have been implemented, to mitigate any negative cashflow impact and any further earnings impact. These actions are monitored weekly by CIG management and the Conco CEO. Phase 2 of Project Visibility has commenced which includes active management of these action plans. Any positive recovery against the positions recorded to date will significantly enhance both earnings and cash forecasts. Phase 2 also focuses on the management of commercial claims in favour of the group. These have not been included in the profit recognition or the cash liquidity model to-date and present an opportunity to enhance cash and earnings if successful. Phase 2 includes continued monitoring execution of contracts and continuous, planning and re-scheduling where required of active contracts.

PROJECT STREAMS	KEY DELIVERABLE	STATUS
Stream 3: liquidity management	Long term liquidity model that can be utilised to assess business sustainability in terms of cash generation per contract. Liquidity model that can be utilised to assess company 12-month profile. 13th week cash forecast that can be used to manage daily debtor and creditor movements.	*Status to 20 December 2019* Implemented and monitored monthly with appropriate level of depth to support business and contract decisions. This model has also been utilised to determine the long-term cash flows that can be used to honour long term debt profile agreed upon with current banking partners in the conversion of overdrafts into term debt. Implemented. The cash model currently runs to December 2022 by month. Implemented active management of debtors aligned to cash forecast. Implementing improved creditor management.
		Status to 20 February 2020 The liquidity model, which is maintained to December 2022, is updated monthly, with additional management information added to the model in recent months. Variance analysis on actual cash performance against forecast is critical and is prepared and analysed monthly. Scenario analysis is performed to allow management to be able to assess the impact of any changes in the timing of cash flows. The liquidity model is considered and approved by management as well as the CIG Fincom on a monthly basis.
Stream 4: business sustainability	The result of Stream 1, 2 and 3 forms the basis of assessing Stream 4.	*Status to 20 December 2019* In addition to embedding the contract enhancement opportunities listed above, Phase 2 consists of a focused intervention on business restructure, rightsizing of organisation and aligning support services to structures and business requirements. This will be implemented in the first quarter of 2020 with some business re-engineering on the operations complete. A rightsizing of the organisation would have the impact of enhancing both earnings and liquidity forecasts as these opportunities have not been factored into current forecasts. Focus on business development and winning the appropriate level of work on the right terms and with the right clients are a key driver of the sustainability.

PROJECT STREAMS	KEY DELIVERABLE	STATUS
Stream 4: business sustainability	The result of Stream 1, 2 and 3 forms the basis of assessing Stream 4.	*Status to 20 February 2020* The management team, supported by CIG and the group's Fincom, have commenced implementing the immediate changes needed in the business, which include implementation of a refined business strategy and restructuring activities. A focus on tangible results management, which includes defined performance areas and weekly feedback by CONCO management to the CIG FINCOM, has been formalised. The performance areas include a focus on revised business strategy. These changes are being monitored by the CIG executives who report to the FINCOM weekly.

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 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 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 which 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 are 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 realisation of working capital, including client billings less the payment of creditor liabilities*	The cash model maintains the full debtors age analysis value and collections are monitored daily with the forecast timing included in the short-term portion of the model and monitored. Creditors are based on the full creditors age analysis of payables and the re-payment profile is confirmed by contract managers and the independent construction experts.
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 forecasts 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 are 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 timing is monitored against expectations and updated monthly. In addition, the levels of guarantees/bonds can be ascertained and planned for.

* *The collection of retention balances due to the business and the unwind of the advance payments received 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 independent construction experts 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, of which Tractionel (Rail) recorded some successful claims in the four months to 31 December 2019.

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 and delays 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.

These performance and liquidity operational improvement initiatives are a key focus in Phase 2 of Project Visibility.

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 therefore include a considerable number of estimates, assumptions and judgements in support of the liquidity model which sensitivity needs to be appreciated by all stakeholders.

The material assumptions are:

Secured EPC contracts trade at their forecasted tendered margin

A key assumption to the EPC businesses liquidity model and forecasts 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 to date. Although a material portion of these charges are not expected to convert into cash outflow due to mitigating interventions, 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.

In addition, revised payment terms, currently being agreed with selected clients, in support of direct contract costs incurred on projects are agreed upon and realised.

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

Some risk exists as to the certainty, quantum, timing and profitability of these awards as the group has experienced a delay in contract awards which impacted the budgeted profit, with unsecured work not materializing in the sixteen months to 31 December 2019. 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 in the short term. 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 limited annual overheads reduction strategies within its 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 and is a key focus for the next six months.

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 R1,8 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 December 2019

At 31 December 2019 the company's total assets exceeded its total liabilities by R192,7 million. Its current liabilities, however, exceeded its current assets by R966,9 million. The group's total assets exceeded total liabilities by R234,9 million. However, current liabilities exceeded its current assets by R1,0 billion. This is an indication that the company and group may require further funding to settle its current obligations to 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. The group is managing the contracts with active remedial plans to mitigate the risk of a material portion of these charges converting into cash outflow. Although actively managed, 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 any cash outflows. These actions are monitored regularly by CIG management and the Conco CEO. Phase 2 of Project Visibility 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 to Conco to restructure short term debt. This restructuring would result in a substantial portion 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 R700 million 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 31 March 2020, or such later date as agreed between the relevant parties.

Conclusion

The events, conditions, judgements and assumptions described give rise to a material uncertainty around management's ability to successfully implement its turn-around strategy, including finalisation of funding facilities with lenders, which may cast significant doubt on the group and the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its 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.

2. ACCOUNTING POLICIES

Set out below are the principal accounting policies used consistently throughout the group.

2.1 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	20 years
Leasehold improvements	Lease period
Plant and machinery	
– Earthmoving equipment	6 years
– Plant and equipment	4 – 15 years
Furniture and fixtures	3 – 5 years
Motor vehicles	4 – 5 years
Office equipment	3 – 5 years
IT equipment	3 years
– Computer software	1 – 2 years
– Mobile site offices	10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

2.2 Goodwill

Goodwill is initially measured at cost, being the excess of the cost of the business combination over the company's interest of the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently goodwill is carried at cost less any accumulated impairment.

The excess of the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in profit or loss.

2.3 Intangible assets

Intangible assets are initially recognised at cost and subsequently at amortised cost.

Internally generated intangible assets

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset;
- the expenditure attributable to the asset during its development can be measured reliably.

Acquired intangible asset

Software and patents are recognised at cost and subsequent measured at amortised cost; and

Brand names and mining rights were recognised on business combination and subsequently measured at amortised cost.

Amortisation

The amortisation period and the amortisation method for intangible assets are reviewed every period-end, any changes thereto are accounted for as changes in estimate in terms of IAS 8.

Amortisation is provided to write-down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Mining rights	life of mine
Brand names	10 years
Product design	3 – 6 years
Patents	15 – 20 years
Computer software	1 – 2 years
Meters under development	3 – 6 years

2.4 Investments in subsidiaries

Consolidated annual financial statements

The consolidated annual financial statements include those of the holding company and its subsidiaries who are those entities which the group controls. The results of the subsidiaries are included from the effective date of acquisition. Subsidiaries are de-consolidated on the date that the group ceases to control.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is the sum of:

- the consideration transferred measured in accordance with IFRS 3;
- the amount of any non-controlling interest in the acquiree measured in accordance with IFRS 3; and

- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

All acquisition-related costs are expensed when incurred.

On acquisition, the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value.

Company annual financial statements

Investments in subsidiaries are carried at cost less impairment provision.

2.5 Joint arrangements

Group annual financial statements

The group's joint ventures are accounted for using the equity method after initially being recognised at cost in the consolidated balance sheet.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognize the group's share of the post-acquisition profits or losses of the investee in profit or loss and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed, where necessary, to ensure consistency with the policies adopted by the group. The carrying amount of equity-accounted investments is tested for impairment in accordance with IAS 36: *Impairment of Assets*.

2.6 Financial Instruments

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9: *Financial Instruments*.

The classification possibilities, which are adopted by the group,as applicable, are as follows:

Financial assets

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. The group uses this category only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows);
- Mandatorily at fair value through profit or loss. The group automatically applies this classification to all debt instruments which do not qualify at amortised cost or at fair value through other comprehensive income; or
- Designated at fair value through profit or loss. The group only uses this classification option when it eliminates or significantly reduces an accounting mismatch.

Initial recognition and measurement

Where the carrying value of short-term financial instruments measured at amortised cost approximate their amortised cost values, discounting is not applied as the effects thereof are considered immaterial.

Financial liabilities

- Amortised cost. The group uses this category when the business model and the contractual terms of the instrument give rise, on specified dates, to cash flow outflows that are solely payments of principal and interest on principal;
- Mandatorily at fair value through profit or loss. This applies to contingent consideration in a business combination or to liabilities which are held for trading; or
- Designated at fair value through profit or loss. This classification option is applied when it eliminates or significantly reduces an accounting mismatch.

Note 35 Financial instruments indicate the financial instruments held by the group based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the group are presented below:

Loans receivable and other receivables at amortised cost

Classification

Loans to group companies and other receivables (note 20 and 22) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable and other receivables (loans) are recognised when the group becomes a party to the contractual provisions of the loans. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost less any impairments.

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and financial instruments and risk management (note 35).

Trade and other receivables at amortised cost

Classification

Trade receivables, excluding, when applicable, value added taxation and prepayments are classified as financial assets subsequently measured at amortised cost (note 22).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on trade receivables.

Recognition and measurement

Trade receivables are recognised when the group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

Impairment

The group recognises a loss allowance for expected credit losses on loans and other receivables, trade receivables, including contract and related debtors, excluding value added taxation and prepayments. The amount of expected credit losses is updated at each reporting date.

The group measures the loss allowance for trade receivables which do not contain a significant financing component at an amount equal to lifetime expected credit losses ("lifetime ECL"). The loss allowance for all other trade receivables is measured at lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk on these receivables has not increased significantly since initial recognition, then the loss allowance for those receivables is measured at 12-month expected credit losses ("12-month ECL").

The expected loss rates are based on the historical credit losses experienced per customer classification. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a receivable that are possible within 12 months after the reporting date.

Definition of default

For purposes of internal credit risk management, the group considers that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account). Irrespective of the above analysis, the group considers that a significant increase in credit risk has occurred when a receivable is more than 30 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of expected credit losses.

The group applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected credit loss allowance, for trade receivables. The simplified approach is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

Financial assets at amortised cost that are more than 90 days past-due are considered to be credit impaired.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade receivables through use of a loss allowance account. The impairment loss is calculated with reference to the recoverable amount of the financial asset. The impairment loss is included in operating expenses in profit or loss as a movement in credit loss allowance.

Receivables are written off once all avenues to recover the money have been exhausted.

Investments in equity instruments

Classification

Investments in equity instruments are classified as mandatorily at fair value through profit or loss. As an exception to this classification, the group may make an irrevocable election, on an instrument-by-instrument basis, and on initial recognition, to designate certain investments in equity instruments at fair value through other comprehensive income. The designation at fair value through other comprehensive income is never made on investments which are either held for trading or contingent consideration in a business combination.

Recognition and measurement

Investments in equity instruments are recognised when the group becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated at fair value through other comprehensive income. All other transaction costs are recognised in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised either in profit or loss or in other comprehensive income (and accumulated in equity in the reserve for valuation of investments), depending on their classification.

Borrowings and loans from related parties

Classification

Loans from group companies (note 20) and borrowings (note 25) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings and loans from related parties are recognized when the group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability. Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 8).

Borrowings expose the group to liquidity risk and interest rate risk. Refer to note 35 for details of risk exposure and management thereof.

Trade and other payables

Classification

Trade and other payables (note 27), excluding value added taxation and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 8). Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 35 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

2.7 Taxation

Deferred taxation assets and liabilities

A deferred taxation asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred taxation asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit (loss) nor taxable profit (taxation loss).

A deferred taxation asset is recognised for the carry forward of unused taxation losses to the extent that it is probable that future taxable profit will be available against which the unused taxation losses can be utilised.

Deferred taxation assets and liabilities are measured at the taxation rates that are expected to apply to the period when the asset is realised or the liability is settled, based on taxation rates (and taxation laws) that have been enacted or substantively enacted by the reporting date.

Taxation expenses

Current taxation and deferred taxes are charged or credited to other comprehensive income if the taxation relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current taxation and deferred taxes are charged or credited directly to equity if the taxation relates to items that are credited or charged, in the same or a different period, directly in equity.

2.8 Leases

Finance leases

Until 31 August 2019, leases of property, plant and equipment where the group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Operating leases – lessee

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases (note 12). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability which is not discounted. Any contingent rents are expensed in the period they are incurred.

Leases (IFRS 16)

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as operating leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 September 2019.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the group's incremental borrowing rate.

To determine the incremental borrowing rate for a specific lease, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Conco and Conlog, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2.9 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in, first-out (FIFO) basis.

Inventories are disclosed net of any allowances for slow moving, damaged and obsolete inventories. The allowance is based on estimates made by management of the net realisable value of certain inventory items.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2.10 Contract work in progress and amounts due to contract customers

The group's construction activities, which result in contracting revenue being recognised over time from contracts with customers, give rise to contract assets and contract liabilities.

Contract assets and contract liabilities are determined on a contract by contract basis and represent the group's progress towards the satisfaction of the performance obligations stipulated in the terms of each of its construction contracts.

To determine the progress towards the satisfaction of our performance obligations on each contract, the group uses an input method, measuring the costs incurred to date relative to the total estimated cost of the contract.

This method requires the group to estimate the cost of construction services and activities performed to date as a proportion of the total cost of services and activities to be performed. The group considers this method to be the most faithful depiction of the transfer of goods and services to the customer as the group has a right to payment for performance to date which is most reliably measured using to costs incurred to date. In addition, judgements are required when recognising and measuring any variable considerations, claims or uninstalled materials on each contract. Refer note 2.25 for further details on judgements required when recognising revenue.

The costs of construction services and activities are initially recognised at cost when incurred and include all costs that relate directly to the fulfilment of the specific contract, and allocated overheads relating to the fulfilment of contracts in general.

The group presents as a contract asset, the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings, included in contracts work in progress. Progress billings not yet paid by customers and retentions are included in contract and related debtors. The invoicing of progress billings is done either as costs are incurred on a monthly basis or to match major capital outlay or on the achievement of milestones, dependent on the arrangement with customers in terms of the contract.

The group presents as a contract liability, amounts due to contract customers and amounts received in advance, for contract work for all construction contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

When the outcome of a contract cannot be estimated reliably, at any stage, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract using the above mentioned method to determine the progress towards the satisfaction of the group's performance obligations. When it is probable that total contract costs will exceed total contract revenue (onerous contracts), the expected loss is recognised as an expense immediately to the extent that the remaining contract costs are deemed to be unavoidable in terms of IAS 37.

Contract revenue within the group results from "cost-plus", "re-measurable" and "fixed price" contracts.

Refer to note 2.24 for judgements and estimates related to contract work in progress and amount due to contract customers.

2.11 Impairment of non-financial assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period; and

- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units.

2.12 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

2.13 Share-based payments

A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

For equity-settled share-based payment transactions, the goods or services received are measured, as well as the corresponding increase in equity, at the fair value of the goods or services received unless that fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity are measured by reference to the fair value of the equity instruments granted.

For equity-settled share-based payment transactions, the fair value of the equity instruments granted is measured at grant date and is not subsequently remeasured. At each reporting date, up to and including vesting date, an estimate of the number of options expected to vest is carried out at each reporting date. Any adjustments are made through the statement of comprehensive income with a corresponding adjustment to equity.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the company accounts for those services as they are rendered by the counterparty during the vesting period (or on a straight-line basis over the vesting period).

2.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave and bonuses), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or State plans) retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan. The group has no further obligation once the payments due have been settled.

Defined benefit plans

For defined benefit plans, the cost of providing the benefits is determined using the projected unit credit method.

The defined benefit liability is determined on an annual basis by independent actuaries.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the group is demonstrably committed to curtailment or settlement.

Any asset in the form of fund surpluses is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds limited to the changes in the present value of those available funds.

Net interest is calculated as the net interest expense related to the defined benefit obligation less the corresponding return on plan assets (using the rate to discount the defined benefit obligation). There are no plan assets to fund the liability. The net interest cost is recorded in profit and loss in the year in which it arises.

Remeasurements comprise of actuarial gains or losses on the defined benefit obligation. These are recognised directly in other comprehensive income.

2.15 Provisions and contingencies

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The discount rate used is in line with the length of the particular mining operation. Discounting is only performed when the effects of time value of money are considered to be material.

2.16 Revenue

Revenue is recognised at the amount that reflects the consideration to which the group expects to be entitled for transferring goods or services to its customers based on the satisfaction of performance obligations, either over time or at a point in time, in the normal course of business. Revenue is recognised net of value added tax and inter-company revenues are eliminated on consolidation. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Transaction prices are not linked to any changes in a recognised index of interest rates. The terms granted to customers facilitate the preparation of payments and the group does not expect to have any contracts where the period between the transfer of the goods or services to the customer and payment by the customer exceed one year. Therefore no element of financing is deemed to be present and no adjustment for the time value of money is made to the group's transaction prices.

Variable considerations

It is common for the group's contracts with customers to include variable considerations based on certain industry-related KPIs, such as bonuses or penalties based on specifications, timeliness of completion or minimum volume targets. Any variable consideration contained in a contract is only recognised to the extent that the group deems it highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The estimate is based on all available information including historic performance. Where modifications in design or contract requirements are entered into, the transaction price is updated to reflect these.

