

Attention:

Affected Persons of Consolidated Infrastructure Group Limited (In Business Rescue)

Delivered by Email to All Affected Persons (i.e. the shareholder and all creditors, employees and trade unions)

Displayed –

- 1 Registered Office and Principal Place Business of the Company and anywhere where Employees are employed
- 2 Published on the Website Maintained by the Company and Accessible to Affected Persons
- 3 Published as an announcement on the Stock Exchange News Service (SENS) offered by the JSE Limited

13 November 2020

NOTICE TO THE AFFECTED PERSONS OF CONSOLIDATED INFRASTRUCTURE GROUP LIMITED (IN BUSINESS RESCUE) WITH REGISTRATION NUMBER 2007/004935/06 ("the Company")

A: NOTICE OF THE COMMENCEMENT OF BUSINESS RESCUE PROCEEDINGS AND OF THE APPOINTMENT OF THE JOINT BUSINESS RESCUE PRACTITIONERS IN TERMS OF SECTIONS 129(3)(a) AND 129(4)(b) OF THE COMPANIES ACT 71 OF 2008

- 4 You are hereby notified that the board of the Company adopted a resolution on 9 November 2020, in accordance with Section 129(1) of the Companies Act 71 of 2008 (as amended) ("**the Companies Act**") in terms of which the Company would voluntarily commence business rescue proceedings.
- 5 A form CoR 123.1, being a Notice of Beginning of Business Rescue, as contemplated in section 129(2)(b) of the Companies Act, as read with Regulation 123 of the Companies Regulations of 2011, together with accompanying documents, was filed with the Companies and Intellectual Property Commission ("**the Commission**") on 9 November 2020.
- 6 The effective date of the Company's business rescue proceedings is accordingly 9 November 2020.
- 7 In accordance with the requirements of Section 129(3)(a) of the Companies Act, please find herewith:
 - 7.1 Confirmation from the Commission that the notice to commence business rescue proceedings (form CoR 123.1), was filed with the Commission;
 - 7.2 The Form CoR 123.1;
 - 7.3 the resolution passed by the board of directors of the Company; and



- 7.4 a sworn statement of the facts relevant to the grounds on which the board resolution was founded.
- 8 When the board of the Company adopted the resolution in accordance with Section 129(1) of the Companies Act for the Company to voluntarily commence business rescue proceedings, it also resolved to appoint Messrs. Petrus van den Steen and Martin Liebenberg as the Company's joint business rescue practitioners; both of whom have accepted this appointment.
- 9 Accordingly, a form CoR 123.2, being a Notice of Appointment of Business Rescue Practitioner, as contemplated in section 129(4)(a) of the Companies Act, as read with Regulation 123 of the Companies Regulations of 2011, was filed with the Commission on 11 November 2020.
- 10 In accordance with the requirements of Section 129(4)(b) of the Companies Act, the form CoR 123.2 and Messrs van den Steen and Liebenberg's notices of acceptance of the nomination to act as joint business rescue practitioner are also attached herewith.
- 11 Please note that the aforesaid documents, as well as all other notices relevant to the business rescue proceedings of the Company, are also available at: <https://www.ciglimited.co.za/>

B: EMPLOYEES' AND TRADE UNION'S RIGHTS IN THIS BUSINESS RESCUE

- 12 In terms of section 148(1) of the Companies Act, the business rescue practitioners must convene the first meeting of employees' representatives within 10 business days of his appointment. Further details about this meeting will be provided in due course.
- 13 Further, in terms of section 136(1)(a) of the Companies Act, employees remain employed by the Company on the same terms and conditions on which they were employed before the commencement of business rescue proceedings, unless new terms and/or conditions are negotiated or unless changes occur in the ordinary course of attrition. Any retrenchment of the Company's employees will remain subject to section 189 and 189A of the Labour Relations Act 66 of 1995, and other applicable employment related legislation.
- 14 In addition, to the extent that any remuneration, reimbursement for expenses or other amount of money relating to employment becomes due and payable by the Company to its employees during business rescue proceedings, and is not paid to the employees, will, in terms of section 135(1) and (3) of the Companies Act, constitute PCF and will be paid once the fees of the joint business rescue practitioner and the costs arising out of the business rescue proceedings have been paid, but before the claims of all other unsecured creditors including other unsecured PCF providers.
- 15 Monies that became due and payable to employees prior to the commencement of the Company's business rescue will rank as preferent claims (i.e. ranking ahead of concurrent claims only) in terms of section 144(2) of the Companies Act, and will be treated as such in the business rescue plan.
- 16 Lastly, during a Company's business rescue process, every registered trade union representing any employees of the Company, and any employee who is not so represented is, *inter alia*, also entitled to notice of each court proceeding, decision, meeting or other relevant event concerning



the business rescue proceedings; participate in any court proceedings arising during the business rescue proceedings; form a committee of employees' representatives; be consulted by the practitioner during the development of the business rescue plan, and afforded sufficient opportunity to review any such plan once published and prepare a submission contemplated in section 152 (1)(c); be present and make a submission to the meeting of the holders of voting interests before a vote is taken on any proposed business rescue plan; vote with creditors on a motion to approve a proposed business plan, to the extent that the employee is a creditor; and if the proposed business rescue plan is rejected, to propose the development of an alternative plan, or present an offer to acquire the interests of one or more affected persons.