Contract assets and liabilities

Contract assets and liabilities arise due to a number of different factors during the execution of contracts with customers. Contract assets represent the group's right to consideration for services provided to customers but which have not yet been invoiced. Contract liabilities arise where payment is received prior to work being completed. Refer note 2.10: Contract work in progress and amounts due to contract customers, for further details in this regard.

Revenue is recognised from the group's activities, as described below:

Contracting revenue

The group recognises revenue over time by measuring the progress towards the satisfaction of performance obligations stipulated in its contracts with customers for the construction of assets. Progress is measured using the costs incurred to date over the total estimated construction cost of the contract (input method). Refer note 2.10 for further guidance.

Revenue from the sale of building materials

The group recognises revenue at a point in time, being when the customer takes possession of the goods.

Sale of manufactured goods

The group recognises revenue at a point in time, being when the customer takes possession of the manufactured products; or

Operating and maintenance revenue

The group recognises revenue over time by measuring the progress towards the satisfaction of performance obligations for services provided to customers.

Notes to the financial statements continued

SEGMENT	TYPED OF REVENUE STREAM	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 – 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 goods – 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 treatment with revenue recognised over time for one performance obligation
Power – Conlog	Revenue generated from manufacturing and distribution of pre-paid electricity meters along with related applications and support services	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 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 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 132kV as well as installation and maintenance of electrical lines for railway lines	Individual contract per customer with three performance obligations. Revenue recognised on installation for the customer at a point in time. 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, private siding owners such as mining houses	Individual contract treatment with revenue recognised over time as maintenance services are being rendered for the customer
Corporate	Revenue is generated from inter-company management fees	Individual contract per company with revenue generated from management fee at a point in time

2.17 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The amount of any reversal of any write-down of inventories is limited to the original carrying amount had no write-down been recognised.

2.18 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

2.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

2.20 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in functional currency of the entity, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Foreign currency balances

At each statement of financial position date:

- Foreign currency monetary items are translated using the closing rate; and
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

Foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the group's presentation are translated into the functional currency as follows:

- Assets and liabilities for each reporting period presented are translated at the closing rate ruling at the financial year-end date; and
- Income and expenses for each statement of comprehensive income item are translated at average exchange rates for the year to the extent that such average rates approximate rates ruling at the date of transactions.

Exchanged differences arising on the translation are recognised directly in a separate component of other comprehensive income (foreign currency translation reserve). When a foreign operation is sold, such exchange differences are reclassified in profit or loss as part of the gain or loss on sale.

2.21 Earnings per share

Earnings per share is based on the attributable profit for the year divided by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is presented when the inclusion of potential ordinary shares has a dilutive effect on earnings per share.

2.22 Headline earnings per share

Headline earnings per share is based on the same calculation as in earnings per share above except that attributable profit specifically excludes items as set out in Circular 01/2019 Headline Earnings issued by the South African Institute for Chartered Accountants. Diluted headline earnings per share is presented when the inclusion of potential ordinary shares has a dilutive effect on headline earnings per share.

2.23 Segmental reporting

The group has the following operating segments: Power (which includes Conco, Conlog and Other), Building Materials , Oil & Gas and Rail. In identifying these operating segments, management generally follows the group's service lines representing its main products and services.

The chief operating decision maker manages each of these operating segments separately as each requires different technologies, marketing approaches and other resources. Operating segments are not differentiated based on geographical location.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. This primarily applies to the group's corporate headquarters.

2.24 Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures.

Property, plant and equipment

Judgement is required in determining the residual value and estimated useful lives of property, plant and equipment. The estimation is done at each reporting date and revised accordingly.

Allowance for slow moving, damaged and obsolete stock

An allowance to write stock down to the lower of cost or net realisable value is made at each reporting date. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write-down is included in the operating profit note.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the future cash flows may be different to the current projections which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill, tangible and intangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment.

Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities.

If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill, tangible and intangible assets are inherently uncertain and could materially change over time. Additional disclosure of impairments is included in note 13 – Goodwill.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 26 – Provisions.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate taxation determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated taxation audit issues based on estimates of whether additional taxes will be due. Where the final taxation outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income taxation and deferred taxation provisions in the period in which such determination is made.

Assessing the recoverability of deferred income taxation assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing taxation laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred taxation assets recorded at the reporting date could be impacted.

Retirement benefit obligations

The company engages the services of an actuary to measure its post-health care benefit liability at the end of each financial reporting period. The valuation model used to measure the liability is the projected credit unit method. This method is sensitive to the assumptions made by the actuary in performing the valuation. The significant assumptions and sensitivity of the valuation to those assumptions are detailed in note 28.

Remeasurements comprise either actuarial gains or losses on the defined benefit obligation. These are recognised directly in other comprehensive income.

Leases

Lease period

The group has to assess whether the lease term should include extention options. Extention options can only be included when they are reasonably certain of being exercised. In most cases they were not included, however, for the Conlog production facility one extention option of 5 years was included.

Discount rate

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 September 2019 was 10.25%.

Construction contracts

The group uses the input method in accounting for its construction contracts.

Performance obligations

IFRS 15 provides guidance as to whether a construction project should be treated as one performance obligation or multiple performance obligations. The group has to apply judgement to determine the performance obligations. In applying the IFRS 15 guidance most projects are seen as single performance obligations and for group purposes were treated on a consolidated basis

Total estimated cost

Use of the input method requires the group to estimate the cost of construction services and activities performed to date as a proportion of the total estimated cost of services and activities to be performed.

Variable considerations

It is common for the group's contracts with customers to include variable considerations based on certain industry-related KPIs, such as bonuses or penalties based on specifications, timeliness of completion or minimum targets. Any variable consideration contained in a contract is only recognised to the extent that the group deems it highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The estimate is based on all available information including historic performance.

Contract profit margin and onerous contract provisions

The total expected contract profit margin is dependent on the total estimated revenue and the total estimated cost. Where total estimated cost exceeds total estimated revenue, the unavoidable expected loss is provided as an onerous contract provision.

Contract assets and liabilities

Contract assets and liabilities arise due to a number of different factors during the execution of contracts with customers. Contract assets represent the group's right to consideration for services provided to customers but which have not yet been certified or invoiced. Contract liabilities arise where payment is received prior to work being completed.

2.25 Adoption of IFRS 16: Leases

The group has adopted IFRS16: *Leases* using the modified retrospective approach from 1 September 2019, and has not restated comparatives for the 2019 reporting year, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 September 2019. The new accounting policies are disclosed in note 2.8.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 September 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 September 2019 was 10.25%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 September 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 September 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Right of use assets on adoption were recognised at R149.6 million at the carrying amount as if the standard had been applied since the commencement date using the relevant borrowing rate at initial application.

Payments associated with short-term leases of equipment and vehicle and all leases of low-value assets are recognised on a straight-line basis as an expense in profit and loss.

The adoption of IFRS 16 had the following impact on the group:

	R'000
Operating lease commitments disclosed as at 31 August 2019	**173 980**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**143 112**
Add: finance lease liabilities recognised as at 31 August 2019	25 871
(Less): short-term leases not recognised as a liability	(11 219)
(Less): low-value leases not recognised as a liability	(2 221)
Lease liability recognised as at 1 September 2019	**155 543**
Of which are	
Current lease liabilities	38 153
Non-current lease liabilities	117 390
	155 543

3. ADOPTION OF NEW ACCOUNTING STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

3.1 New standards and interpretations

There are a number of new standards, improvements and interpretations effective and adopted in the current period with only the following that were expected to have an impact on the group:

ACCOUNTING STANDARDS/ INTERPRETATION	EFFECTIVE DATE	DESCRIPTION
Amendment to IFRS 9: *Financial Instruments* Prepayment features with negative compensation and Modification of financial liabilities	**1 January 2019**	The narrow-scope amendment covers two issues: • The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met – instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities. • How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings. *IMPACT: No significant impact*
IFRS 16: *Leases*	**1 January 2019**	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17: *Leases, IFRIC 4: Determining whether an Arrangement contains a Lease*, SIC 15: *Operating Leases – Incentives* and SIC 27: *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* *IMPACT: Refer disclosure on note 2.25 with regards to the adoption of IFRS 16*
Amendments to IAS 28: *Investments in Associates and Joint Ventures* – long-term interests in associates and joint ventures	**1 January 2019**	The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9. *IMPACT: No significant impact*

ACCOUNTING STANDARDS/ INTERPRETATION	EFFECTIVE DATE	DESCRIPTION
Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	**1 January 2019**	The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must: • calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change • any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling • separately recognise any changes in the asset ceiling through other comprehensive income. *IMPACT: No significant impact*
IFRIC 23: *Uncertainty Over Income Tax Treatments*	**1 January 2019**	IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of taxation uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a taxation uncertainty. Most entities will have developed a model to account for taxation uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on taxation accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income taxation accounting. *IMPACT: No impact*
Annual improvements cycle 2015 – 2017	**1 January 2019**	These amendments include minor changes to: • IFRS 3: *Business Combinations* – a company remeasures its previously held interest in a joint operation when it obtains control of the business. • IFRS 11: *Joint Arrangements* – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. • IAS 12: *Income Taxes* – The amendment clarified that the income taxation consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. • IAS 23: *Borrowing Costs* – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale. *IMPACT: No significant impact*

3.2 Standards and interpretations issued not yet effective

There are a number of new standards and amendments to standards which will only be effective after the 2019 financial year.

None of these are expected to have a significant impact on the group.

No standards and interpretations have been early adopted.

ACCOUNTING STANDARDS/ INTERPRETATION	EFFECTIVE DATE	DESCRIPTION
Amendment to IAS 1: *Presentation of Financial Statements* and IAS 8: *Accounting Policies*, changes in accounting estimates and errors' on the definition of material	**1 January 2020**	These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs: • use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; • clarify the explanation of the definition of material; and • incorporate some of the guidance in IAS 1 about immaterial information. The amended definition is: *"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."* *IMPACT: No significant impact expected*
Amendment to IFRS 3: *Business Combinations* – Definition of a business	**1 January 2020**	This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce. *IMPACT: No significant impact expected*
Amendments to IFRS 10: *Consolidated Financial Statements* and IAS 28: *Investments in Associates and Joint Ventures* on sale or contribution of assets	**Effective date postponed**	The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. *IMPACT: No significant impact expected*

4. OPERATING EXPENSES

R'000	Notes	GROUP 4 months ended 31 December 2019	GROUP 12 months ended 31 August 2019	COMPANY 4 months ended 31 December 2019	COMPANY 12 months ended 31 August 2019
Operating expenses are stated after charging/(crediting)					
4.1 Profit on disposals					
Property, plant and equipment		**(3 264)**	(270)	**–**	–
4.2 Foreign exchange loss/(gain)					
Foreign exchange loss/(gain)		**8 976**	(29 292)	**–**	–
4.3 Rentals under operating lease					
Premises (short term)		**10 107**	36 917	**867**	1 514
Equipment (low value/short term)		**3 333**	9 039	**12**	36
4.4 Audit and accounting fees		**7 566**	12 429	**1 097**	1 298
Local		**2 126**	5 526	**600**	1 258
Audit services – PricewaterhouseCoopers Inc.		**2 114**	4 096	**600**	1 258
Audit services – Non-PricewaterhouseCoopers Inc.		**12**	1 430	**–**	–
Foreign		**277**	1 564	**–**	–
Audit services – PricewaterhouseCoopers Inc.		**251**	1 547	**–**	–
Audit services – Non-PricewaterhouseCoopers Inc.		**26**	17	**–**	–
Non-audit services		**5 163**	5 339	**497**	40
PricewaterhouseCoopers Inc.		**34**	11	**–**	–
Non-PricewaterhouseCoopers Inc.		**5 129**	5 328	**497**	40
4.5 Remuneration other than to employees					
Technical services		**3 041**	5 225	**2 560**	225
Management services		**2 523**	11 515	**806**	1 287
4.6 Other amounts included in site and office costs					
Insurance		**5 410**	16 354	**60**	272
Security and health and safety		**3 970**	10 112	**–**	–
Other		**2 918**	8 333	**19**	7
4.7 Depreciation	11, 12	**33 266**	70 654	**146**	475
4.8 Amortisation	14	**12 083**	34 831	**–**	–

Notes to the financial statements continued

5. PAYROLL COST

R'000	GROUP 4 months ended 31 December 2019	GROUP 12 months ended 31 August 2019	COMPANY 4 months ended 31 December 2019	COMPANY 12 months ended 31 August 2019
Salaries and wages	**237 559**	802 553	**5 872**	22 414
Year-end bonuses	**5 166**	26 882	**–**	6 600
Company employee benefit contributions	**13 163**	42 414	**–**	–
Other employee-related costs	**7 067**	74 259	**100**	2 609
	262 955	946 108	**5 972**	31 623

6. DIRECTORS' EMOLUMENTS

R'000	Salary 4 months ended 31 December 2019	Salary 12 months ended 31 August 2019	Bonus and performance-related payments 4 months ended 31 December 2019	Bonus and performance-related payments 12 months ended 31 August 2019	Separation payment 4 months ended 31 December 2019	Separation payment 12 months ended 31 August 2019	Total 4 months ended 31 December 2019	Total 12 months ended 31 August 2019
GROUP								
Executive directors								
Paid by group companies								
R Gamsu	**1 719**	5 199	**–**	3 100	**–**	–	**1 719**	8 299
C Teixeira#	**1 367**	1 708	**–**	–	**–**	–	**1 367**	1 708
I Klitzner*	**–**	1 030	**–**	–	**345**	3 779	**345**	4 809
S Jelley^	**–**	1 410	**–**	–	**–**	–	**–**	1 410
Total	**3 086**	9 347	**–**	3 100	**345**	3 779	**3 431**	16 226

* *Outgoing chief financial officer. Resigned 6 November 2018. A separation payment of R3 089 million was made in the twelve months ended 31 August 2019. In addition, a monthly retainer fee of R86 250 was paid from January 2019 to December 2019.*

^ *Interim chief financial officer from 7 November 2018 to 1 April 2019.*

Incoming chief financial officer. Appointed 2 April 2019.

6. DIRECTORS' EMOLUMENTS continued

R'000	Fees 4 months ended 31 December 2019	Fees 12 months ended 31 August 2019	Expenses 4 months ended 31 December 2019	Expenses 12 months ended 31 August 2019	Total 4 months ended 31 December 2019	Total 12 months ended 31 August 2019
GROUP						
Non-executive directors						
Paid by group companies						
F Boner – outgoing chairman*	**–**	940	**–**	–	**–**	940
K Bucknor&	**147**	825	**–**	72	**147**	897
A Darko*	**–**	618	**–**	–	**–**	618
A Dixon*	**–**	537	**–**	2	**–**	539
Prof K Ojah*	**–**	342	**–**	–	**–**	342
M Wilkerson – incoming chairman^&	**167**	292	**263**	643	**430**	935
J Beck^&	**157**	274	**–**	–	**157**	274
C Hess^@&	**92**	257	**–**	5	**92**	262
R Hogarth#&	**150**	263	**–**	–	**150**	263
T Hudson#&	**147**	257	**–**	–	**147**	257
Dr K Kariuki&	**147**	885	**54**	18	**201**	903
A Mazar^&	**147**	257	**348**	352	**495**	609
Q McLean^&	**100**	175	**–**	–	**100**	175
S Melnick^&	**150**	263	**–**	87	**150**	350
J Nwokedi&	**125**	524	**–**	–	**125**	524
	1 529	6 709	**665**	1 179	**2 194**	7 888

* *Resigned 30 January 2019.*

^ *Appointed 30 January 2019 following a reconstitution of the board.*

\# *Appointed 1 August 2018.*

@ *Resigned 15 November 2019.*

& *Includes fees from February 2019 which have been accrued but not yet paid.*

Notes to the financial statements continued

6. DIRECTORS' EMOLUMENTS continued

R'000	Salary: 4 months ended 31 December 2019	Salary: 12 months ended 31 August 2019	Bonus and performance-related payments: 4 months ended 31 December 2019	Bonus and performance-related payments: 12 months ended 31 August 2019	Total: 4 months ended 31 December 2019	Total: 12 months ended 31 August 2019
GROUP						
Prescribed officers						
Paid by group companies						
W Bassaragh	**1 300**	3 851	**504**	617	**1 804**	4 468
J Dladla*	**1 275**	3 236	**–**	–	**1 275**	3 236
J Hooman	**2 274**	6 675	**1 834**	3 718	**4 108**	10 393
D Lubbe	**716**	2 067	**123**	230	**839**	2 297
L Moodley	**813**	2 370	**150**	915	**963**	3 285
S Zondi^	**831**	2 568	**–**	–	**831**	2 568
	7 209	20 767	**2 611**	5 480	**9 820**	26 247

* *Appointed 1 November 2018.*

^ *Employed for the full period under review but appointed as prescribed officer from January 2019. F2019 remuneration includes once off leave payout following transfer between group companies.*

7. FINANCE INCOME

R'000	GROUP: 4 months ended 31 December 2019	GROUP: 12 months ended 31 August 2019	COMPANY: 4 months ended 31 December 2019	COMPANY: 12 months ended 31 August 2019
Bank and other cash	**16 616**	35 961	**5 692**	30 578
Other	**87**	105	**–**	–
Loans to subsidiaries	**–**	–	**2 643**	22 860
	16 703	36 066	**8 335**	53 438

8. FINANCE COST

R'000	GROUP: 4 months ended 31 December 2019	GROUP: 12 months ended 31 August 2019	COMPANY: 4 months ended 31 December 2019	COMPANY: 12 months ended 31 August 2019
IFRS 16 lease finance cost	**4 425**	4 008	**–**	–
Bank and borrowings	**106 146**	292 700	**41 197**	137 837
Loans from subsidiaries	**–**	–	**3 863**	14 313
	110 571	296 708	**45 060**	152 150

9. TAXATION

R'000	GROUP 4 months ended 31 December 2019	GROUP 12 months ended 31 August 2019	COMPANY 4 months ended 31 December 2019	COMPANY 12 months ended 31 August 2019
Current				
Local income taxation	**1 143**	31 127	**–**	
Foreign income taxation or withholding taxation	**4 435**	4 686	**–**	
Prior period under/(over) provision	**3 284**	6 987	**1 910**	(1 302)
	8 862	42 800	**1 910**	(1 302)
Deferred			**–**	
Originating and reversing temporary differences	**(5 000)**	20 321	**–**	–
Arising from prior period adjustments	**–**	482	**–**	424
	(5 000)	20 803	**–**	424
	3 862	63 603	**1 910**	(878)
Reconciliation of taxation expense			**–**	
Reconciliation between accounting loss and taxation expense			**–**	
Accounting loss	**(280 269)**	(1 279 382)	**(272 829)**	(1 952 009)
Taxation at South African normal taxation rate of 28%	**(78 475)**	(358 227)	**(76 392)**	(546 563)
Taxation effect of adjustments on taxable income			**–**	
Non-deductible expenditure	**11 245**	2 237	**–**	546 685
Loss from equity-accounted investments	**2 652**	8 136	**–**	–
Foreign taxation rate differential	**5 830**	54 284	**–**	–
Prior period adjustments	**3 284**	7 469	**1 910**	–
Deferred taxation asset not recognised	**59 592**	349 721	**76 392**	–
Exempt income	**(266)**	(19)	**–**	–
Taxation expense/(credit)	**3 862**	63 601	**1 910**	(878)
Effective taxation rate (%)	**(1)**	(5)	**(1)**	–

Non-deductible expenditure in prior year in the group refers mainly to impairment of goodwill in note 13. The current year refers mainly to penalties and interest.

In the company, non-deductible expenditure relates to impairment of investment in subsidiaries in note 15.

Notes to the financial statements continued

10. LOSS PER SHARE

R'000	GROUP **4 months ended 31 December 2019**	GROUP 12 months ended 31 August 2019	COMPANY **4 months ended 31 December 2019**	COMPANY 12 months ended 31 August 2019
10.1 Basic and diluted loss per share				
Loss for the year attributable to equity holders (R'000)	**(282 023)**	(1 331 228)	**(274 739)**	(1 951 131)
Shares in issue as at year-end ('000)	**396 159**	396 159	**396 159**	396 159
Weighted average number of ordinary shares for the purpose of basic earnings per share ('000)*	**396 159**	334 789	**396 159**	334 789
Basic and diluted loss per share (R)	**(0,71)**	(3,98)	**(0,69)**	(5,83)
10.2 Headline and diluted headline loss per share				
Loss for the year attributable to equity holders (R'000)	**(282 023)**	(1 331 228)	**(274 740)**	(1 951 131)
Profit on disposal of property, plant and equipment	**(3 264)**	(270)	**–**	–
Impairment of goodwill	**–**	66 241	**–**	–
Impairment of intangible assets	**–**	39 387	**–**	–
Taxation effect on adjustments	**914**	76	**–**	–
Headline loss for the year attributable to equity holders (R'000)	**(284 373)**	(1 225 795)	**(274 740)**	(1 951 131)
Weighted average number of ordinary shares ('000)*	**396 159**	334 789	**396 159**	334 789
Headline and diluted headline loss per share (R)	**(0,72)**	(3,66)	**(0,69)**	(5,83)
* Opening shares	**396 159**	196 159	**396 159**	196 159
Weighted average number of shares during the year – rights issue	**–**	138 630	**–**	138 630
Weighted average number at the end of year	**396 159**	334 789	**396 159**	334 789

The fully diluted loss per share equates that of the basic loss per share and the fully diluted headline loss per share equates that of the headline loss per share as the group reports a loss and thus the impact is anti-dilutive.

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Property, plant and equipment carrying value

R'000	31 December 2019 Cost	31 December 2019 Accumulated depreciation	31 December 2019 Carrying value	31 August 2019 Cost	31 August 2019 Accumulated depreciation	31 August 2019 Carrying value
GROUP						
Land and buildings	**180 900**	**(17 406)**	**163 494**	180 116	(16 646)	163 470
Plant and machinery	**513 223**	**(270 875)**	**242 348**	488 970	(283 488)	205 482
Furniture and fixtures	**10 190**	**(7 959)**	**2 231**	10 712	(8 385)	2 327
Motor vehicles	**92 094**	**(71 301)**	**20 793**	154 244	(116 875)	37 369
Office equipment	**35 838**	**(28 313)**	**7 525**	38 173	(31 231)	6 942
IT equipment	**51 912**	**(46 437)**	**5 475**	54 834	(48 170)	6 664
Computer software	**60 319**	**(32 248)**	**28 071**	60 303	(30 848)	29 455
Leasehold improvements	**31 807**	**(7 711)**	**24 096**	10 982	(8 769)	2 213
Mobile site offices	**2 001**	**(1 056)**	**945**	2 001	(1 011)	990
Tools and moulds	**33 456**	**(27 427)**	**6 029**	34 086	(29 409)	4 677
Capital work in progress	**4 866**	**–**	**4 866**	61 479	–	61 479
Total	**1 016 606**	**(510 733)**	**505 873**	1 095 900	(574 832)	521 068

R'000	31 December 2019 Cost	31 December 2019 Accumulated depreciation	31 December 2019 Carrying value	31 August 2019 Cost	31 August 2019 Accumulated depreciation	31 August 2019 Carrying value
COMPANY						
Furniture and fixtures	**666**	**(484)**	**182**	666	(464)	202
Office equipment	**37**	**(32)**	**5**	37	(31)	6
IT equipment	**629**	**(589)**	**40**	629	(545)	84
Leasehold improvements	**1 958**	**(1 247)**	**711**	1 958	(1 166)	792
Total	**3 290**	**(2 352)**	**938**	3 290	(2 206)	1 084

Notes to the financial statements continued

11. PROPERTY, PLANT AND EQUIPMENT continued

11.2 Reconciliation of property, plant and equipment

31 December 2019

R'000	Opening balance	Change in accounting policy impact	Adjusted opening balance	Additions	Disposals	Transfers*	Foreign exchange movements	Depreciation	Closing balance
GROUP		(Note 2.25 and 12)							
Land and buildings	163 470	–	163 470	784	–	–	–	(760)	163 494
Plant and machinery	205 482	(15 310)	190 172	19 856	(244)	41 939	(864)	(8 511)	242 348
Furniture and fixtures	2 327	–	2 327	392	(101)	–	(67)	(320)	2 231
Motor vehicles	37 369	(14 573)	22 796	284	(257)	–	(997)	(1 033)	20 793
Office equipment	6 942	–	6 942	1 980	(18)	–	(27)	(1 352)	7 525
IT equipment	6 664	(202)	6 462	639	(68)	–	(12)	(1 546)	5 475
Computer software	29 455	–	29 455	–	–	–	–	(1 384)	28 071
Leasehold improvements	2 213	–	2 213	6 406	–	17 562	(110)	(1 975)	24 096
Mobile site offices	990	–	990	–	–	–	–	(45)	945
Tools and moulds	4 677	–	4 677	121	–	1 978	–	(747)	6 029
Capital work in progress	61 479	–	61 479	4 870	–	(61 479)	–	(4)	4 866
	521 068	(30 085)	490 983	35 332	(688)	–	(2 077)	(17 677)	505 873

* *Capital work in progress is transferred to the relevant category of assets once completed and the assets have been commissioned.*

31 August 2019

R'000	Opening balance	Additions	Disposals	Transfers*	Foreign exchange movements	Depreciation	Closing balance
GROUP							
Land and buildings	183 379	2 583	(16 232)	(4 095)	–	(2 165)	163 470
Plant and machinery	232 371	16 647	(447)	(514)	(404)	(42 171)	205 482
Furniture and fixtures	4 924	700	(1 074)	(184)	75	(2 114)	2 327
Motor vehicles	50 908	1 387	(1 859)	(2 537)	(168)	(10 362)	37 369
Office equipment	96	2 063	(56)	6 621	17	(1 799)	6 942
IT equipment	12 178	2 195	(75)	(3 512)	14	(4 136)	6 664
Computer software	33 656	85	–	(5 974)	1	1 687	29 455
Leasehold improvements	1 288	2 131	(4 109)	10 130	74	(7 301)	2 213
Mobile site offices	1 305	–	(56)	(116)	–	(143)	990
Tools and moulds	3 367	3 273	–	181	6	(2 150)	4 677
Capital work in progress	3 512	57 967	–	–	–	–	61 479
	526 984	89 031	(23 908)	–	(385)	(70 654)	521 068

* *Transfers relate to a reallocation performed in the current year to ensure a more relevant and appropriate asset categorisation. Capital work in progress is transferred to the relevant category of asset once complete and the asset has been commissioned.*

11. PROPERTY, PLANT AND EQUIPMENT continued

11.2 Reconciliation of property, plant and equipment continued

Capital work in progress relates primarily to capital costs incurred with a change in premises for Conlog from its existing location to a new operational facility in Dube Trade Port. The main remaining costs in this number are related to the Information Communication and Technology infrastructure at R3.6 million.

The launch of the new facility was held on November 27th 2019, with the facility being brought on line during that month and becoming fully operational, including an automated assembly machine for the latest product launched. The total project cost was R86 million, with a few facility enhancements currently under assessment.

	31 December 2019			
R'000	**Opening balance**	**Additions**	**Depreciation**	**Closing balance**
COMPANY				
Furniture and fixtures	**202**	**–**	**(20)**	**182**
Office equipment	**6**	**–**	**(1)**	**5**
IT equipment	**84**	**–**	**(44)**	**40**
Leasehold improvements	**792**	**–**	**(81)**	**711**
	1 084	**–**	**(146)**	**938**

	31 August 2019			
R'000	Opening balance	Additions	Depreciation	Closing balance
COMPANY				
Furniture and fixtures	288	–	(86)	202
Office equipment	8	–	(2)	6
IT equipment	226	–	(142)	84
Leasehold improvements	1 036	–	(244)	792
	1 558	–	(474)	1 084

Refer to note 23 for details of property, plant and equipment given as security to the group's lenders.

11.3 Contingency on property in Elderberry

Drift Supersand entered into an agreement with minority shareholders of Elderberry, a subsidiary, (which includes directors of Drift Supersand) such that the minority shareholders have the right to sell their residual shares in Elderberry to Drift Supersand at a value based on 30% of the net sales proceeds to be derived from the future sale, if there is a future sale, of the land and buildings of Elderberry. This contingency is regarded as remote.

12. RIGHT OF USE ASSETS/LEASE LIABILITY

R'000	GROUP 4 months ended 31 December 2019	GROUP 1 September 2019	COMPANY 4 months ended 31 December 2019	COMPANY 12 months ended 31 August 2019
Amounts recognised in the statement of financial position			**–**	–
Right of use assets			**–**	–
Buildings	**109 589**	119 437	**–**	–
Plant and machinery	**11 518**	15 310		
Motor vehicles	**12 746**	14 573		
IT equipment	**277**	202		
	134 130	149 522	**–**	–
Lease liabilities			**–**	–
Current	**33 772**	38 153	**–**	–
Non current	**110 315**	117 390	**–**	–
	144 087	155 543	**–**	–
Opening	**155 543**	–		
Interest	**4 425**	–		
Lease payment	**(15 881)**	–		
Closing	**144 087**	–	**–**	–
Depreciation charge of right of use assets			**–**	–
Buildings	**9 848**	–	**–**	–
Plant and machinery	**3 792**	–	**–**	–
Motor vehicles	**1 827**	–	**–**	–
IT equipment	**122**	–		
	15 589	–	**–**	–
Interest expense (included in finance cost)	**4 425**	–	**–**	–
Expense relating to short term leases	**11 219**	–	**–**	–
Expense relating to leases of low value assets that are not shown in the above short term leases (included in operating expenses)	**2 221**	–	**–**	–

The group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 3 months to 5 years, but may have extension options.

The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

However, for leases of buildings for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Leased assets may not be used as security for borrowing purposes.

Until the August 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 September 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

13. GOODWILL

13.1 Carrying value

R'000	31 December 2019 Cost	31 December 2019 Accumulated impairment	31 December 2019 Carrying value	31 August 2019 Cost	31 August 2019 Accumulated impairment	31 August 2019 Carrying value
GROUP						
Goodwill	**1 191 376**	**(578 139)**	**613 237**	1 191 376	(578 139)	613 237

13.2 Reconciliation for the period

R'000	31 December 2019	31 August 2019
GROUP		
Opening balance	**613 237**	679 478
Impairment loss	**–**	(66 241)
Closing balance	**613 237**	613 237

13.3 Impairment testing

The recoverable amounts of the cash-generating units (CGUs) have been determined based on value-in-use calculations. The assumptions applied for each of the variables match those applied in the preparation of group budgets and forecasts. Assumptions are supported by past experience.

CGU	31 December 2019 Discount rate %	31 December 2019 Growth rate %	31 December 2019 Period	31 August 2019 Discount rate %	31 August 2019 Growth rate %	31 August 2019 Period
Conlog	**16.8**	**5**	**5 years plus residual value**	18	5	5 years plus residual value

Future cash flows were discounted at a rate of 16.8%, which approximates the weighted average cost of capital for the CGU, over a 5-year period and assuming a growth rate of 5%. The implied pre-tax discount rate is 18.9%. The value of the cash generating unit determined on this basis exceeds the carrying value at year-end.

The prior year goodwill impairment related to:

- Consolidated Power Maintenance
- Drift Supersand
- West End Claybrick

13.4 Sensitivities

Conlog: An increase in discount rate to 18.5% (August 2019: 18.5%) still doesn't result in an impairment.

A decrease in gross margin by 4% (August 2019: 4%) still doesn't result in an impairment.

A decrease in forecast revenue of 8% (August 2019: 8%) still doesn't result in an impairment.

13.5 Allocation of goodwill

R'000	31 December 2019	31 August 2019
Conlog	**613 237**	613 237
Total	**613 237**	613 237

14. INTANGIBLE ASSETS

14.1 Carrying value

R'000	31 December 2019 Cost	31 December 2019 Accumulated amortisation	31 December 2019 Carrying value	31 August 2019 Cost	31 August 2019 Accumulated amortisation	31 August 2019 Carrying value
GROUP						
Mining rights	**21 743**	**(13 408)**	**8 335**	21 743	(13 046)	8 697
Brand names	**43 923**	**(24 625)**	**19 298**	43 923	(23 960)	19 963
Product design	**72 315**	**(46 830)**	**25 485**	72 315	(42 146)	30 169
Meters under development	**70 385**	**(22 095)**	**48 290**	111 315	(59 215)	52 100
Patents	**25 655**	**(25 628)**	**27**	25 655	(25 625)	30
Computer software	**11 878**	**(9 020)**	**2 858**	10 452	(10 267)	185
Total	**245 899**	**(141 606)**	**104 293**	285 403	(174 259)	111 144

14.2 Reconciliation per period

R'000	31 December 2019 Opening balance	Additions	Amortisation	Closing balance
GROUP				
Mining rights	**8 697**	**–**	**(362)**	**8 335**
Brand names	**19 963**	**–**	**(665)**	**19 298**
Product design	**30 169**	**–**	**(4 684)**	**25 485**
Meters under development	**52 100**	**1 615**	**(5 425)**	**48 290**
Patents	**30**	**–**	**(3)**	**27**
Computer software	**185**	**3 617**	**(944)**	**2 858**
	111 144	**5 232**	**(12 083)**	**104 293**

Impairment testing was conducted on intangible assets using the same assumptions as included in note 11.

R'000	31 August 2019 Opening balance	Additions	Transfers	Impairment*	Amortisation	Closing balance
GROUP						
Mining rights	9 784	–	–	–	(1 087)	8 697
Brand names	21 106	–	–	–	(1 143)	19 963
Product design	91 071	–	(46 853)	–	(14 049)	30 169
Meters under development	39 387	22 340	46 853	(39 387)	(17 093)	52 100
Patents	35	–	–	–	(5)	30
Computer software	498	1 141	–	–	(1 454)	185
	161 881	23 481	–	(39 387)	(34 831)	111 144

* *Relates to a write off of development cost capitalised in the Power segment (Conco).*

14. INTANGIBLE ASSETS continued

14.3 Remaining useful lives

	31 December 2019	31 August 2019
GROUP		
Mining rights	**18 – 28**	8
Brand names	**7**	8
Product design	**3**	4
Patents	**17**	18
Computer software	**1 – 2**	1 – 2

On 1 November 2016, the group acquired 100% of the voting equity interest of Conlog for a total purchase consideration of R850 million. Conlog is a leading developer, manufacturer and distributor of prepaid electricity meters and related applications and support services for Africa and other international emerging markets.