- 17 All queries in this course of the Company's business rescue proceedings by employees can be directed to: **Business.Rescue@ciglimited.com**

C: SHAREHOLDERS' RIGHTS IN THIS BUSINESS RESCUE

- 18 During a company's business rescue proceedings, the holder of any issued security of the company is entitled, *inter alia*, to notice of each court proceeding, decision, meeting or other relevant event concerning the business rescue proceedings; participate in any court proceedings arising during the business rescue proceedings; formally participate in a Company's business rescue proceedings to the extent provided for in this Chapter; vote to approve or reject a proposed business rescue plan in the manner contemplated in section 152, if the plan would alter the rights associated with the class of securities held by that person; and if the business rescue plan is rejected, to propose the development of an alternative plan or present an offer to acquire the interests of any or all of the creditors or other holders of the Company's securities.
- 19 All queries in this course of the Company's business rescue proceedings by the Company's shareholder can be directed to: **Business.Rescue@ciglimited.com**

D: CREDITORS' RIGHTS IN THIS BUSINESS RESCUE

- 20 In terms of section 147(1) and 148(1) of the Companies Act, the joint business rescue practitioner must convene the first meeting of creditors within 10 business days of their appointment. Further details about these meeting will be provided in due course.
- 21 From 2 November 2020, being the date on which the business rescue proceedings for the Company commenced, any legal proceedings or enforcement actions against the Company or in relation to any property belonging to the Companies or lawfully in its possession are stayed in terms of section 133 of the Companies Act, except, *inter alia*, with the written consent of the business rescue practitioner or with the leave of the court.
- 22 This moratorium affords the joint business rescue practitioners an opportunity to assess the state of the Company's business and all its activities, with the view of understanding whether or not there is a reasonable prospect of rescuing the Company within the meaning of section 128(1)(b)(iii) of the Companies Act and, if they are of the view that such a prospect exists, to formulate and implement a duly approved business rescue plan for the benefit of all affected persons.



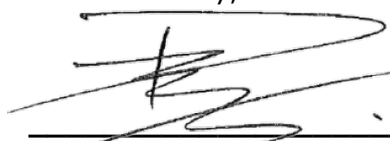
- 23 Therefore, during these business rescue proceedings no property belonging to the Company or lawfully in its possession may be removed and, insofar as the Company may have any obligation to facilitate such a removal, we are instructed by the joint business rescue practitioners to advise you, as we hereby do, that any such obligation is suspended in terms of section 136(2)(a) of the Companies Act.
- 24 Accordingly, on the basis that the Company is now in business rescue, if a you believe that you have a claim against the Company, the appropriate procedure would be for you to submit your claim, to the joint business rescue practitioners at: **Business.Rescue@ciglimited.com**, or at the first meeting of creditors in terms of section 147(1)(a)(ii) of the Companies Act. Insofar as you may wish for property belonging to you or that is not in the lawful possession of the Company to be removed, please include it as part of the claim documents, together with proof of ownership thereof. A claim form will be uploaded to the Company's website under the business rescue tab.
- 25 In this regard, insofar as your claims are concerned, it is important to note that the judgement by the High Court of the Gauteng Division, Pretoria in the case of *The South African Property Owners Association v Minister of Trade and Industry and Others* 2018 (2) SA 523 (GP) (29 November 2016) (SAPOA judgment) has settled the ranking of creditors who provide goods or services post the commencement of business rescue proceedings under an agreement that was concluded prior to the commencement of these proceedings. Van der Westhuizen AJ held in the SAPOA judgment that:
- "In my opinion, and applying the principles of interpretation, the financing intended in subsection (2) of section 135 of the Act relates **to the obtaining of financing in order to assist in managing the company out of its financial distress**, hence the provision that any asset of the company may be utilised to secure that financing to the extent that the asset is not otherwise encumbered. **It does not lean to an interpretation that encompasses existing obligations, other than to company employees, of the company that are utilised to assist in managing the company during the business rescue proceedings.** Further in this regard, sections 133 and 136(2) of the Act militate against such interpretation."* (own emphasis added)
- 26 Accordingly, any costs or liability that arise out of an agreement that was concluded prior to the Company's business rescue proceedings, and which were incurred during business rescue proceedings, will not constitute post-commencement financing ("PCF") or costs arising out of the business rescue proceedings. Such costs and/or liabilities, unless already secured, will merely form the subject of an unsecured (concurrent) claim against the company in business rescue and will not enjoy any preference above other creditors.
- 27 Lastly, in terms of section 145 of the Companies Act, each creditor is, *inter alia*, also entitled to notice of each court proceeding, decision, meeting or other relevant event concerning the business rescue proceedings; participate in any court proceedings arising during the business rescue proceedings; formally participate in a company's business rescue proceedings to the extent provided for in this Chapter; and informally participate in those proceedings by making proposals for a business rescue plan to the practitioner. In addition to these rights each creditor also has the right to vote to amend, approve or reject a proposed business rescue plan, in the manner contemplated in section 152; and if the proposed business rescue plan is rejected, a further right to propose the development of an alternative plan or present an offer to acquire

the interests of any or all of the other creditors in the manner contemplated in section 153. The creditors of the Company are further entitled to form a creditors' committee, and through that committee are entitled to be consulted by the practitioner during the development of the business rescue plan.