In terms of IFRS 3: *Business Combinations*, the purchase consideration was allocated to identifiable tangible assets and liabilities and intangible assets and liabilities. As such, intangibles relating to the brand of R20 million and product design of R72 million was raised. The difference between the purchase consideration and fair value of net assets acquired was allocated to goodwill. (Note 13.)

Meters under development relate to costs incurred on electricity meters and development projects, in the Conlog business.

Meter development and product design were considered for recovery based on budgeted cashflows from feasibility studies. Life of mine cash flows were used to assess recoverability of mining rights. Refer to note 13. Brand names were assessed for recovery along with the goodwill assessment of Conlog. Refer to note 13. No additional impairment was deemed to be required.

14. INTANGIBLE ASSETS continued

14.4 Mining rights

	Drift Supersand Mining	Quarry Cats Mining Licence Laezonia	West End Claybrick	Regal Brick	Regal Brick
GROUP					
Reference number	ML06/1998	148MR	ML07/2003	MR78/2007	MR68/2007
Mineral	Sand, gravel and igneous rock	Sand, gravel and igneous rock	Clay	Sand occurring in the slimes dam	Clay
Properties	Portion 116, a portion of portion 79 of Roodekrans No. 183, District Krugersdorp, Gauteng measuring 26,8480 hectares in extent	Remaining extent of portion 14 of the farm Doornrandje 386 JR, District of Pretoria, Gauteng. Measuring 83,5140 hectares	Remaining portion 1 of the farm Waterspan 292 – IQ Westonaria	Mine residue deposit RMT 273/77 located on portion 3 of the farm Witpoortjie 245 – IQ Mogale City District, measuring 18,1590 hectares in extent	Remaining portion of portion 1 and a portion of portion 32 of the farm Waterspan 292 – IQ Westonaria, measuring 49,9934 hectares in extent
	Portion 80 of Roodekrans No. 183, District Krugersdorp, Gauteng measuring 38,86 hectares in extent				
	Portion 79 of Roodekrans No. 183, District Krugersdorp Gauteng measuring 26,8480 hectares in extent				
Issue date	24 February 2012	10 July 2018	18 May 2010	6 March 2007	6 March 2007
Expiration date	26 April 2038	9 July 2048	17 May 2040	5 March 2017*	5 March 2037
Status	New order mining right approved	New order mining right approved	New order mining right approved	New order mining right approved	New order mining right approved

* *In terms of MR78/2007, a renewal application has been submitted of which the outcome is pending. From a business continuity perspective, the resource to be mined is not critical to the manufacturing process of clay bricks. Alternative sources of supply have been identified in the open market.*

No land is owned, leased or is adjacent to any protected areas and areas of high biodiversity value outside protected areas.

15. INVESTMENTS IN SUBSIDIARIES

Direct subsidiaries

	31 December 2019		31 August 2019	
Subsidiary	**% holding**	**Cost R'000**	% holding	Cost R'000
COMPANY				
CIGenCo SA Proprietary Limited [1]	**100**	**–**	100	–
Conlog Proprietary Limited [1]	**100**	**855 680**	100	855 680
Consolidated Power Projects Group South Africa Proprietary Limited* [1]	**100**	**–**	100	–
Consolidated Power Maintenance and Investments Proprietary Limited [1]	**100**	**1**	100	1
Drift Supersand Proprietary Limited [2]	**74**	**28 841**	74	28 841
West End Claybrick Proprietary Limited [2]	**100**	**61 558**	100	61 558
Tractionel Maintenance Services Proprietary Limited [3]	**100**	**–**	100	–
Tension Overhead Electrification Proprietary Limited [3]	**100**	**–**	100	–
Consolidated Infrastructure Group International** [4]	**100**	**210 101**	100	210 101
		1 156 181		1 156 181

* *Certain subsidiaries of Consolidated Power Projects Proprietary Limited are incorporated in countries outside of South Africa.*

** *All subsidiaries listed above are incorporated in South Africa, except for Consolidated Infrastructure Group International which is incorporated in Mauritius.*

The total investment in Conco and Tractionel was impaired in F2018.

Segment

[1] *Power*

[2] *Building Materials*

[3] *Rail*

[4] *Corporate*

Refer to Annexure A for a list of subsidiaries.

16. INVESTMENT IN JOINT ARRANGEMENTS

16.1 Joint ventures

			31 December 2019		31 August 2019	
Material joint venture	Country incorporated	Shareholder	**% ownership interest**	**Carrying amount R'000**	% ownership interest	Carrying amount R'000
GROUP						
Angola Environmental Services Limitada	Angola	CIG Angola 1	**30,5**	**454 152**	30,5	532 031
Ejuva One Solar Energy Proprietary Limited	Namibia	CIGenCo SA Proprietary Limited	**49,0**	**15 031**	49,0	15 101
Ejuva Two Solar Energy Proprietary Limited	Namibia	CIGenCo SA Proprietary Limited	**49,0**	**15 420**	49,0	15 052
				484 603		562 184

Angola Environmental Services Limitada (AES)

On 30 January 2014, the group acquired a 30,5% equity interest in AES for R261,6 million. AES, an Angolan-based company, provides waste management services to the oil and gas sector. The shareholding in AES is held by CIG Angola 1, a company incorporated in Mauritius, which is a wholly-owned subsidiary of the group. AES is accounted for as a joint venture using the equity-accounted method.

In terms of a consortium agreement, one of the other shareholders in AES, holding 16%, has a put option in place to sell their shareholding to CIG. The option period commences on 1 May 2016 and expires after four years on 1 May 2020. This option is recognised at zero value in the financial statements, given the remote likelihood of it being exercised.

The value of the shares to be acquired will be based on a 4,5 times EBITDA multiple, less any existing interest-bearing debt within the business.

In the event of a material adverse condition existing at the time the put option is triggered by this shareholder, CIG has the right not to accept the option, following which, CIG and the other shareholders will jointly market their shares in the open market. Notice was given to the shareholder that the decoupling of the US Dollar and Angolan Kwanza was seen as a material adverse condition.

Ejuva One Solar Energy Proprietary Limited (Ejuva One) and Ejuva Two Solar Energy Proprietary Limited (Ejuva Two)

On 26 April 2018, the group acquired a 49% equity interest in Ejuva One and Ejuva Two for a combined R35,8 million. Ejuva One and Two, represent two 5MW solar photovoltaic plants part of the Namibian Renewable Energy Feed-in-Tariff (REFiT) programme, situated in Gobabis, Omaheke Region, Namibia. The plants supply electricity to Nampower under a 25-year power purchase agreement. The shareholding is held by CIGenCo SA Proprietary Limited, incorporated in South Africa, which is a wholly-owned subsidiary of the group. Ejuva One and Two are accounted for as joint ventures using the equity-accounted method.

16. INVESTMENT IN JOINT ARRANGEMENTS continued

16.2 Summarised financial information of the AES joint venture

R'000	AES **4 months ended 31 December 2019**	AES 12 months ended 31 August 2019
GROUP		
Summarised statement of comprehensive income (100%)		
Revenue	**422 199**	709 639
EBITDA	**56 103**	152 288
Depreciation	**(47 017)**	(149 999)
Interest	**(150)**	663
Loss before taxation	**(5 073)**	(48 878)
Taxation	**(25 330)**	(46 691)
Loss for the year	**(30 403)**	(95 569)

R'000	**31 December 2019**	31 August 2019
Summarised statement of financial position (100%)		
Non-current assets	**578 449**	697 348
Current assets	**646 340**	749 872
– Cash and cash equivalents	**121 267**	95 739
– Other current assets	**525 073**	654 133
Current liabilities	**(307 170)**	(322 831)
Total net assets	**917 619**	1 124 389
Reconciliation of net assets to equity-accounted investments in joint ventures		
Interest in joint venture at percentage ownership (30,5%)	**279 874**	342 939
Goodwill	**174 278**	189 092
Carrying value of investment	**454 152**	532 031
Carrying value of investment at the beginning of the year	**532 031**	563 558
Share of loss	**(10 627)**	(29 148)
Dividends received	**(21 387)**	(23 599)
Share of other comprehensive income – foreign currency translation	**(45 865)**	21 220
Carrying value of investment at the end of the year	**454 152**	532 031

Notes to the financial statements continued

16. INVESTMENT IN JOINT ARRANGEMENTS continued

16.3 Summarised financial information of Ejuva One and Ejuva Two joint ventures

R'000	Ejuva One **4 months ended 31 December 2019**	Ejuva One 12 months ended 31 August 2019	Ejuva Two **4 months ended 31 December 2019**	Ejuva Two 12 months ended 31 August 2019
Summarised statement of comprehensive income (100%)				
Revenue	**6 493**	19 291	**7 377**	18 787
Profit/(loss) before taxation	**457**	391	**1 351**	(114)
Taxation		(125)		37
Profit/(loss) after taxation	**457**	266	**1 351**	(77)
Total comprehensive income/(loss)	**457**	266	**1 351**	(77)

R'000	**31 December 2019**	31 August 2019	**31 December 2019**	31 August 2019
Summarised statement of financial position (100%)				
Non-current assets	**107 315**	108 875	**107 028**	108 640
Current assets	**9 781**	11 288	**10 369**	11 067
– Cash and cash equivalents	**5 088**	6 977	**5 909**	6 576
– Other current assets	**4 693**	4 311	**4 460**	4 491
Non-current financial liabilities	**(82 203)**	(82 203)	**(82 153)**	(82 153)
Current financial liabilities	**(5 180)**	(8 103)	**(4 736)**	(7 796)
Total net assets	**29 713**	29 857	**30 508**	29 758
Reconciliation of net assets to equity-accounted investments in joint ventures				
Interest in joint venture at percentage ownership (49,0%)	**14 560**	14 630	**14 949**	14 581
Goodwill	**471**	471	**471**	471
Carrying value of investment	**15 031**	15 101	**15 420**	15 052
Carrying value of investment at the beginning of the year	**15 101**	17 989	**15 052**	18 108
Investment in the year		–		–
Share of profit	**224**	130	**662**	(38)
Distribution to shareholders	**(294)**	(3 018)	**(294)**	(3 018)
Carrying value of investment at the end of the year	**15 031**	15 101	**15 420**	15 052

17. LOANS AND RECEIVABLES AT AMORTISED COST

R'000	GROUP		COMPANY	
	31 December 2019	31 August 2019	**31 December 2019**	31 August 2019
Loans and receivables				–
Environmental Rehabilitation Trust Fund	**8 861**	7 900	**–**	–
Total other financial assets	**8 861**	7 900	**–**	–
The carrying value of the financial assets approximates their fair value.				
Non-current assets	**8 861**	7 900	**–**	–
Total other financial assets	**8 861**	7 900	**–**	–

The expected credit loss (ECL) has been assessed and is immaterial.

18. DEFERRED TAXATION

R'000	GROUP		COMPANY	
	31 December 2019	31 August 2019	**31 December 2019**	31 August 2019
Disclosure on the statement of financial position				–
Deferred taxation asset	**9 443**	3 444	**–**	–
Deferred taxation liability	**(66 349)**	(65 382)	**–**	–
	(56 906)	(61 938)	**–**	–
Categories of deferred taxation				
Property, plant and equipment	**(45 746)**	(44 582)	**–**	–
Intangible assets	**(46 792)**	(49 457)	**–**	–
Debtors and income received in advance	**1 065**	(17 491)	**–**	–
Taxation losses available for set off against future taxable income	**17 975**	28 974	**–**	–
Other provisions	**8 514**	6 756	**–**	–
Provision for doubtful debts	**6 377**	6 717	**–**	–
Accrual for leave pay and bonus	**1 701**	7 145	**–**	–
	(56 906)	(61 938)	**–**	
Reconciliation				
At the beginning of the year	**(61 938)**	(39 896)	**–**	424
Temporary difference on property, plant and equipment	**(2 537)**	918	**–**	–
Temporary difference on intangible assets	**2 693**	3 069	**–**	–
Temporary difference on debtors and income received in advance	**78**	3 330	**–**	–
Taxation losses available for set off against future taxable income	**9 284**	(17 797)	**–**	(424)
Temporary difference on other provisions	**(868)**	(10 622)	**–**	–
Temporary difference on provision for doubtful debts	**70**	873	**–**	–
Temporary difference on accrual for leave pay and bonus	**(3 688)**	(1 813)	**–**	–
	(56 906)	(61 938)	**–**	–

18. DEFERRED TAXATION continued

R'000	GROUP 31 December 2019	GROUP 31 August 2019	COMPANY 31 December 2019	COMPANY 31 August 2019
Unrecognised deferred taxation asset				
Unused taxation losses not recognised as deferred taxation assets	**906 572**	761 557	**3 464**	–

Deferred taxation assets were not recognised in respect of certain taxation losses due to uncertainty regarding future taxable profits being generated in the respective legal entities.

Deferred taxation assets are raised only to the extent that future taxable income will be available against which the deferred taxation asset can be set off. Deferred taxation assets of R17,9 million (31 August 2019: R28,9 million), was raised based on taxation losses available for set off against future taxable income. Management has projected that future taxable income will be in excess of the taxation losses for these entities.

19. INVENTORIES

R'000	GROUP 31 December 2019	GROUP 31 August 2019	COMPANY 31 December 2019	COMPANY 31 August 2019
Raw materials, components	**166 022**	152 478	**–**	–
Work in progress	**22 166**	23 007	**–**	–
Finished goods	**126 631**	138 520	**–**	–
Inventory allowances	**(2 632)**	(1 797)	**–**	–
	312 187	312 208	**–**	–

During the period, inventory with a value of R3,9 million (31 August 2019: R17,5 million) was written down. Inventory is carried at the lower of cost and net realisable value. Inventory with a carrying value of R9,8 million (31 August 2019: R12,3 million) is carried at net realisable value.

Refer to note 23 for details of inventory encumbered.

20. LOANS TO/(FROM) GROUP COMPANIES

R'000	**31 December 2019**	31 August 2019
COMPANY		
Loans to group companies		
Drift Supersand Proprietary Limited	**144 528**	141 976
The loan is unsecured, bears interest at the prime interest rate plus 0,5% and has no fixed terms of repayment. The company has subordinated the loan in favour of the subsidiary's bankers until the borrowing entity's' assets, fairly valued, exceed its liabilities.		
West End Claybrick Proprietary Limited	**89 390**	89 390
The loan is unsecured, bears interest at the prime interest rate and has no fixed terms of repayment. The company has subordinated the loan in favour of the subsidiary's bankers until the borrowing entity's assets, fairly valued, exceed its liabilities.		
Consolidated Power Maintenance Proprietary Limited	**1 885**	4 099
The loan is unsecured, bears interest at the prime interest rate and has no fixed terms of repayment. The company has subordinated the loan until the borrowing entity's assets, fairly valued, exceed its liabilities.		
Tension Overhead Electrification Proprietary Limited	**39 000**	39 000
The loan is unsecured, bears interest at the prime interest rate and has no fixed terms of repayment. The company has subordinated the loan in favour of the subsidiary's bankers until the borrowing entity's assets, fairly valued, exceed its liabilities.		
CIGenCo SA Proprietary Limited	**23 564**	24 152
The loan is unsecured, bears no interest and has no fixed terms of repayment.		
Assets as reflected on the statement of financial position	**298 367**	298 617
Loans from group companies		
Consolidated Infrastructure Group International	**(108 314)**	(108 314)
The loan is unsecured, bears no interest and has no fixed terms of repayment.		
The loan is denominated in Rand.		
Conlog Proprietary Limited	**(113 013)**	(109 150)
The loan is unsecured, bears no interest and has no fixed terms of repayment.		
Liabilities as reflected on the statement of financial position	**(221 327)**	(217 464)
	77 040	81 153
Loans due from group companies		
Gross loans due	**2 425 266**	2 207 266
Provision for credit losses	**(2 126 899)**	(1 908 649)
	298 367	298 617

The carrying value of the loans to group companies approximate their fair value.

Specific provision related to loans to loss-making subsidiaries which could not be recovered, when considering expected life cash flows.

The expected credit loss (ECL) (other than specific provisions) has been assessed and is immaterial.

21. CONTRACT WORK IN PROGRESS

R'000	GROUP 31 December 2019	GROUP 31 August 2019	COMPANY 31 December 2019	COMPANY 31 August 2019
Cost incurred plus profits recognised less estimated losses relating to contracts in progress	**6 610 576**	10 670 032	**–**	–
Progress billings	**(6 398 028)**	(10 180 028)	**–**	–
	212 548	490 004	**–**	–

22. TRADE AND OTHER RECEIVABLES

R'000	GROUP 31 December 2019	GROUP 31 August 2019	COMPANY 31 December 2019	COMPANY 31 August 2019
Financial instruments at amortised cost				
Contract debtors	**556 693**	760 495	**–**	–
Provision for impairment of contract debtors	**(171 150)**	(175 311)	**–**	–
Retention debtors	**271 304**	284 314	**–**	–
Trade debtors	**316 909**	336 036	**–**	–
Provision for impairment of trade debtors	**(29 856)**	(30 768)	**–**	–
Deposits	**3 934**	3 982	**–**	–
Other	**40 431**	45 002	**4 066**	6 046
	988 265	1 223 750	**4 066**	6 046
Non-financial instruments				
VAT	**121 534**	165 704	**8 509**	7 771
Prepayments	**7 154**	7 883	**–**	128
	128 688	173 587	**8 509**	7 899
Total trade and other receivables	**1 116 953**	1 397 337	**12 575**	13 945

All trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost.

22. TRADE AND OTHER RECEIVABLES continued

22.1 In line with IFRS 9, the table below provides information about the exposure to credit risk and lifetime expected credit losses for trade and other receivables

31 December 2019 R'000	**Current**	**31 – 60 days**	**61 – 90 days**	**91 – 120 days**	**>120 days**	**Total**
GROUP						
Power	**438 740**	**70 654**	**16 543**	**23 720**	**185 215**	**734 872**
– Conco	**395 066**	**68 551**	**8 564**	**12 762**	**117 188**	**602 131**
– Conlog	**40 275**	**2 103**	**7 979**	**10 958**	**68 027**	**129 342**
– Other	**3 399**	**–**	**–**	**–**	**–**	**3 399**
Building Materials	**22 494**	**34 066**	**5 789**	**3 270**	**3 777**	**69 395**
Rail	**11 215**	**22 349**	**4 495**	**10 096**	**–**	**48 155**
Corporate	**135 843**	**–**	**–**	**–**	**–**	**135 843**
Total net trade receivables	**608 292**	**127 069**	**26 827**	**37 086**	**188 992**	**988 265**
Gross trade receivables						**1 189 271**
Specific provision for expected credit loss						**(201 006)***
Net trade receivables						**988 265**
Expected credit loss (R'm)	**(5 864)**	**(1 566)**	**(282)**	**(644)**	**(618)**	**(8 974)**
Weighted average exposed credit loss rate (%)	**(0,96)**	**(1,23)**	**(1,05)**	**(1,74)**	**(0,33)**	**(0,91)**

* *Conco (R152 950k), Conlog (R25 074k), Building Materials (R4 782k) and Rail (R18 200k)*

31 August 2019 R'000	Current	31 – 60 days	61 – 90 days	91 – 120 days	>120 days	Total
Power	1 213 405	106 662	16 356	4 588	159 569	1 500 580
– Conco	1 119 673	103 525	–	–	98 896	1 322 094
– Conlog	90 495	3 137	16 356	4 588	60 673	175 249
– Other	3 237	–	–	–	–	3 237
Building Materials	54 281	32 035	3 996	1 415	3 902	95 629
Rail	59 003	4 392	10 404	12 804	–	86 603
Corporate	30 943	–	–	–	–	30 943
Total net trade receivables	1 357 632	143 089	30 756	18 807	163 471	1 713 755
Gross trade receivables						1 919 834
Specific provision for expected credit loss						(206 079)*
Net trade receivables						1 713 755
Expected credit loss (R'm)	(8 467)	(486)	(51)	(73)	(302)	(9 379)
Weighted average exposed credit loss rate (%)	(0,62)	(0,34)	(0,17)	(0,39)	(0,18)	(0,55)

* *Conco (R157 111k), Conlog (R27 294k), Building Materials (R3 474k) and Rail (R18 200k)*

22. TRADE AND OTHER RECEIVABLES continued

22.2 Reconciliation of the provision for impairment of trade and other receivables

R'000	GROUP 31 December 2019	GROUP 31 August 2019	COMPANY 31 December 2019	COMPANY 31 August 2019
Opening balance	**206 079**	59 651	**–**	–
Specific provision (released)/raised	**(5 073)**	159 973	**–**	–
Debtor write off	**–**	(13 545)	**–**	–
Closing balance	**201 006**	206 079		–

22.3 Analysis of impaired trade receivables

Included in the provision for impairment of trade receivables are individually impaired trade receivables with a balance of R201,5 million (31 August 2019: R219,8 million). The impairment recognised represents the difference between the carrying value of these trade receivables and the present value of any expected lifetime collections. All impairment amounts incurred during the year are charged to the income statement and recorded with operating costs.

R'000	GROUP 31 December 2019	GROUP 31 August 2019	COMPANY 31 December 2019	COMPANY 31 August 2019
Analysis of impaired trade receivables				
Gross value of debtors individually impaired	**201 457**	219 839	**–**	–
Less: impairment against debtors	**(201 006)**	(206 079)	**–**	–
	451	13 760	**–**	–
Analysis of trade receivables individually impaired by region				
South Africa	**68 483**	66 331	**–**	–
Rest of Africa	**47 554**	63 856	**–**	–
Rest of the world	**85 420**	89 652	**–**	–
	201 457	219 839	**–**	–

In line with IFRS 7 paragraph 6, the group discloses trade receivables that have been individually impaired by region as management monitors the trade receivables on this basis.

R'000	GROUP 31 December 2019	GROUP 31 August 2019	COMPANY 31 December 2019	COMPANY 31 August 2019
Ageing of trade debtors individually impaired				
One month past due	**–**	6 165	**–**	–
Two months past due	**43**	14	**–**	–
Three months past due	**–**	14	**–**	–
More than three months past due	**201 414**	213 646	**–**	–
	201 457	219 839	**–**	–

22. TRADE AND OTHER RECEIVABLES continued

R'000	GROUP 31 December 2019	GROUP 31 August 2019	COMPANY 31 December 2019	COMPANY 31 August 2019
22.4 Carrying amount per currency				
The carrying amounts of the group's trade and other receivables are denominated in the following currencies:				
South African Rand	**427 605**	735 723	**4 066**	13 946
US Dollar	**328 916**	359 169	**–**	–
Botswana Pula	**64 177**	138 562	**–**	–
Other	**167 567**	163 883	**–**	–
	988 265	1 397 337	**4 066**	13 946

The carrying value of amounts due from contract customers approximate their fair value due to the short-term nature of these instruments.

Trade and other receivables have been pledged as security for overdraft facilities. Refer to note 23.

23. CASH AND CASH EQUIVALENTS

R'000	GROUP 31 December 2019	GROUP 31 August 2019	COMPANY 31 December 2019	COMPANY 31 August 2019
Cash and cash equivalents consist of:				
Cash on hand	**3 445**	3 822	**–**	–
Bank balances	**478 100**	761 845	**214 724**	491 116
Bank overdraft	**(521 173)**	(667 380)	**–**	–
	(39 628)	98 287	**214 724**	491 116
Current assets	**481 545**	765 668	**214 724**	491 116
Current liabilities	**(521 173)**	(667 380)	**–**	–
	(39 628)	98 288	**214 724**	491 116

The carrying value of the cash and cash equivalents approximate their fair value due to the short-term nature of these instruments.

Contract debtors, retention debtors and trade receivables were pledged as security for overdraft facilities. Tractionel Electrification Proprietary Limited's overdraft with Absa Bank is secured by a notarial bond over its moveable assets and a cession of its trade receivables of R65,7 million (31 August 2019: R91,8 million). The Building material business trade debtors to the value of R70,9 million (31 August 2019: R99,4 million) are ceded in favour of Nedbank Bank. Contract debtors, retention debtors and trade receivables of R655,9 million (31 August 2019: R777,6 million) are pledged as security for overdraft, trade finance facilities and performance guarantee's within the Conco businesses.

24. SHARE CAPITAL

'000	GROUP 31 December 2019	GROUP 31 August 2019	COMPANY 31 December 2019	COMPANY 31 August 2019
24.1 Authorised				
600 million no par value shares (31 August 2019: 600 million)				
24.2 Issued shares – net of treasury shares^				
Reconciliation of number of shares issued				
Reported at the beginning of the year	**396 159**	196 159	**396 159**	196 159
Issue of shares – rights issue#	**–**	200 000	**–**	200 000
Closing balance at the end of the year	**396 159**	396 159	**396 159**	396 159
24.3 Authorised but not issued shares				
A further 203,8 million unissued no par value shares (31 August 2019: 203,8 million) are under the control of the directors. This authority remains in force until the next annual general meeting.				
R'000				
24.4 Share capital – no par value shares				
Reported at beginning of year	**3 094 759**	2 328 926	**3 085 400**	2 319 567
Issue of shares – rights issue#	**–**	765 833	**–**	765 833
Share capital at the end of the year	**3 094 759**	3 094 759	**3 085 400**	3 085 400

^ *The company holds 5 932 055 treasury shares at 31 December 2019 (31 August 2019: 5 932 055 shares).*

Right issue concluded in January 2019.

25. BORROWINGS

R'000	GROUP 31 December 2019	GROUP 31 August 2019	COMPANY 31 December 2019	COMPANY 31 August 2019
25.1 Interest-bearing borrowings				
Secured loan bearing interest at rates ranging from 3% to 12%	**762 632**	848 865	**295 925**	294 125
Unsecured loans bearing interest at rates ranging from 10% to 11%	**924 254**	928 402	**924 000**	924 000
Instalment sales	**–**	25 871	**–**	–
	1 686 886	1 803 138	**1 219 925**	1 218 125
Current liabilities	**1 311 875**	1 409 714	**924 000**	924 000
Non-current liabilities	**375 011**	393 424	**295 925**	294 125
	1 686 886	1 803 138	**1 219 925**	1 218 125
Capital repayment				
In one year	**1 311 875**	1 409 714	**924 000**	924 000
In two years	**26 976**	31 433	**–**	–
In three years	**52 110**	27 635	**–**	–
>Three years	**295 925**	334 355	**295 925**	294 125
	1 686 886	1 803 137	**1 219 925**	1 218 125
25.2 Fair value of non current interest bearing borrowings				
Carrying value	**375 011**	393 424	**295 925**	294 125
Fair value	**277 918**	325 603	**212 050**	215 062

25. BORROWINGS continued

R'000	GROUP 31 December 2019	GROUP 31 August 2019	COMPANY 31 December 2019	COMPANY 31 August 2019
25.3 Secured loans				
25.3.1 Investec The loan is held by Conlog Proprietary Limited and was secured by cession of accounts receivable in Conlog Proprietary Limited. The loan is repayable in 20 quarterly instalments, commencing on 30 November 2017 with a final instalment of R30 000 000. At year-end, 12 instalments remain outstanding. Interest is calculated on three-month JIBAR +2%.	**103 428**	109 150	**–**	–
25.3.2 Convertible loan – Fairfax Africa Investment Proprietary Limited The loan was extended on 4 June 2018 and is secured under cession and pledge of the entire issued share capital of Conlog Proprietary Limited. The initial coupon rate was prime plus 4% serviced monthly. At an extraordinary general meeting, conversion right conditions were approved and the coupon decreased to prime plus 2%. CIG can convert the loan to equity assuming the CIG listed shares trade at a price greater than R6,24 for no less than 90 consecutive days. Fairfax can convert the loan at any time throughout the loan term, but no later than 3 June 2023.	**295 925**	294 125	**295 925**	294 125
25.3.3 Trade finance The Conco group has trade finance facilities. These facilities are repaid and redrawn on a continuous basis and as such there is no specific loan term.	**363 279**	445 590	**–**	–
	762 632	848 865	**295 925**	–

Debt finance raising expenses of R5,9 million was incurred in the raising of the R300 million loan to the company and has been accounted for by reducing the carrying value of the loan.

25. BORROWINGS continued

R'000	GROUP 31 December 2019	GROUP 31 August 2019	COMPANY 31 December 2019	COMPANY 31 August 2019
25.4 Unsecured loans				
25.4.1 Outside shareholders	**254**	4 402	**–**	–
The loan is unsecured and held by Lugbell Investments Proprietary Limited, a subsidiary of Consolidated Power Projects Proprietary Limited. The loan is interest free with no fixed terms of repayment.				
25.4.2 Senior unsecured floating rate notes				
25.4.2.1 CIG04	**134 000**	134 000	**134 000**	134 000
Interest charged is based on three-month JIBAR plus 3,10% and is paid quarterly on 31 March, 30 June, 30 September and 31 December each year. The maturity date of the note was 30 June 2018. The maturity date has been extended to 31 March 2020, following approval received from the bond holders, in anticipation of a debt restructure being concluded.				
25.4.2.2 CIG05	**135 000**	135 000	**135 000**	135 000
Interest charged is based on three-month JIBAR plus 3,50% and is paid quarterly on 31 March, 30 June, 30 September and 31 December each year. The maturity date of the note was 30 June 2019. The maturity date has been extended to 31 March 2020, following approval received from the bond holders, in anticipation of a debt restructure being concluded.				
25.4.2.3 CIG06	**70 000**	70 000	**70 000**	70 000
Interest charged is based on three-month JIBAR plus 3% and is paid quarterly on 28 February, 31 May, 31 August and 30 November each year. The maturity date of the note was 31 August 2018. The maturity date has been extended to 31 March 2020, following approval received from the bond holders, in anticipation of a debt restructure being concluded.				
25.4.2.4 CIG07	**155 000**	155 000	**155 000**	155 000
Interest charged is based on three-month JIBAR plus 3,75% and is paid quarterly on 28 February, 31 May, 31 August and 30 November each year. The maturity date of the note is 31 August 2020. The debt restructure being formalised will reschedule the repayments of the total debt issued as floating rate notes.				

25. BORROWINGS continued

R'000	GROUP 31 December 2019	GROUP 31 August 2019	COMPANY 31 December 2019	COMPANY 31 August 2019
25.4 Unsecured loans continued				
25.4.2 Senior unsecured floating rate notes continued				
25.4.2.5 CIG09	**85 000**	85 000	**85 000**	85 000
Interest charged is based on three-month JIBAR plus 3,00% and is paid quarterly on 7 June, 7 September, 7 December and 7 March each year. The maturity date of the note was 7 June 2019. The maturity date has been extended to 31 March 2020, following approval received from the bond holders, in anticipation of a debt restructure being signed.				
25.4.2.6 CIG10	**19 000**	19 000	**19 000**	19 000
Interest charged is based on three-month JIBAR plus 3,00% and is paid quarterly on 23 July, 23 October, 23 January and 23 April each year. The maturity date of the note was 30 July 2019. The maturity date has been extended to 31 March 2020, following approval received from the bond holders, in anticipation of a debt restructure being signed.				
25.4.2.7 CIG11	**147 000**	147 000	**147 000**	147 000
Interest charged is based on three-month JIBAR plus 3,27% and is paid quarterly on 29 July, 29 October, 29 January and 29 April each year. The maturity date of the note is 29 July 2020. The debt restructure being formalised will reschedule the repayment of the total debt issued as floating rate notes.				
25.4.2.8 CIG12	**179 000**	179 000	**179 000**	179 000
Interest charged is based on three-month JIBAR plus 3,70% and is paid quarterly on 29 July, 29 October, 29 January and 29 April each year. The maturity date of the note is 29 July 2021. The debt restructure being formalised will reschedule the repayment of the total debt issued as floating rate notes. The debt is reflected as short term following the group defaulting on its debt covenants in prior years and not currently formally, as the group nears finalisation of its debt restructure, extending its debt standstill agreement with lenders.				
	924 254	928 402	**924 000**	924 000

As previously reported, CIG has reached an agreement with its note funders to extend maturity dates, on notes which would have been due for redemption, to 31 March 2020 as the group and the more sizeable note funders progress to restructure this debt into a revised and restructured term loan structure.

As disclosed via SENS, the terms and conditions of this revised term loan have been agreed between the parties and the group is progressing to concluding the appropriate legal agreements.

Once signed, the group's liquidity position will be enhanced with current debt due reorganised into a longer dated payment structure. Refer to note 1 for additional disclosure on the group's going concern determination.

25. BORROWINGS continued

25.5 Movement in borrowings

R'000	GROUP Unsecured loans	GROUP Secured loans	GROUP Instalment sale	GROUP Total	COMPANY Unsecured loans	COMPANY Secured loans	COMPANY Total
Balance at 31 August 2018	928 402	887 243	32 894	1 848 539	924 000	300 000	1 224 000
Capital raised	–	–	925	925	–	–	–
Capital paid	–	(21 463)	(9 579)	(31 042)	–	–	–
Forex and non-cash movement	–	(16 915)	–	(16 915)	–	(5 875)	(5 875)
Interest accrued	100 508	84 702	4 009	189 219	100 508	37 327	137 835
Interest paid	(100 508)	(84 702)	(2 378)	(187 588)	(100 508)	(37 327)	(137 835)
Balance at 31 August 2019	928 402	848 865	25 871	1 803 138	924 000	294 125	1 218 125
Balance at 1 September 2019, as previously reported	**928 402**	**848 865**	**25 871**	**1 803 138**	**924 000**	**294 125**	**1 218 125**
Impact of change in accounting policy	**–**	**–**	**(25 871)**	**(25 871)**	**–**	**–**	**–**
Balance at 1 September 2019	**928 402**	**848 865**	**–**	**1 777 267**	**924 000**	**294 125**	**1 218 125**
Capital paid	**(4 148)**	**(80 383)**	**–**	**(84 531)**	**–**	**–**	**–**
Forex and non-cash movement	**–**	**(5 850)**	**–**	**(5 850)**	**–**	**1 800**	**1 800**
Interest accrued	**29 163**	**29 948**	**–**	**76 242**	**29 163**	**12 033**	**41 196**
Interest paid	**(29 163)**	**(29 948)**	**–**	**(76 242)**	**(29 163)**	**(12 033)**	**(41 196)**
Balance at 31 December 2019	**924 254**	**762 632**	**–**	**1 686 886**	**924 000**	**295 925**	**1 219 925**

25.6 Contingent consideration (vendor loan)

R'000	GROUP **31 December 2019**	GROUP 31 August 2019	COMPANY **31 December 2019**	COMPANY 31 August 2019
The liability relates to a payment in which the underlying amount is subject to the performance of AES to December 2019 and is payable in October 2020. The reduction from prior year is as a result of the final year's performance available from AES.	**12 600**	74 828	**–**	–

The contingent consideration period expired at 31 December 2019. As a result, the fair value was calculated based on unaudited results for AES as disclosed in note 16 and the previous 4 years.