We trust that with your assistance and co-operation the Company can be rescued, within the meaning of section 128(1)(h) of the Companies Act, in a manner that will balance the rights and interests of all affected persons.

Please be advised that this notice does not constitute legal advice. You should consult your professional adviser for legal or other advice.

Yours faithfully,



Petrus Francois van den Steen

Business Rescue Practitioner



Martin du Toit Liebenberg

Business Rescue Practitioner



Companies and Intellectual
Property Commission
a member of the dti group

Tracking Number: **112009144**

Date: **11/11/2020**

Customer name: **CARYANN CHURCH**

Customer code: **WERKMP**

E-mail address: **NHardduth@werksmans.com**

The Commission has received a form CoR123.1 Notice to Commence Business Rescue Proceedings in terms of section 129 or court order commencing business rescue proceedings in terms of section 131 of the Companies Act, 71 of 2008, dated 11/11/2020 for:

Company / Close Corporation Name: **CONSOLIDATED INFRASTRUCTURE GROUP (PTY) LTD**

Registration Number: **2007/004935/07**

Company / Close Corporation Status: **IN BUSINESS RESCUE**

The application was duly registered on **09/11/2020** and the effective date of commencement of business rescue proceedings is recorded as **09/11/2020**.

Yours sincerely,

Joel Mphahlele

Manager: Companies and Close Corporations

ISO 9001: 2008 Certified

The dti Campus (Block F - Entfufukweni), 77 Meintjies Street, Sunnyside, Pretoria | P O Box 429, Pretoria, 0001

Call Centre: 086 100 2472

Email: RVoller@cipc.co.za Website: www.cipc.co.za

**Companies and Intellectual Property Commission
Republic of South Africa**

Form CoR 123.1

About this Form

- This form is issued in terms of section 129 and 131 of the Companies Act, 2008, and Regulation 123 of the Companies Regulations, 2011.
- A company resolution to committee business rescue proceedings has no force or effect until it has been filed with this notice.
- This notice must be published to every affected person within 5 business days after -
 - (a) It has been filed, in the case of a resolution; or
 - (b) The date of the court order, in such a case.
- If this Notice is issued following a board resolution:
 - (a) The company must appoint a business rescue practitioner with 5 business days after filing this notice; and
 - (b) Any affected person may apply to a court in terms of section 130 for an order setting aside the resolution.
- The fee for filing this notice is R0.

**Contacting the
Commission**

The Companies and Intellectual
Property Commission of South Africa

Postal Address
PO Box 429
Pretoria
0001
Republic of South Africa
Tel: 086 100 2472

www.cipc.co.za

Notice of Beginning of Business Rescue Proceedings

Date: _____

Customer Code: WERKMP

Concerning

(Name and Registration Number of Company)

Name: CONSOLIDATED INFRASTRUCTURE GROUP LIMITED

Registration No: 2007/004935/06

The above named company advises that business rescue proceedings have commenced in terms of Chapter 6 of the Companies Act, as a result of:

☒ The Board of the company having adopted the attached resolution in terms section 129, on _____.

☐ A Court having made the attached order in terms of section 131, on _____.

In terms of section 132 (1)(a), the company's business rescue proceedings commenced on _____, being the date on which:

☒ This notice was filed with the Commission.

☐ The court issued the attached order.

(Only in the case of a company resolution)

In support of this Notice, the company has attached a sworn statement of the relevant facts upon which the resolution was founded by a director representing the Board.

Name and Title of person signing on behalf of the Company:

Authorised Signature:





**Consolidated
Infrastructure
Group Limited**

**EXTRACT OF THE RESOLUTIONS OF THE DIRECTORS OF
CONSOLIDATED INFRASTRUCTURE GROUP LIMITED
(Registration number: 2007/004935/06) ("Company")
ADOPTED AT A DIRECTORS' MEETING HELD ON 9 November 2020 VIA
CONFERENCE CALL AT 11h00**

PRESENT:

GAMSU, RAOUL DAVID	DIRECTOR (CHIEF EXECUTIVE OFFICER)
TEIXEIRA, CRISTINA MARIA	DIRECTOR (CHIEF FINANCIAL OFFICER)
HOGARTH, ROGER JAMES	NON EXECUTIVE DIRECTOR (Chairman)
NWOKEDI, JUDY VALERIE	NON EXECUTIVE DIRECTOR
HUDSON, TRENT JORDAN	NON EXECUTIVE DIRECTOR
MELNICK, SEAN ALAN	NON EXECUTIVE DIRECTOR

IT IS RECORDED THAT –

- 1 Adequate notice of the meeting and the agenda was given to the directors of the Company in accordance with article 28 as read with 28.4.1 of the Memorandum of Incorporation ("MOI"), as read with section 73 of the Companies Act, 71 of 2008, as amended ("Companies Act");
- 2 A quorum was present for the meeting in person and/or via electronic communication, and that all time periods for the convening of this board meeting as required in terms of article 28.4.3.1 of the MOI and otherwise are hereby waived and/or condoned, to the extent necessary, given the urgency of the agenda items;
- 3 After careful consideration, the directors adopted the resolutions below in accordance with the provisions of the Company's MOI and the Companies Act.



**Consolidated
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WHEREAS –

- 1 All the members of the board of directors of the Company, sufficient to constitute a quorum and validly consider and resolve on such matters, reasonably believe that the Company is financially distressed, within the meaning of Section 128(1)(f)(i) of the Companies Act, as it will be unable to pay its debts as they become due and payable within the ensuing 6 months, for the following reasons:
- 2 The Company holds, directly or indirectly, 7 primary assets, being shares in the following entities:
 - 2.1 Consolidated Power Projects Group South Africa Proprietary Limited ("CPPGSA") and its subsidiaries ("the Conco group");
 - 2.2 Tractionel Maintenance Services Proprietary Limited ("Tractionel");
 - 2.3 Conlog Proprietary Limited ("Conlog");
 - 2.4 Angola Environmental Servicos Limitada (30.5%);
 - 2.5 CIGenCo SA Proprietary Limited;
 - 2.6 Consolidated Power Maintenance Proprietary Limited ("CPM"); and
 - 2.7 various entities, including West End Claybrick Proprietary Limited and Drift Supersand Proprietary Limited (74%) comprising the Consolidated Building Materials business.



Consolidated Infrastructure Group Limited

- 3 Whilst the Company holds interests in a number of 'high quality assets, the Company has its own debt that, at October 2020, includes the sum of R312 million that is owed to its secured creditor, with R12m due and payable and R300m which will become due in June 2023, approximately R15 million due to unsecured trade creditors, the sum of R768,6 million to the bond holders of the previously listed CIG, R1 billion with respect to the domestic medium-term note programme that will become due in November 2020 and July 2021 ("Noteholders"), and contingent liabilities in the form of parent company guarantees for debts in both the Conco group of circa R1.1 billion and Tractionel of R17.5 million. In addition, the Company may also become liable for obligations which may materialise from parent company guarantees that were given to underwrite construction guarantees that have been provided to the Conco group, to the value of approximately R1.5 billion.
- 4 In this regard, one of the Company's subsidiaries, Consolidated Power Projects Pty Ltd ("Conco") (part of the Conco group), is unable to pay its debts in the normal course of business, and this has further weakened the Company's adverse financial position. Conco's financial position was adversely affected by the following:
- 4.1 Poor financial and operational performance, for some of the following reasons –
- 4.1.1 continued margin erosion due, for example, to the diminished South African supplier base which has resulted in late deliveries by suppliers of key components, and local community disruptions;
- 4.1.2 consequently, the incurrence by Conco of operational penalties and liquidated damages for failing to deliver to set target dates; and
- 4.1.3 therefore, a failure by Conco to achieve budgeted margins;
- 4.2 Constrained liquidity, for the reasons set out directly above and as a result of poor collections from local and foreign debtors, which has resulted in slower activity levels on other projects;



**Consolidated
Infrastructure
Group Limited**

- 4.3 Being overleveraged, with its levels of indebtedness and, in particular, the interest paid thereon, having a materially negative impact on the Conco's liquidity;
 - 4.4 The above resulted in losses which caused solvency constraints, even when taking the Company's support of Conco into account;
 - 4.5 Lack of access to guarantees for new projects;
 - 4.6 Significant overhead costs with employees who are paid above industry norms;
 - 4.7 The carrying costs of key skills and infrastructure in anticipation of the government energy development plans for renewable energy projects has exacerbated the burden on cash flow and profitability; and
 - 4.8 Low staff morale and loss of key technical and engineering skills over time.
- 5 Conco's constrained financial position was exacerbated by the unprecedented economic effects of the COVID-19 pandemic and the nationwide lock-down ordered by the President on Monday, 23 March 2020, in terms of the Disaster Management Act 57 of 2002 and the regulations promulgated thereunder, which severely limited the Conco's ability to conclude any new contracts.
- 6 In addition, with Conco's head office being in South Africa, many project managers and project teams were unable to return to site during the national lockdown, with the result that project sites were idle for some time, all the while incurring overhead costs and penalties.
- 7 Conco's lenders, the Standard Bank of South Africa Limited and Standard Chartered Bank (Johannesburg branch and Mauritius Limited) ("Conco Lenders") placed a demand on Conco on 28 October 2020 calling for immediate payment of all amounts outstanding under the facilities utilized by it and by other members of the Conco group, Conlog and CPM, which Conco is obliged, under the facility agreement with these lenders, to discharge.



**Consolidated
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Group Limited**

- 8 As set out above, the Company stands as guarantor for those outstanding amounts of R1,1 billion. Due to the very low probability that Conco will be able to fully repay these outstanding amounts, the contingent liability due by the Company to the Conco Lenders and other guarantee providers (Lombard and Santam) is likely to materialize placing additional financial pressure on the Company.
- 9 Conco was consequently placed under voluntary business rescue proceedings on 2 November 2020, which now may also crystallise the construction guarantees aforesaid. This increases the probability of additional financial liabilities to be assumed by the Company to a maximum of R1,5 billion.
- 10 The Company has been in negotiations with its debt providers (Noteholders and Fairfax Africa Investments Proprietary Limited), Conco Lenders and guarantee providers (for whom, as set out above, it stands as guarantor) (collectively referred to further as "the Group's Lenders") for some time with a view to restructuring its debt to ensure the maximum possible return to creditors. The restructure process, given the disparate positions of the lending institutions involved and the varying extent to which they are mandated to provide further financial assistance, has been complex and time consuming, only exacerbated by the Covid 19 crisis and the current state of South African economy.
- 11 While certain important milestones in moving towards a restructure have been achieved (including the signing of binding term-loan facility agreement with four of CIG's DMTN bond holders in March 2020, the appointment of Metis Strategic Advisors to advise on the restructure of debt, the appointment of a chief restructuring officer at Conco), the placing of Conco into business rescue has increased the Company's financial liabilities and rendered the reasonable prospect of concluding the requisite restructure with the Group's Lenders in a timely manner, less likely.