Opening balance	74 828
Amount recognised in income statement	(62 228)
Closing balance	12 600

26. PROVISIONS

R'000	Environ-mental rehabili-tation	Product warranties	Social and labour plan provision	Total
GROUP				
Balance at 31 August 2018	6 625	589	–	7 214
Remeasurement of provision	8 442	–	400	8 842
Provision utilised	(32)	(170)	(261)	(463)
Balance at 31 August 2019	15 035	419	139	15 593
Remeasurement of provision	**362**	**–**	**–**	**362**
Provision utilised	**–**	**(45)**	**(139)**	**(184)**
Balance at 31 December 2019	**15 397**	**374**	**–**	**15 771**

R'000	**31 December 2019**	31 August 2019
Non-current liabilities	**15 397**	15 174
Current liabilities	**374**	419
	15 771	15 593

The environmental rehabilitation provision has been raised due to the group's obligation to rectify environmental damage on the mine situated at remaining portion 1 of the farm Waterpan 292 – IQ Westonaria and the Drift Supersand quarries situated at Muldersdrift and Laezonia.

In accordance with legislation, the land contaminated by the company must be restored to a condition as prescribed by the Department of Mineral Resources, when mining activities come to an end. The company provided for this purpose. Because of the long-term nature of the liability, the biggest uncertainty in estimating the provision is the costs that will be incurred. In particular, the company has assumed that the site will be restored using technology and materials that are available currently. Estimated costs are based on current tariffs and guidelines. It is forecast that, due to continuing operations, the land will not have to be rehabilitated within the next 7 years, but as part of continuing operations, portions of land are rehabilitated as part of ongoing operations from time to time.

The environmental rehabilitation provision consists of R11,5 million (31 August 2019: R11,1 million) relating to Drift Supersand and R3,9 million (31 August 2019: R3,9 million) relating to West End. A risk-free rate of 8,3% (31 August 2019: 8,9%) and an average inflation rate of 5,4% (31 August 2019: 5,4%) was used in the calculation of the estimated net present value of the rehabilitation liability.

Product warranties relate to Conlog products. This provision is raised due to potential claims on prepaid meters. A warranty period of one to five years is applicable, product dependant.

27. TRADE AND OTHER PAYABLES

R'000	GROUP 31 December 2019	GROUP 31 August 2019	COMPANY 31 December 2019	COMPANY 31 August 2019
Financial instruments				
Trade creditors	**434 573**	468 680	**–**	–
Retention creditors	**7 870**	8 966	**–**	–
Subcontractor creditor	**122 289**	228 117	**–**	–
Accrued leave pay	**23 569**	34 505	**–**	–
Accrued bonuses	**5 841**	28 729	**5 000**	6 600
Accrued audit fees	**12 494**	12 712	**586**	1 986
Accrued expenses	**264 118**	292 419	**43 261**	51 254
Other payables	**31 656**	16 632	**–**	–
	902 410	1 090 760	**48 847**	59 840
Non-financial instruments				
VAT	**7 576**	30 163	**–**	–
Retirement benefit obligation – current portion (Note 28)	**513**	482	**–**	–
	8 089	30 645	**–**	–
Total trade and other payables	**910 499**	1 121 405	**48 847**	59 840

The carrying value of the trade and other payables approximate their fair value due to the short-term nature of these instruments.

28. RETIREMENT BENEFIT OBLIGATION

28.1 Defined benefit plan

The actuarial valuation completed on 31 December 2019 determined that the potential liability amounted to R14,9 million (31 August 2019: R14,9 million).

The condition of employment for new Conlog employees specifically excludes company contributions for post-employment medical benefits.

	GROUP		COMPANY	
R'000	**31 December 2019**	31 August 2019	**31 December 2019**	31 August 2019
Present value of the defined benefit obligation – wholly unfunded	**14 998**	14 921	**–**	–
Reconciliation of movement in obligation				
Opening balance	**14 921**	14 349	**–**	–
Net income recognised in statement of comprehensive income	**(417)**	(838)	**–**	–
Net expense recognised in profit or loss	**494**	1 410	**–**	–
	14 998	14 921	**–**	–
Non-current liability	**14 485**	14 439	**–**	–
Current liability included within trade and other payables	**513**	482	**–**	–
	14 998	14 921	**–**	–

R'000	**4 months ended 31 December 2019**	12 months ended 31 August 2019	**4 months ended 31 December 2019**	12 months ended 31 August 2019
Net expense recognised in profit or loss				
Current service cost	**105**	376	**–**	–
Past service cost	**(118)**	(395)	**–**	–
Interest cost	**507**	1 429	**–**	–
	494	1 410	**–**	–

28. RETIREMENT BENEFIT OBLIGATION continued

28.1 Defined benefit plan continued

	31 December 2019	31 August 2019
GROUP		
Key assumptions used on last valuation on	**31 December**	23 August
Discount rates used (%)	**10,6**	10,6
Healthcare cost inflation rate (%)	**8,0**	8,4
CPI inflation (%)	**6,0**	6,4
Expected retirement age	**65**	65
Pre-retirement mortality	**SA85–90 (Lite)**	SA85–90 (Lite)
Post-retirement mortality	**PA (90) ultimate rated down 2 years + 1,0% pa from 2006**	PA (90) ultimate table rated down 2 years + 1,0% pa improvement from 2006
Pre-retirement withdrawal	**0% to 15% from ages 20 to 45**	0% to 15% from ages 20 to 45
Average duration of the defined benefit obligation	**16 years**	16 years

Sensitivity analysis

The table below sets out the sensitivity of the valuation results to changes in the key assumptions as at 31 December 2019 and 31 August 2019.

	31 December 2019		31 August 2019	
	Increase in discount rate by 1%	**Decrease in discount rate by 1%**	Increase in discount rate by 1%	Decrease in discount rate by 1%
GROUP				
Liability (decrease)/increase	**(12,2%)**	**15,0%**	(12,7%)	15,6%

	31 December 2019		31 August 2019	
Liability increase/(decrease)	**Increase in healthcare inflation rate by 1%**	**Decrease in healthcare inflation rate by 1%**	Increase in healthcare inflation rate by 1%	Decrease in healthcare inflation rate by 1%
GROUP				
Liabilities	**14,8%**	**(12,2%)**	16,0%	(13,2%)
Current service cost and interest cost	**16,0%**	**(13,0%)**	17,2%	(14,0%)

The active participants expect to make a contribution of R679 824 (12 months ended 31 August 2019: R612 969) to the defined benefit plan during the next financial year. The company expects to make a contribution of R514 508 (12 months ended 31 August 2019: R481 651) to the defined benefit plan during the next financial year.

28. RETIREMENT BENEFIT OBLIGATION continued

28.2 Defined benefit obligation by category

R'000	**31 December 2019**	31 August 2019
GROUP		
Active members	**9 299**	10 228
Pensioners	**5 699**	4 692
	14 998	14 920

28.3 Defined contribution plan

It is the policy of the group to provide retirement benefits to all of its employees. A defined contribution provident fund, which is subject to the Pensions Fund Act, exists for this purpose.

	GROUP		COMPANY	
R'000	**4 months ended 31 December 2019**	12 months ended 31 August 2019	**4 months ended 31 December 2019**	12 months ended 31 August 2019
Retirement benefit contributions	**9 529**	26 143	**384**	793

29. AMOUNT DUE TO CONTRACT CUSTOMERS AND ADVANCE PAYMENTS

	GROUP		COMPANY	
R'000	**31 December 2019**	31 August 2019	**31 December 2019**	31 August 2019
Amounts received in advance	**31 092**	168 439	**–**	–
Amounts due to contract customers	**322 499**	286 755	**–**	–
	353 591	455 194	**–**	–

30. CASH GENERATED/(UTILISED IN) FROM OPERATIONS

R'000	GROUP 4 months ended 31 December 2019	GROUP 12 months ended 31 August 2019	COMPANY 4 months ended 31 December 2019	COMPANY 12 months ended 31 August 2019
Loss before taxation	**(280 269)**	(1 279 382)	**(272 830)**	(1 952 009)
Adjustments for:				
Depreciation	**33 266**	70 654	**146**	474
Amortisation	**12 083**	34 831	**–**	–
Profit on sale of assets	**(3 264)**	(270)	**–**	–
Loss on foreign exchange	**8 976**	(34 337)	**–**	–
Loss from equity-accounted investments	**9 741**	29 056	**–**	–
Finance income	**(16 703)**	(36 066)	**(8 335)**	(53 438)
Finance costs	**110 571**	296 708	**45 060**	152 150
Impairment of goodwill	**–**	66 241	**–**	–
Impairment of group loans	**–**	–	**218 250**	1 908 649
Impairment of intangible assets	**–**	39 387	**–**	–
Movements in operating lease assets and accruals	**(936)**	(4 388)	**–**	–
Movements in retirement benefit assets and liabilities	**495**	1 409	**–**	–
Movements in provisions	**178**	7 696	**–**	–
Impairment of trade receivables	**–**	162 796	**–**	–
Non-cash adjustments	**(58 146)**	(5 875)	**1 800**	(5 773)
Working capital changes:				
Inventories	**22**	16 564	**–**	–
Trade and other receivables	**73 829**	(34 863)	**1 371**	(3 531)
Amounts due from contract customers	**475 661**	425 233	**–**	–
Amounts due to contract customers	**35 744**	(214 320)	**–**	–
Trade and other payables	**(210 516)**	219 989	**(10 993)**	(88 347)
Amounts received in advance	**(137 347)**	(87 451)	**–**	–
	53 385	(326 388)	**(25 531)**	(62 320)

Notes to the financial statements continued

31. TAXATION REFUNDED/(PAID)

R'000	GROUP **4 months ended 31 December 2019**	GROUP 12 months ended 31 August 2019	COMPANY **4 months ended 31 December 2019**	COMPANY 12 months ended 31 August 2019
Balance at the beginning of the year	**(12 448)**	39 568	**1 910**	608
Reclassification to trade and other receivables	**–**	(37 909)	**–**	–
Current taxation for the year – income statement	**(8 862)**	(42 800)	**(1 910)**	1 302
Adjustment on non-cash items (mainly FCTR)	**3 181**	2 200	**–**	–
Balance at the end of the year	**22 074**	12 448	**–**	(1 910)
	3 945	(26 493)	**–**	–

32. COMMITMENTS

R'000	GROUP **31 December 2019**	GROUP 31 August 2019	COMPANY **31 December 2019**	COMPANY 31 August 2019
Fixed asset commitments				
– Contracts placed	**32 091**	23 590	**–**	–
– Capital expenditure approved by directors but not yet placed as at the end of the year	**3 113**	5 131	**–**	–
The above expenditure will be funded from existing resources and facilities.				
There are no fixed asset commitments relating to joint ventures.				
	35 204	28 721	**–**	–
Operating lease commitments				
The increase in operating lease commitments, over the prior year, is due to a new premises rental committed to by Conco, as the Conco business consolidates its head office operations and secures a three-year lease, at rates lower than their current rental, as part of its cost cutting initiatives.				
The future minimum lease payments under non-cancellable operating leases are as follows:				
– not later than one year	**–**	48 740	**–**	1 423
– later than one year and not later than five years	**–**	125 239	**–**	3 529
	–	173 979	**–**	4 952

33. CONTINGENCIES AND GUARANTEES

33.1 Total financial institution-backed guarantees provided to third parties on behalf of subsidiary companies amounted to R1 847 million (31 August 2019: R2 095 million).

While no claims on guarantees issued on contracts have been made as at the reporting date, stakeholders' attention is drawn to this contingent risk.

R'000	31 December 2019	31 August 2019
GROUP		
Issued guarantees have the following expiry dates		
Not later than one year	**894 280**	1 381 029
One to five years	**586 112**	714 077
Later than five years	**366 481**	–
	1 846 873	2 095 106
Analysis of guarantees		
Issued in lieu of advance payments for performance	**642 265**	660 784
Issued as a guarantee of performance	**994 500**	1 153 092
Issued in lieu performance on retention monies received	**157 248**	224 374
Issued in support of tenders submitted	**38 744**	47 979
Issued for non-contractual-related activities	**14 116**	8 876
	1 846 873	2 095 105

33.2 In addition to the securities disclosed in note 23, the company issued deeds of indemnities and parent company guarantees as guarantor of:

- the third party financial institutions-backed guarantee facilities, with a maximum exposure of R1 847 million (31 August 2019: R2 095 million);
- the banking facilities, provided to subsidiary companies, with a maximum exposure equal to that of the group's bank overdraft and trade finance liabilities;
- the investment, and operations and maintenance contract, for the group's Ejuva 1 and Ejuva 2 joint venture, with a maximum exposure of R12 million (31 August 2019: R12 million).

34. RELATED PARTIES

Relationships

34.1 Material subsidiaries	Refer to note 15 and Annexure A
34.2 Material joint arrangements	Refer to note 16
34.3 Members of key management as at year end	R Gamsu, J Dladla, L Moodley, C Teixeira, J Hooman, S Zondi, W Bassaragh, D Lubbe

R'000	**4 months ended 31 December 2019**	12 months ended 31 August 2019
COMPANY		
Related party transactions		
34.4 Interest received from related parties		
Drift Supersand Proprietary Limited	**2 357**	7 101
Consolidated Power Maintenance Proprietary Limited	**286**	6 380
Tension Overhead Electrification Proprietary Limited	**–**	9 379
34.5 Interest paid to related parties		
Conlog Proprietary Limited	**(3 863)**	(14 313)
34.6 Management fees received from related parties		
West End Claybrick Proprietary Limited	**351**	1 054
Consolidated Power Projects Proprietary Limited	**1 876**	5 629
Drift Supersand Proprietary Limited	**2 219**	5 895
Conlog Proprietary Limited	**1 278**	7 302

34.7 Remuneration and benefits received by each director or prescribed officer directly employed by the group have been disclosed in note 6.

34.8 Refer to note 11 for disclosure of the option on certain land and buildings and the put option on Elderberry.

34.9 Refer to note 20 for disclosure on loans with group companies.

35. FINANCIAL INSTRUMENTS

Financial instruments carried on the statement of financial position include cash and cash equivalents, trade and other receivables, contract debtors, contracts work in progress, amounts due to contract customers, trade and other payables, current financial liabilities and non-current financial liabilities.

35.1 Financial risk management objectives

Introduction

The office of the chief executive officer and chief financial officer, supported by the group's Financial Committee (Fincom) which consists of the chief executive officer, chief financial officer and certain non-independent non-executive directors, monitor the group's risk, treasury functions and financial risks relating to the group's operations. In the course of the group's business operations, it is exposed to financial risk relating to liquidity, credit, foreign currency and interest rate risk which is consistently monitored. Risk management relating to each of these risks is detailed below.

Controlling risk in the group

The office of the chief executive officer and chief financial officer supported by the managing directors of each of the group's businesses are responsible for risk management activities within the group. The managing directors' meet monthly with the chief executive officer and chief financial officer to review market trends and develop strategies. The board has implemented tight governance around monitoring currency, interest rate and liquidity risk. The chief executive officer and chief financial officer identifies, evaluates and hedges financial risks in close cooperation with the group's operating business units. The board approves written principles for identify, evaluate and hedge overall risk management, covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

35.2 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings disclosed in note 25, cash and cash equivalents disclosed in note 23 and equity as disclosed in the statement of financial position.

The group monitors capital on the basis of a gearing ratio (debt-capital ratio). This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing borrowings less cash and cash equivalents. Total equity is as shown in the consolidated statement of financial position.

The debt-capital ratios at 2019, 31 December and 31 August respectively were as follows:

		GROUP		COMPANY	
R'000	Notes	**31 December 2019**	31 August 2019	**31 December 2019**	31 August 2019
Total borrowings	25	**1 686 886**	1 803 138	**1 219 925**	1 218 125
Bank overdrafts	23	**521 173**	667 380	**–**	–
Total debt		**2 208 059**	2 470 518	**1 219 925**	1 218 125
Cash on hand	23	**481 545**	765 668	**214 724**	491 116
Net debt		**1 726 514**	1 704 850	**1 005 201**	727 009
Total equity		**234 912**	552 205	**192 686**	467 425
Total capital		**1 961 426**	2 257 055	**1 197 887**	1 194 434
Gearing ratio: debt-capital ratio %		**88**	76	**84**	61

35. FINANCIAL INSTRUMENTS continued

35.3 Categories of financial instruments

Financial instruments carried at fair value are disclosed in accordance to a fair value hierarchy.

The hierarchy has three levels that reflect the significance of the inputs used in measuring fair value. These are as follows:

Level 1: Quoted prices unadjusted in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly derived from prices.

Level 3: Inputs for the assets or liabilities that are not based on observable market data.

		GROUP		COMPANY		
R'000	Category	**31 December 2019**	31 August 2019	**31 December 2019**	31 August 2019	Level
Loans to group companies	AC	**–**	–	**298 367**	298 617	3
Other loans and receivables – non-current	AC	**8 861**	7 900	**–**	–	3
Trade and other receivables	AC	**988 265**	1 223 750	**4 066**	6 046	*
Cash and cash equivalents	AC	**481 545**	765 668	**214 724**	491 116	*
		1 478 671	1 997 318	**218 790**	497 162	
Loans from group companies	AC	**–**	–	**221 327**	217 464	*
Contingent consideration (vendor loan)	FV	**12 600**	74 828		–	3
Borrowings – non-current	AC	**375 011**	393 424	**295 925**	294 125	3
Borrowings – current	AC	**1 311 873**	1 409 714	**924 000**	924 000	*
Trade and other payables	AC	**902 410**	1 121 405	**48 847**	59 840	*
Bank overdraft	AC	**521 173**	667 380	**–**	–	*
		3 123 067	3 666 751	**1 268 772**	1 277 965	

* *Due to its short term nature, this value approximates fair value.*

AC = Loans and receivables at amortised cost

FV = Fair value through profit and loss

35. FINANCIAL INSTRUMENTS continued

35.4 Liquidity risk

Liquidity risk is the risk that the group will be unable to meet a financial commitment in any location or currency. The group manages its liquidity risk through its chief executive officer and chief financial officer supported by the group's Financial Committee (Fincom) through an ongoing review of liquidity forecasts, future commitments and credit facilities. Cash flow forecasting is performed by the operating units of the group and consolidated by the office of the chief financial officer.

The chief executive officer and chief financial officer monitor the rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash and facilities to meet operational needs. Such forecasting takes into consideration the group's covenant compliance and applicable, external regulatory or legal requirements.

The following table details the group's remaining contractual maturities for its financial assets and liabilities:

31 December 2019 R'000	**Within 1 – 6 months**	**Within 7 – 12 months**	**Within 1 – 2 years**	**Within 2 – 5 years**	**Greater than 5 years**	**Total**
GROUP						
Assets as per the statement of financial position						
Loans and receivables	–	–	–	–	8 861	8 861
Trade and related debtors	324 303	2 767	3 090	84	1 174	331 418
Contract and related debtors	466 181	156 564	29 375	4 727	–	656 847
Cash and cash equivalents	481 545	–	–	–	–	481 545
	1 272 029	159 331	32 465	4 811	10 035	1 478 671
Liabilities as per the statement of financial position						
Contingent consideration (vendor loan)	–	12 600	–	–	–	12 600
Borrowings – long term	–	–	26 976	348 035	–	375 011
Borrowings – short term	1 299 394	12 479	–	–	–	1 311 873
Lease liability – long term	–	–	27 357	57 969	182 229	267 555
Lease liability – short term	30 245	15 856	–	–	–	46 101
Trade and other payables	896 489	5 907	14	–	–	902 410
Bank overdraft	521 173	–	–	–	–	521 173
	2 747 301	46 842	54 347	406 004	182 229	3 436 723

35. FINANCIAL INSTRUMENTS continued

35.4 Liquidity risk continued

31 August 2019 R'000	Within 1 – 6 months	Within 7 – 12 months	Within 1 – 2 years	Within 2 – 5 years	Greater than 5 years	Total
GROUP						
Assets as per the statement of financial position						
Loans and receivables	–	–	–	–	7 900	7 900
Trade and related debtors	457 042	70 797	–	–	–	527 839
Contract and related debtors	604 930	264 568	–	–	–	869 498
Cash and cash equivalents	762 365	3 303	–	–	–	765 668
	1 824 337	338 668	–	–	7 900	2 170 906
Liabilities as per the statement of financial position						
Contingent consideration (vendor loan)	–	–	74 828	–	–	74 828
Borrowings – long term	–	–	31 433	67 866	294 125	393 424
Borrowings – short term	1 393 435	16 279	–	–	–	1 409 714
Trade and other payables	933 613	187 792	–	–	–	1 121 405
Bank overdraft	654 716	12 664	–	–	–	667 380
	2 981 764	216 735	106 261	67 866	294 125	3 666 751

35. FINANCIAL INSTRUMENTS continued

35.4 Liquidity risk continued

31 December 2019 R'000	Within 1 – 6 months	Within 7 – 12 months	Within 1 – 2 years	Within 2 – 5 years	Greater than 5 years	Total
COMPANY						
Assets as per the statement of financial position						
Loans to group companies	**–**	**–**	**–**	**–**	**298 367**	**298 367**
Trade and related debtors	**4 066**	**–**	**–**	**–**	**–**	**4 066**
Cash and cash equivalents	**214 724**	**–**	**–**	**–**	**–**	**214 724**
	218 790	**–**	**–**	**–**	**298 367**	**517 157**
Liabilities as per the statement of financial position						
Loans from group companies	**–**	**221 327**	**–**	**–**	**–**	**221 327**
Borrowings – long term	**–**	**–**	**–**	**295 925**	**–**	**295 925**
Borrowings – short term	**924 000**	**–**	**–**	**–**	**–**	**924 000**
Trade and other payables	**48 847**	**–**	**–**	**–**	**–**	**48 847**
	972 847	**221 327**	**–**	**295 925**	**–**	**1 490 099**

31 August 2019 R'000	Within 1 – 6 months	Within 7 – 12 months	Within 1 – 2 years	Within 2 – 5 years	Greater than 5 years	Total
Assets as per the statement of financial position						
Loans to group companies	–	–	–	–	298 617	298 617
Trade and related debtors	13 946	–	–	–	–	13 946
Cash and cash equivalents	491 116	–	–	–	–	491 116
	505 062	–	–	–	298 617	803 679
Liabilities as per the statement of financial position						
Loans from group companies	217 464	–	–	–	–	217 464
Borrowings – long term	–	–	–	–	294 125	294 125
Borrowings – short term	924 000	–	–	–	–	924 000
Trade and other payables	59 840	–	–	–	–	59 840
	1 201 304	–	–	–	294 125	1 495 429

35. FINANCIAL INSTRUMENTS continued

35.5 Interest rate risk

The group is exposed to interest rate risk through its cash and cash equivalents and interest-bearing short term and non-current liabilities. Short term interest rate exposure is monitored and managed by corporate treasury and may be hedged from time to time through the use of financial instruments.

A sensitivity analysis has been performed to monitor the effect of changes in interest rates.

The analysis below depicts the effect on profit before taxation assuming changes in interest rates:

	Decrease in rate resulting in an increase in profit before taxation		Increase in rate resulting in a decrease in profit before taxation	
R'000	**4 months ended 31 December 2019**	12 months ended 31 August 2019	**4 months ended 31 December 2019**	12 months ended 31 August 2019
Description				
Assuming 1% movement in JIBAR rate	**10 274**	10 331	**(10 274)**	(10 331)
Assuming 1% movement in SA prime borrowing rate	**5 977**	6 816	**(5 977)**	(6 816)
Assuming 1% movement in LIBOR rate	**615**	840	**(615)**	(840)

35.6 Credit risk

Credit risk is the risk of suffering financial loss should any of the group's counterparties fail to fulfil their contractual obligations.

Financial instruments which potentially subject the group to concentrations of credit risk are primarily cash and cash equivalents, trade receivables including amounts due from contract customers, retention debtors and trade debtors. With regard to cash and cash equivalents, the group deals primarily with major financial institutions in South Africa and over-border.

The group's cash and cash equivalents at year-end were held in accounts with financial institutions with the following credit ratings:

	GROUP		COMPANY	
R'000	**31 December 2019**	31 August 2019	**31 December 2019**	31 August 2019
Financial institution credit rating				
Aa3	**280**	341	**–**	–
B3	**130**	14 932	**–**	–
Ba1	**13 351**	130	**–**	–
Baa3	**(58 344)**	78 703	**214 724**	491 116
Unrated	**4 955**	4 182	**–**	–
Cash and cash equivalents – net	**(39 628)**	98 288	**214 724**	491 116

Loans provided to group companies are of a long-term nature without contractual repayment arrangements.

In determining the recoverability of a loan provided, the group considers frequency of repayment, financial performance of the associate and/or joint arrangement and contractual agreements.

The group's customers are concentrated primarily in South Africa but also exist in the rest of Africa and the Middle East.

The majority of the customers are concentrated in the industrial, resource and public sectors. Historically the group has not experienced any default. The group establishes a provision for impairment based on factors surrounding the credit risk of specific customers, historical trends and other information.

35. FINANCIAL INSTRUMENTS continued

35.6 Credit risk continued

For trade debtors, estimates are determined with reference to past default experience. Before accepting new trade debtors, use is made of local external credit agencies, where necessary, to assess the potential customer's credit quality. Credit limits are defined for trade debtors and are regularly reviewed.

In determining the recoverability of a trade receivable, the group considers any change in the credit quality of the trade receivable from the date credit was granted up to the reporting date. The directors believe that there is no further credit provision required in excess of the allowed provision for impairment of the trade receivable. Management do not expect a loss from fully performing financial assets.

Where appropriate, the group obtains appropriate collateral to mitigate risk.

The carrying amount of the financial assets represents the group's maximum exposure to credit risk without taking into consideration any collateral provided. The maximum exposure to credit risk in respect of guarantees issued is the maximum amount the group may need to pay under the guarantees, refer to note 33.

Credit risk for Conco and Conlog largely relate to parastatal and government receivables. The group has the following amounts due from its top 5 debtors.

	Top 5 debtor value R'000	% of total trade and other receivables %	% of total revenue %	Value of debtors paid since year–end date at related reporting date R'000
GROUP				
At 31 December 2019	**300 733**	**30**	**31**	**25 325**
At 31 August 2019	622 904	45	20	336 312

The group has the following credit risk per geographical segment:

	GROUP		COMPANY	
R'000	**31 December 2019**	31 August 2019	**31 December 2019**	31 August 2019
Gross value of trade and other receivables				
South Africa	**407 120**	704 750	**4 066**	13 946
Rest of Africa	**368 162**	557 583	**–**	–
Rest of the world	**212 982**	135 004	**–**	–
	988 265	1 397 337	**4 066**	13 946

35. FINANCIAL INSTRUMENTS continued

35.7 Foreign exchange risk

The group, through foreign entities, conducts business in various foreign currencies. As a result, it is subject to the transaction exposure that arises from foreign exchange rate movements between the dates that currency other than functional currency are recorded (foreign sales and purchases) and the dates they are consummated (cash receipts and cash disbursements in foreign currencies). The group may, from time to time, hedge its foreign currency exposures for either purchase or sale transactions through the use of foreign currency forward exchange contracts. Foreign currency denominated construction contracts entered into are primarily US Dollar-based in terms of revenue and cost but exposure exists primarily to US Dollar and Botswana Pula.

Currency exposure arising from the net assets of the group's foreign operations is managed primarily through settling of liabilities in the relevant currencies. Limited foreign currency forward exchange contracts were entered into during the current year. No hedge accounting has been applied.

The carrying amount of the group's foreign currency denominated monetary assets and liabilities at statement of financial position date is as follows:

31 December 2019 R'000	Rand	US Dollar	Botswana Pula	Other	Total
GROUP					
Assets as per the statement of financial position					
Loans and receivables	**8 861**	**–**	**–**	**–**	**8 861**
Trade and other related debtors	**169 999**	**90 754**	**11 915**	**58 750**	**331 418**
Contract and related debtors	**257 605**	**238 162**	**52 263**	**108 817**	**656 847**
Cash and cash equivalents	**326 633**	**113 567**	**3 090**	**38 255**	**481 545**
	763 098	**442 483**	**67 268**	**205 822**	**1 478 671**
Liabilities as per the statement of financial position					
Contingent consideration (vendor loan)	**–**	**12 600**	**–**	**–**	**12 600**
Borrowings – non-current	**375 011**	**–**	**–**	**–**	**375 011**
Borrowings – current	**1 239 877**	**71 996**	**–**	**–**	**1 311 873**
Lease liability – long term	**109 313**	**1 002**	**–**	**–**	**110 315**
Lease liability – short term	**32 789**	**983**	**–**	**–**	**33 772**
Trade and other payables	**520 967**	**139 065**	**126 014**	**116 364**	**902 410**
Bank overdraft	**161 393**	**359 465**	**–**	**315**	**521 173**
	2 439 350	**585 111**	**126 014**	**116 679**	**3 267 154**
Net exposure	**(1 676 252)**	**(142 628)**	**(58 747)**	**89 143**	**(1 788 484)**

35. FINANCIAL INSTRUMENTS continued

35.7 Foreign exchange risk continued

31 August 2019 R'000	Rand	US Dollar	Botswana Pula	Other	Total
GROUP					
Assets as per the statement of financial position					
Loans and receivables	7 900	–	–	–	7 900
Trade and other related debtors	216 115	173 968	46 104	91 652	527 839
Contract and related debtors	519 607	185 201	92 458	72 231	869 497
Cash and cash equivalents	616 207	112 112	3 123	34 227	765 669
	1 359 829	471 281	141 685	198 110	2 170 905
Liabilities as per the statement of financial position					
Contingent consideration (vendor loan)	–	74 828	–	–	74 828
Borrowings – non-current	391 802	1 621	–	–	393 424
Borrowings – current	1 324 695	85 019	–	–	1 409 714
Trade and other payables	737 330	122 263	91 126	170 686	1 121 405
Bank overdraft	281 991	385 072	–	317	667 380
	2 735 818	668 803	91 126	171 003	3 666 751
Net exposure	(1 375 989)	(197 522)	50 559	27 107	(1 495 846)

The group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through the earnings in the relevant foreign currencies.

35. FINANCIAL INSTRUMENTS continued

35.7 Foreign exchange risk continued

Profit/(loss) sensitivity to movement of exchange rates based on assets and liabilities as at the reporting date

Sensitivity analyses have been performed to monitor the financial effect of changes in foreign exchange rates. The analysis below depicts the effect on profit before taxation should the exchange rate strengthen or weaken by 1% based on the assets and liabilities as at the reporting date. The exchange rates applicable to the group's primary functional currencies at the current and previous reporting year-end are as follows:

	31 December 2019	31 August 2019
GROUP		
Exchange rates used for conversion of foreign items were:		
ZAR:USD	**14,0**	15,2
ZAR:Pula	**1,3**	1,4

Change in exchange rate by 1%	Weakening in functional currency resulting in an increase/(decrease) in profit before taxation or reserves R'000	Weakening in functional currency resulting in an increase/(decrease) in profit before taxation or reserves R'000
31 December 2019		
Net movement	**43 820**	**(43 820)**
Current assets	**21 612**	**(21 612)**
Denominated functional currency		
ZAR:USD	**16 697**	**(16 697)**
ZAR:BWP	**4 915**	**(4 915)**
Current liabilities	**22 208**	**(22 208)**
Denominated functional currency		
ZAR:USD	**15 469**	**(15 469)**
ZAR:BWP	**6 739**	**(6 739)**
31 August 2019		
Net movement	26 002	(26 002)
Current assets	16 465	(16 465)
Denominated functional currency		
ZAR:USD	12 088	(12 088)
ZAR:BWP	4 377	(4 377)
Current liabilities	9 537	(9 537)
Denominated functional currency		
ZAR:USD	3 502	(3 502)
ZAR:BWP	6 035	(6 035)

36. SEGMENTAL INFORMATION

R'000	**4 months ended 31 December 2019** Revenue from external customers	**4 months ended 31 December 2019** EBITDA*	12 months ended 31 August 2019 Revenue from external customers	12 months ended 31 August 2019 EBITDA*
GROUP				
Power	**662 864**	**(183 247)**	2 446 243	(637 685)
Conco[(1)]	**523 212**	**(182 986)**	1 923 173	(725 326)
Conlog[(2)]	**125 193**	**(192)**	488 157	106 871
Other[(1)]	**14 459**	**(69)**	34 913	(19 230)
Building Materials[(2)]	**183 510**	**14 918**	483 410	42 001
Oil & Gas	**–**	**–**	–	–
Rail[(1)]	**109 043**	**7 284**	238 921	(107 338)
Corporate	**–**	**29 734**	–	(114 936)
Total	**955 417**	**(131 311)**	3 168 574	(817 958)
Reconciliation from EBITDA* to loss after taxation				
EBITDA*		**(131 311)**	–	(817 958)
Amortisation and depreciation		**(45 349)**	–	(105 485)
Impairment of goodwill		**–**	–	(66 241)
Profit from equity-accounted investments – Power CIGenCo		**886**		92
Loss from equity-accounted investments – Oil & Gas		**(10 627)**	–	(29 149)
Finance income		**16 703**	–	36 066
Finance cost		**(110 571)**	–	(296 708)
Taxation		**(3 862)**	–	(63 603)
Loss after taxation		**(284 131)**	–	(1 342 985)

* *Loss before interest, taxation, depreciation and amortisation.*
(1) *Revenue recognised over time.*
(2) *Revenue recognised at a point in time.*

EBITDA is the measure which is used by the chief operating decision maker as the benchmark of profitability.

The segmental information presented includes a reconciliation of International Financial Reporting Standards (IFRS) measures presented on the face of the income statement to non-IFRS measures like EBITDA, which are used by the chief operating decision makers (who are the managing director of the business units) to analyse the group's performance.