**Consolidated
Infrastructure
Group Limited**

- 12 In any event, even were the debt providers willing to restructure the Company's debt the Company is of the view that given current market conditions both in South Africa and elsewhere, the benefit to creditors that would arise from a debt restructure and voluntary wind down of the Company as opposed to a business rescue process, is marginal.
- 13 Further, as at 30 September 2020, the Company has made a cumulative loss of approximately R3,1 billion, its current liabilities exceeded its current assets by R837 million and it is insolvent by approximately R606 million.
- 14 The Company has exhausted all forms of intra-group and external funding previously available to it.
- 15 The Company is therefore financially distressed, within the meaning of Section 128 of Chapter 6 of the Act, in that, *inter alia* –
- 15.1.1 the company is factually insolvent on its balance sheet (in terms of section 128(1)(f)(ii) of the Act);
- 15.1.2 In its present circumstances, the Company is not able to raise sufficient working capital from third parties or from its shareholders, given the weakness of its balance sheet; and
- 15.1.3 by reason of all the foregoing circumstances it appears reasonably unlikely that the company will be able to pay all of its debts as they fall due for payment within the ensuing six months (in terms of section 128(1)(f)(i)).



**Consolidated
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- 16 Notwithstanding the above, all the directors of the Company believe that there is a reasonable prospect of rescuing the business of the Company, or at least portions thereof, as a going concern as an alternative to liquidation if action is taken immediately and if the Company commences Business Rescue. If the Company is placed under supervision, initiatives can be taken by a business rescue practitioner, when duly appointed, to take the following steps –
- 16.1 imposing an immediate temporary moratorium on all payments to creditors in terms of section 133 of the Act;
- 16.2 negotiating the sale of the Company's business, or at least portions thereof, and/or of its assets, including its primary assets; as a going concern, at a value higher than in a liquidation;
- 16.3 considering the possible suspension or cancellation of the Company's obligations in terms of section 136(2) of the Act;
- 16.4 continuous engagement with stakeholders to retain value in the Company and its assets (including without limitation its subsidiaries);
- 16.5 a restructure of the debt of the Company with its creditors;
- 16.6 engage in discussions with various parties regarding post commencement financing and related terms.

ACCORDINGLY, IT IS RESOLVED THAT –

- 1 The Company voluntarily commences with business rescue proceedings immediately and that it be placed under supervision in terms of Section 129(1) of the Companies Act;



**Consolidated
Infrastructure
Group Limited**

- 2 The Company forthwith lodge the requisite documents for the commencement of business rescue proceedings with the Companies and Intellectual Property Commission of South Africa and any documents ancillary thereto and/or necessary for the commencement and/or continuation of business rescue proceedings;
- 3 PETER FRANCOIS VAN DEN STEEN (ID Number: 681107 5024 087) and MARTIN DU TOIT LIEBENBERG (ID Number: 810118 5230 081), turnaround specialists, be appointed as the joint business rescue practitioners as contemplated in section 129(3)(b) of the Companies Act;
- 4 To the extent required, authorise Werksmans Attorneys of 96 Riyonia Road, Dennehof, Sandton to lodge any and all documents with the Companies and Intellectual Property Commission in order to give effect to the aforesaid resolutions.
- 5 RAOUL DAVID GAMSU (ID Number: 6809055033086) in his capacity as director and Chief Executive Officer of the Company be and is hereby authorised to do all things necessary, or to procure the doing of all things necessary, and to sign any and all documents, or to procure the signing of any and all documents, as is necessary to give effect to the resolutions aforesaid on behalf of the Board of Directors of the Company, including deposing and signing the sworn statement contemplated in section 129(3)(a) of the Companies Act.

CERTIFIED AND SIGNED AS A TRUE COPY OF THE PROCEEDINGS



THE CHAIRMAN

First Floor, 38 Mabaso Blvd, Mabaso Arch, 2196
PO Box 651435, Sandton, 2016 : 27 11 260 4046 : 27 06 748 9169
2007004933/06 4180246477

R Gamsu (CEO), C. Tshabalala (CFO)
DS Company Secretaries (Pty) Ltd

Trent Hudson, Sana Molelele

Judy Mankedi, Roger Hagarth

SWORN STATEMENT

I, the undersigned,

RAOUL DAVID GAMSU

(Identity Number: 6809055033086)

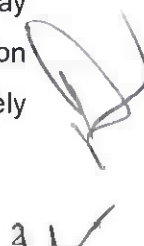
do hereby state as follows –

- 1 I am a director and Chief Executive Officer of CONSOLIDATED INFRASTRUCTURE GROUP LIMITED (Registration number: 2007/004935/06) ("**Company**"), a company with limited liability which has its registered address and principal place of business at First Floor, 30 Melrose Boulevard, Melrose Arch, Gauteng, 2079.
- 2 I am duly authorised to depose to this sworn statement on behalf of the Company.
- 3 The facts contained herein were presented to the Company's directors at an urgent special meeting of the Company's board of directors on 9 November 2020, and which I believe to be true and correct.
- 4 This Sworn Statement is made by me on behalf of the Company to support the commencement of business rescue proceedings ("**Business Rescue**") in terms of Section 129 of the Companies Act 71 of 2008 ("**Act**").
- 5 With this Sworn Statement, I intend to provide the relevant information that is required in order to demonstrate that the Company should be placed in Business Rescue.
- 6 The information contained in this Sworn Statement and the opinions expressed in the Sworn Statement relate to the financial difficulties of the Company and how –
 - 6.1 the Company's business, or at least portions thereof, can be rescued and continue as a going concern as an alternative to liquidation; or
 - 6.2 the Company can pay a higher dividend to its creditors than that which would become payable to creditors if the Company were to be liquidated.


12

FINANCIAL DISTRESS

- 7 The Company is a decentralised Pan-African infrastructure group that focusses primarily on the energy and oil and gas sectors.
- 8 The Company holds, directly or indirectly, 7 primary assets, being shares in the following entities:
 - 8.1 Consolidated Power Projects Group South Africa Proprietary Limited ("CPPGSA") and its subsidiaries ("the Conco group");
 - 8.2 Tractionel Maintenance Services Proprietary Limited ("Tractionel");
 - 8.3 Conlog Proprietary Limited ("Conlog");
 - 8.4 Angola Environmental Servicos Limitada (30.5%);
 - 8.5 CIGenCo SA Proprietary Limited;
 - 8.6 Consolidated Power Maintenance Proprietary Limited ("CPM"); and
 - 8.7 various entities, including West End Claybrick Proprietary Limited and Drift Supersand Proprietary Limited (74%) comprising the Consolidated Building Materials business.
- 9 Whilst the Company holds interests in a number of high quality assets, the Company has its own debt that, at October 2020, includes the sum of R312 million that is owed to its secured creditor, with R12m due and payable and R300m which will become due in June 2023, approximately R15 million due to unsecured trade creditors, the sum of R768,6 million to the bond holders of the previously listed CIG, R1 billion with respect to the domestic medium-term note programme that will become due in November 2020 and July 2021 ("Noteholders"), and contingent liabilities in the form of parent company guarantees for debts in both the Conco group of circa R1.1 billion and Tractionel of R17.5 million. In addition, the Company may also become liable for obligations which may materialise from parent company guarantees that were given to underwrite construction guarantees that have been provided to the Conco group, to the value of approximately R1.5 billion.

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10 In this regard, one of the Company's subsidiaries, Consolidated Power Projects Pty Ltd ("Conco") (part of the Conco group), is unable to pay its debts in the normal course of business, and this has further weakened the Company's adverse financial position. Conco's financial position was adversely affected by the following:

10.1 Poor financial and operational performance, for some of the following reasons –

10.1.1 continued margin erosion due, for example, to the diminished South African supplier base which has resulted in late deliveries by suppliers of key components, and local community disruptions;

10.1.2 consequently, the incurrence by Conco of operational penalties and liquidated damages for failing to deliver to set target dates; and

10.1.3 therefore, a failure by Conco to achieve budgeted margins;

10.2 Constrained liquidity, for the reasons set out directly above and as a result of poor collections from local and foreign debtors, which has resulted in slower activity levels on other projects;

10.3 Being overleveraged, with its levels of indebtedness and, in particular, the interest paid thereon, having a materially negative impact on the Conco's liquidity;

10.4 The above resulted in losses which caused solvency constraints, even when taking the Company's support of Conco into account;

10.5 Lack of access to guarantees for new projects;

10.6 Significant overhead costs with employees who are paid above industry norms;

10.7 The carrying costs of key skills and infrastructure in anticipation of the government energy development plans for renewable energy projects has exacerbated the burden on cash flow and profitability; and

10.8 Low staff morale and loss of key technical and engineering skills over time.



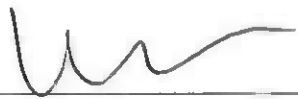
- 11 Conco's constrained financial position was exacerbated by the unprecedented economic effects of the COVID-19 pandemic and the nationwide lock-down ordered by the President on Monday, 23 March 2020, in terms of the Disaster Management Act 57 of 2002 and the regulations promulgated thereunder, which severely limited the Conco's ability to conclude any new contracts.
- 12 In addition, with Conco's head office being in South Africa, many project managers and project teams were unable to return to site during the national lockdown, with the result that project sites were idle for some time, all the while incurring overhead costs and penalties.
- 13 Conco's lenders, the Standard Bank of South Africa Limited and Standard Chartered Bank (Johannesburg branch and Mauritius Limited) ("Conco Lenders") placed a demand on Conco on 28 October 2020, calling for immediate payment of all amounts outstanding under the facilities utilized by it and by other members of the Conco group, Conlog and CPM, which Conco is obliged, under the facility agreement with these lenders, to discharge.
- 14 As set out above, the Company stands as guarantor for those outstanding amounts of R1,1 billion. Due to the very low probability that Conco will be able to fully repay these outstanding amounts, the contingent liability due by the Company to the Conco Lenders and other guarantee providers (Lombard and Santam) is likely to materialize placing additional financial pressure on the Company.
- 15 Conco was placed under voluntary business rescue proceedings on 2 November 2020, which may now also crystallise the construction guarantees aforesaid. This increases the probability of additional financial liabilities to be assumed by the Company to a maximum of R1,5 billion.
- 16 The Company has been in negotiations with its debt providers (Noteholders and Fairfax Africa Investments Proprietary Limited), Conco Lenders and guarantee providers (for whom, as set out above, it stands as guarantor) (collectively referred to further as "the Group's Lenders") for some time with a view to restructuring its debt to ensure the maximum possible return to creditors. The restructure process, given the disparate positions of the lending institutions involved and the varying extent to which they are mandated to provide further financial assistance, has been complex and time consuming, only exacerbated by the Covid 19 crisis and the current state of South African economy.