R'000	**4 months ended 31 December 2019**	12 months ended 31 August 2019
GROUP		
Revenue recognised over time[(1)]	**646 714**	2 197 008
Revenue recognised at a point in time[(2)]	**308 703**	971 567
	955 417	3 168 575

36. SEGMENTAL INFORMATION continued

R'000	**4 months ended 31 December 2019**	12 months ended 31 August 2019
GROUP		
Revenue		
South Africa	**649 326**	2 173 146
Rest of Africa	**289 389**	908 759
Rest of the world	**16 702**	86 669
	955 417	3 168 574

	31 December 2019		31 August 2019	
R'000	**Total assets**	**Total liabilities**	Total assets	Total liabilities
GROUP				
Power	**2 411 166**	**2 262 546**	2 823 185	2 616 565
Conco	**1 126 464**	**1 924 481**	1 595 613	2 361 090
Conlog	**1 240 527**	**333 527**	1 179 829	250 592
Other	**44 175**	**4 538**	47 743	4 883
Building Materials	**659 335**	**135 211**	673 085	152 702
Oil & Gas	**454 152**	**–**	532 031	–
Rail	**168 486**	**56 821**	211 039	119 729
Corporate	**319 231**	**1 322 880**	583 104	1 381 242
	4 012 370	**3 777 458**	4 822 444	4 270 239

37. SHARE-BASED PAYMENTS

Equity-settled share-based payments

	GROUP		COMPANY	
	4 months ended 31 December 2019	12 months ended 31 August 2019	**4 months ended 31 December 2019**	12 months ended 31 August 2019
Reconciliation of number of share options				
Outstanding at the beginning of the year	**4 997 175**	4 997 175	**3 952 069**	3 952 069
Expired during the year	**(130)**	–	**–**	–
Exercised during the year	**–**	–	**–**	–
Outstanding at the end of the year	**4 997 045**	4 997 175	**3 952 069**	3 952 069
R'000				
Equity-settled share option payment expense recognised in employee costs	**–**	–	**–**	–
Value of the equity-settled share options exercised during the year	**–**	–	**–**	–
Value of the equity-settled share options included in the share-based payment reserve at year-end	**60 958**	60 958	**24 318**	24 318

	First grant	Second grant	Third grant	Fourth grant
Director share option scheme				
Grant date	10 December 2010	1 September 2011	1 September 2012	1 September 2013
Number of options granted	2 563 158	900 465	637 380	466 667
Vesting period	4 years	4 years	4 years	4 years
Vesting conditions	16% real growth in earnings to be achieved for 100% of options to vest	16% real growth in earnings to be achieved for 100% of options to vest	16% real growth in earnings to be achieved for 100% of options to vest	16% real growth in earnings to be achieved for 100% of options to vest
Expiry date	10 years	10 years	10 years	10 years
The fair value of the options was calculated using the Black-Scholes option model and was based on the following inputs:				
Weighted average share price at issue date	R8,34	R8,56	R13,15	R19,80
Expected volatility	30%	30%	30%	30%
Exercise price	R5,38	R8,59	R12,52	R19,26
Expected dividends	Nil	Nil	Nil	Nil
Risk-free interest rate	5%	5%	5%	5%
Remaining vesting period	Nil years	Nil years	Nil years	Nil years

Expected volatility was based to a large extent on historical volatility.

37. SHARE-BASED PAYMENTS continued

Equity-settled share-based payments continued

	First grant	Second grant	Third grant	Fourth grant
Non-director share option scheme				
Grant date	11 April 2011			
Number of options granted	1 050 000			
Vesting period	4 years			
Vesting conditions	Continued employment required during vesting period			
Expiry date	10 years			
The fair value of the options was calculated using the Black-Scholes option model and was based on the following inputs:				
Weighted average share price at issue date	R8,00			
Expected volatility	30%			
Exercise price	R7,00			
Expected dividends	Nil			
Risk-free interest rate	5%			
Remaining vesting period	Nil years			

Expected volatility was based to a large extent on historical volatility.

	First grant	Second grant	Third grant
Conco employee option scheme			
Grant date	11 April 2011	1 September 2012	1 September 2013
Number of options granted	1 010 000	1 000 000	948 227
Vesting period	4 years	4 years	4 years
Vesting conditions	15% real growth in Conco EBITDA to be achieved for 100% of options to vest	15% real growth in Conco EBITDA to be achieved for 100% of options to vest	15% real growth in Conco EBITDA to be achieved for 100% of options to vest
Expiry date	10 years	10 years	10 years
The fair value of the options was calculated using the Black-Scholes option model and was based on the following inputs:			
Weighted average share price at issue date	R8,00	R13,15	R19,80
Expected volatility	30%	30%	30%
Exercise price	R8,00	R12,52	R19,26
Expected dividends	Nil	Nil	Nil
Risk-free interest rate	5%	5%	5%
Remaining vesting period	Nil years	Nil years	Nil years

Expected volatility was based to a large extent on historical volatility.

37. SHARE-BASED PAYMENTS continued

Awards made under the 2014 share plan as at 31 August 2017.

	First grant	Second grant	Third grant
Share appreciation rights			
Grant date	1 August 2015	29 February 2016	28 February 2017
Number of rights granted	520 703	717 032	210 313
Strike price	R31,13	R27,06	R23,29
Final expiry	7 years	7 years	7 years
Risk-free rate	6,0%	6,0%	6,0%
Dividend yield	Nil	Nil	Nil
Portion vesting	One third per annum	One third per annum	One third per annum
Exercisable	On third, fourth and fifth anniversary after vesting	On third, fourth and fifth anniversary after vesting	On third, fourth and fifth anniversary after vesting
Performance criteria	15% growth in earnings per annum	15% growth in earnings per annum	15% growth in earnings per annum
Black-Scholes option model fair value using the above criteria	R14,49	R9,93	R9,59
Performance shares			
Grant date	1 August 2015	29 February 2016	28 February 2017
Number of shares granted	250 104	344 853	99 071
Strike price	R31,13	R27,06	R23,29
Final expiry	3 years	3 years	3 years
Risk-free rate	6,0%	6,0%	6,0%
Dividend yield	Nil	Nil	Nil
Portion vesting	On third anniversary following award. An assessment of performance against peer group will be conducted to determine the number of performance shares earned	On third anniversary following award. An assessment of performance against peer group will be conducted to determine the number of performance shares earned	On third anniversary following award. An assessment of performance against peer group will be conducted to determine the number of performance shares earned
Black-Scholes option model fair value using the above criteria	R32,70	R27,06	R23,29

Annexure A – Interest in principal subsidiaries

DIRECT AND INDIRECT

Company	Notes	Country	% shareholding
Power segment – Conco			
Consolidated Power Projects Group South Africa Proprietary Limited*	15 and 20	South Africa	**100**
Consolidated Power Projects Proprietary Limited		South Africa	**100**
Consolidated Power Projects Energy Solutions Proprietary Limited		South Africa	**100**
Consolidated Power Projects & Investments Proprietary Limited		Botswana	**100**
Consolidated Power Projects (Limited Liability Company)		Saudi Arabia	**100**
Consolidated Power Projects Proprietary Limited – Swaziland branch		Swaziland	**100**
Consolidated Power Swaziland Proprietary Limited		Swaziland	**100**
Consolidated Power Projects DRC SPRL		DRC	**99.9**
CPP South Africa Botswana Branch		Botswana	**100**
Consolidated Power Projects (Burkina Faso) Limited SASU		Burkina Faso	**100**
Consolidated Power Projects CI SASU		Ivory Coast	**100**
Conco Power Projects Limited		Kenya	**100**
Consolidated Power Projects Group Africa Limited		Mauritius	**100**
Consolidated Power Projects Group Africa Limited – Ethiopia branch		Ethiopia	**100**
Conco Power Projects Tanzania Limited		Tanzania	**100**
Consolidated Power Projects Namibia Proprietary Limited		Nambia	**80**
Consolidated Power Projects (Zambia) Limited		Zambia	**100**
Consolidated Power Projects International SA Proprietary Limited		South Africa	**100**
Consolidated Gulf Power Projects LLC#		UAE	**49**
Consolidated Gulf Power Project LLC		Oman	**100**
Conco Power Projects (Ghana) Limited		Ghana	**100**
Consolidated Power Projects International Proprietary Limited		Mauritius	**100**
Consolidated Power Projects Procurement International Ltd		Mauritius	**100**
Power segment – Conlog			
Conlog Proprietary Limited (RF)*	15 and 20	South Africa	**100**
Conlog International		Mauritius	**100**
Conlog Meter Solutions Nigeria Limited		Nigeria	**100**
Parmtro Investments No 11 Proprietary Limited		South Africa	**100**
Power segment – Other			
CIGenCo SA Proprietary Limited*	15 and 20	South Africa	**100**
Consolidated Power Maintenance Investments Proprietary Limited*	15 and 20	South Africa	**100**
Consolidated Power Maintenance Proprietary Limited		South Africa	**100**
Building materials segment			
Drift Supersand Proprietary Limited*	15 and 20	South Africa	**74**
Drift Supersand Mining Proprietary Limited		South Africa	**100**
Quarry Cats Mining License Laezonia Proprietary Limited		South Africa	**100**
Suldane Investments Proprietary Limited		South Africa	**100**
West End Claybrick Proprietary Limited*	15 and 20	South Africa	**100**
Oil & Gas segment			
Consolidated Infrastructure Group Angola 1		Mauritius	**100**
Rail segment			
Tractionel Maintenance Services Proprietary Limited*	15 and 20	South Africa	**100**
Tension Overhead Electrification Proprietary Limited*	15 and 20	South Africa	**100**
Overhead Track Supplies Proprietary Limited		South Africa	**100**
Corporate			
Consolidated Infrastructure Group International*	15 and 20	Mauritius	**100**

* *Direct subsidiary of the company.*
\# *Controlled joint arrangement.*

Annexure B – Group segmental analysis

R'000	**Revenue**	**EBITDA***	**Depreciation, amortisation and impairments**	**Capital expenditure**	**Finance cost – net**
	4 months ended 31 December 2019				
GROUP					
Power	**662 864**	**(183 247)**	**(31 932)**	**30 501**	**(58 676)**
Conco	**523 212**	**(182 986)**	**(10 808)**	**546**	**(52 230)**
Conlog	**125 193**	**(192)**	**(20 738)**	**29 927**	**(5 633)**
Other	**14 459**	**(69)**	**(386)**	**28**	**(813)**
Building Materials	**183 510**	**14 918**	**(9 990)**	**9 664**	**1 558**
Oil & Gas	**–**	**–**	**–**	**–**	**–**
Rail	**109 043**	**7 284**	**(3 254)**	**399**	**(1 038)**
Corporate	**–**	**29 734**	**(173)**	**–**	**(35 713)**
Total	**955 417**	**(131 311)**	**(45 349)**	**40 564**	**(93 869)**

R'000	Revenue	EBITDA*	Depreciation, amortisation and impairments	Capital expenditure	Finance cost – net
	12 months ended 31 August 2019				
GROUP					
Power	2 446 243	(637 685)	(110 361)	97 800	(123 497)
Conco	1 923 173	(725 326)	(62 948)	3 034	(125 175)
Conlog	488 157	106 871	(36 502)	64 253	6 081
Other	34 913	(19 230)	(3 422)	654	(4 404)
Building Materials	483 410	42 001	(95 671)	20 410	(10 010)
Rail	238 921	(107 338)	(4 566)	575	(13 579)
Corporate	–	(114 936)	(516)	412	(113 556)
Total	3 168 574	(817 958)	(211 113)	11 495	(260 642)

* *(Loss)/earnings before interest, taxation, depreciation and amortisation.*

Annexure B – Group segmental analysis continued

R'000	Property, plant and equipment	Other non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities
	31 December 2019						
GROUP							
Power	**265 127**	**705 727**	**1 440 312**	**2 411 166**	**191 407**	**2 071 139**	**2 262 546**
Conco	**74 707**	**–**	**1 051 757**	**1 126 464**	**1 910**	**1 922 571**	**1 924 481**
Conlog	**189 109**	**675 276**	**376 142**	**1 240 527**	**189 132**	**144 395**	**333 527**
Other	**1 311**	**30 451**	**12 413**	**44 175**	**365**	**4 173**	**4 538**
Building Materials	**333 115**	**33 533**	**292 687**	**659 335**	**51 549**	**83 662**	**135 211**
Oil & Gas	**–**	**454 152**	**–**	**454 152**	**–**	**–**	**–**
Rail	**40 507**	**27 025**	**100 954**	**168 486**	**7 797**	**49 024**	**56 821**
Corporate	**1 254**	**–**	**317 977**	**319 231**	**332 050**	**990 830**	**1 322 880**
Total	**640 003**	**1 220 437**	**2 151 930**	**4 012 370**	**582 803**	**3 194 655**	**3 777 458**

R'000	Property, plant and equipment	Other non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities
	31 August 2019						
GROUP							
Power	153 931	745 882	1 963 298	2 863 111	105 581	2 510 984	2 616 565
Conco	78 200	1 816	1 555 523	1 635 539	2 247	2 358 843	2 361 090
Conlog	74 063	713 504	392 262	1 179 829	103 057	147 535	250 592
Other	1 668	30 562	15 513	47 743	277	4 606	4 883
Building Materials	333 142	19 997	307 045	660 184	52 232	100 470	152 702
Oil & Gas	–	532 031	–	532 031	–	–	–
Rail	32 540	–	144 409	176 949	3 553	116 176	119 729
Corporate	1 455	–	588 714	590 169	404 063	977 180	1 381 243
Total	521 068	1 297 910	3 003 466	4 822 444	565 429	3 704 810	4 270 239

Annexure C – Analysis of shareholders

31 DECEMBER 2019

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
SHAREHOLDER SPREAD				
1 – 1 000	1 325	49,39	409 044	0,10
1 001 – 10 000	933	34,77	3 454 004	0,86
10 001 – 100 000	315	11,74	9 779 033	2,43
100 001 – 1 000 000	77	2,87	21 333 850	5,31
Over 1 000 000	33	1,23	367 115 138	91,30
Total	**2 683**	**100,00**	**402 091 069**	**100,00**
DISTRIBUTION OF SHAREHOLDERS				
Assurance companies				
Assurance Companies	4	0,15	1 251 780	0,31
BEE Entities	1	0,04	15 060 112	3,75
Close Corporations	24	0,89	642 778	0,16
Collective Investment Schemes	19	0,71	51 299 854	12,76
Control Accounts	1	0,04	2	0,00
Custodians	15	0,56	188 546 877	46,89
Foundations & Charitable Funds	9	0,34	2 200 261	0,55
Hedge Funds	1	0,04	360 000	0,09
Insurance Companies	1	0,04	2 249 568	0,56
Investment Partnerships	20	0,75	128 170	0,03
Managed Funds	13	0,48	5 855 032	1,46
Private Companies	98	3,65	74 647 969	18,56
Retail Shareholders	2 313	86,21	27 897 453	6,94
Retirement Benefit Funds	10	0,37	7 013 330	1,74
Scrip Lending	1	0,04	27 594	0,01
Sovereign Funds	1	0,04	8 257	0,00
Stockbrokers & Nominees	14	0,52	13 444 129	3,34
Treasury	1	0,04	5 932 055	1,48
Trusts	137	5,11	5 525 848	1,37
Total	**2 683**	**100,00**	**402 091 069**	**100,00**
SHAREHOLDER TYPE				
Non-public shareholders	**5**	**0,19**	**294 621 658**	**73,29**
Directors of the company	2	0,07	75 989 597	18,90
Treasury shares	1	0,04	5 932 055	1,48
Empowerment entity	1	0,04	15 060 112	3,75
Beneficial holder with a holding > 3%	1	0,04	197 639 894	49,16
Public shareholders	2 678	99,81	107 469 411	26,71
Total	**2 683**	**100,00**	**402 091 069**	**100,00**

Annexure C – Analysis of shareholders continued

	Number of shares	% of issued capital
FUND MANAGERS WITH A HOLDING GREATER THAN 3% OF THE ISSUED SHARES		
Fairfax Africa Investments Proprietary Limited	16 394 969	4,08
Old Mutual Investment Group	15 443 346	3,84
Investec Asset Management	15 440 974	3,84
Total	**47 279 289**	**11,76**
BENEFICIAL SHAREHOLDERS WITH A HOLDING GREATER THAN 3% OF THE ISSUED SHARES		
Bank of New York (custodian on behalf of Fairfax)	178 995 357	44,52
PGR 2 Investment Proprietary Limited	55 300 920	13,75
Fairfax Africa Investments Proprietary Limited	16 394 969	4,08
Investec	15 771 773	3,92
Nala Empowerment Investment Company Proprietary Limited	15 060 112	3,75
Old Mutual Group	13 892 046	3,45
Melco Investments Limited	12 327 016	3,07
Total	**307 742 193**	**76,54**
NON-PUBLIC SHAREHOLDERS BREAKDOWN		
Directors of the company		
R Gamsu	4 960 999	1,23
S Melnick	71 028 598	17,66
Total	**75 989 597**	**18,90**
Treasury shares		
Consolidated Infrastructure Group Limited	**5 932 055**	**1,48**
Empowerment entity		
Nala Empowerment Investment Company Proprietary Limited	**15 060 112**	**3,75**
Beneficial shareholder with a holding greater than 3% of the issued shares		
Fairfax Africa Investments Proprietary Limited	16 394 969	4,08
Bank of New York (custodian on behalf of Fairfax)	178 995 357	44,52
Bryte Insurance company (an affiliate of Fairfax)	2 249 568	0,56
Total	**197 639 894**	**49,16**

Contact details

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

R Gamsu *(Chief executive officer)*
C Teixeira *(Chief financial officer)*
M Wilkerson *(Chairman)***+
R Hogarth*
J Beck*&
K Bucknor#*
T Hudson**+
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

Consolidated Infrastructure Group Limited

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