- 17 While certain important milestones in moving towards a restructure have been achieved (including the signing of binding term-loan facility agreement with four of CIG's DMTN bond holders in March 2020, the appointment of Metis Strategic Advisors to advise on the restructure of debt, the appointment of a chief restructuring officer at Conco), the placing of Conco into business rescue has increased the Company's financial liabilities and rendered the reasonable prospect of concluding the requisite restructure with the Group's Lenders in a timely manner, less likely.
- 18 In any event, even where the debt providers were willing to restructure the Company's debt, the Company is of the view that given current market conditions both in South Africa and elsewhere, the benefit to creditors that would arise from a debt restructure and voluntary wind down of the Company as opposed to a business rescue process, is marginal.
- 19 Further, as at 30 September 2020, the Company has made a cumulative loss of approximately R3,1 billion, its current liabilities exceeded its current assets by R837 million and it is insolvent by approximately R606 million.
- 20 The Company has exhausted all forms of intra-group and external funding previously available to it.
- 21 The Company is therefore financially distressed, within the meaning of Section 128 of Chapter 6 of the Act, in that, *inter alia* –
- 21.1 the company is factually insolvent on its balance sheet (in terms of section 128(1)(f)(ii) of the Act);
- 21.2 In its present circumstances, the Company is not able to raise sufficient working capital from third parties or from its shareholders, given the weakness of its balance sheet; and
- 21.3 by reason of all the foregoing circumstances it appears reasonably unlikely that the company will be able to pay all of its debts as they fall due for payment within the ensuing six months (in terms of section 128(1)(f)(i)).

REASONABLE PROSPECT OF RESCUE

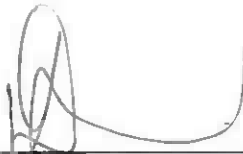
- 22 Notwithstanding the above, the directors of the Company believe that there is a reasonable prospect of rescuing the business of the Company, or at least portions thereof, as a going concern as an alternative to liquidation if action is taken immediately and if the Company commences Business Rescue. If the Company is placed under supervision, initiatives can be taken by a business rescue practitioner, when duly appointed, to take the following steps –
- 22.1 imposing an immediate temporary moratorium on all payments to creditors in terms of section 133 of the Act;
 - 22.2 negotiating the sale of the Company's business, or at least portions thereof, and/or of its assets, including its primary assets, as a going concern, at a value higher than in a liquidation;
 - 22.3 considering the possible suspension or cancellation of the Company's obligations in terms of section 136(2) of the Act;
 - 22.4 continuous engagement with stakeholders to retain value in the Company and its assets (including without limitation its subsidiaries);
 - 22.5 a restructure of the debt of the Company with its creditors;
 - 22.6 engage in discussions with various parties regarding post commencement financing and related terms.
- 23 Accordingly, the Company through its board of directors, maintains that the company is financially distressed, but that there remains a reasonable prospect of rescuing the company and, accordingly, that the Company needs to be placed in Business Rescue.



RAOUL DAVID GAMSU



I certify that this affidavit was signed and sworn to before me at JOHANNESBURG on this the 9TH day of NOVEMBER 2020 by the deponent who acknowledged that he/she knows/knew and understands/understood the contents of this affidavit, has/had no objection to taking this oath, considers/considered this oath to be binding on his/her conscience and uttered the following words: 'I swear that the contents of this affidavit are both true and correct, so help me God.'



COMMISSIONER OF OATHS

Name:

Address:

Capacity:

DEBBIE HEPBURN
Commissioner of Oaths
for the Johannesburg Central Magisterial District : Johannesburg
Senior Paralegal : Schindlers Attorneys
2nd Floor, 3 Melrose Boulevard, Melrose Arch
Johannesburg 2076
Ref: CJ/08/10/2017

**Companies and Intellectual Property Commission
Republic of South Africa**

Form CoR 123.2

About this Form

- This form is issued in terms of sections 129 and 131 of the Companies Act, 2008, and Regulation 123 of the Companies Regulations, 2011.
- This notice must be published to every affected person within-
 - (a) 2 business days after it has filed, if the company appointed the Practitioner; or
 - (b) 5 business days after the court order, in such a case.
- If this notice is issued following a company appointment, any affected person may apply to a court in terms of section 130 for an order setting aside the appointment, or requiring the practitioner to provide security.
- The fee for filing this Notice is R0.

Contacting the Commission

The Companies and Intellectual Property Commission of South Africa

Postal Address
PO Box 429
Pretoria
0001
Republic of South Africa
Tel: 086 100 2472

www.cipc.co.za

Notice of Appointment of Business Rescue Practitioner

Date: 11 November 2020

Customer Code: WERKMP

Concerning

(Name and Registration Number of Company)

Name: CONSOLIDATED INFRASTRUCTURE GROUP LIMITED

Registration No: 2007/004935/06

The above named company commenced business rescue proceedings on 9 November 2020.

The following person has been appointed as the business rescue practitioner:

PETRUS FRANCOIS VAN DEN STEEN and MARTIN DU TOIT LIEBENBERG

☒ By the company, in terms of section 129 (3)(b).

☐ By the court, in terms of section 131 (5).

Name and Title of person signing on behalf of the Company:

Raoul David Gamsu

Authorised Signature:



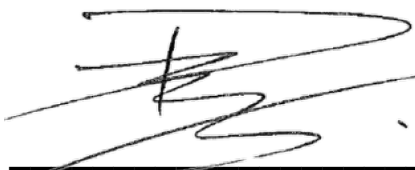
09 November 2020

APPOINTMENT AS BUSINESS RESCUE PRACTITIONER IN THE BUSINESS RESCUE OF CONSOLIDATED INFRASTRUCTURE GROUP LIMITED (REGISTRATION NO: 2007/004935/06)

1. I, Petrus Francois van den Steen, hereby confirm that I have been nominated to act as one of the joint business rescue practitioners of CONSOLIDATED INFRASTRUCTURE GROUP LIMITED (REGISTRATION NO: 2007/004935/06) ("**the Company**").
2. My identity document is attached hereto marked "**Annexure A**".
3. I hereby accept the appointment, and further confirm the following:
 - 3.1. I am of sound financial status and not insolvent in terms of Section 138 of the Companies Act, 71 of 2008 ("the Act");
 - 3.2. I am not subject to an order of probation as referred to in terms of Section 138(1)(c) of the Act;
 - 3.3. I would not be disqualified from acting as a director of the Company in terms of Section 138(1)(d) of the Act;
 - 3.4. I do not have any relationship with the Company that would lead a reasonable and informed third party to conclude that my integrity, impartiality or objectivity is compromised by any such relationship as envisaged by section 138(1)(e) of the Act;
 - 3.5. I am not related to any person who has a relationship envisaged in section 138(1)(f) of the Act.

- 3.6. I currently have the capacity to accept this appointment; and
- 3.7. I am not otherwise disqualified to be appointed as one of the joint business rescue practitioners of the Company in terms of any other provision of section 138(1) of the Act.
4. I have been conditionally licensed as a Senior Business Rescue Practitioner by the Companies and Intellectual Property Commission. My license is attached as "**Annexure B**".
- I am accredited as a Professional Turnaround Practitioner by the Turnaround Managers Association ("**TMA**") and designated as Business Restructuring Professional by the South African Restructuring and Insolvency Practitioners Association ("**SARIPA**").
5. My letter of good standing from the TMA and my Business Rescue Designation Certificate from SARIPA are attached hereto as "**Annexure C**".
6. I also attach hereto my tax clearance certificate as "**Annexure D**".

Yours faithfully,



P. VAN DEN STEEN
SENIOR BUSINESS RESCUE PRACTITIONER

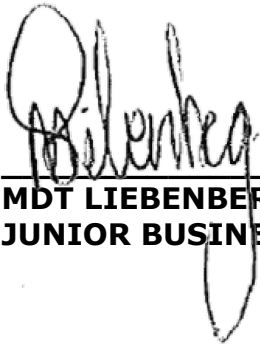
09 November 2020

APPOINTMENT AS BUSINESS RESCUE PRACTITIONER IN THE BUSINESS RESCUE OF CONSOLIDATED INFRASTRUCTURE GROUP LIMITED (REGISTRATION NO: 2007/004935/06)

1. I, Martin Du Toit Liebenberg, hereby confirm that I have been nominated to act as one of the joint business rescue practitioners of CONSOLIDATED INFRASTRUCTURE GROUP LIMITED (REGISTRATION NO: 2007/004935/06) ("**the Company**").
2. My identity document is attached hereto marked "**Annexure A**".
3. I hereby accept the appointment, and further confirm the following:
 - 3.1. I am of sound financial status and not insolvent in terms of Section 138 of the Companies Act, 71 of 2008 ("the Act");
 - 3.2. I am not subject to an order of probation as referred to in terms of Section 138(1)(c) of the Act;
 - 3.3. I would not be disqualified from acting as a director of the Company in terms of Section 138(1)(d) of the Act;
 - 3.4. I do not have any relationship with the Company that would lead a reasonable and informed third party to conclude that my integrity, impartiality or objectivity is compromised by any such relationship as envisaged by section 138(1)(e) of the Act;
 - 3.5. I am not related to any person who has a relationship envisaged in section 138(1)(f) of the Act.

- 3.6. I currently have the capacity to accept this appointment; and
- 3.7. I am not otherwise disqualified to be appointed as one of the joint business rescue practitioners of the Company in terms of any other provision of section 138(1) of the Act.
4. I have been conditionally licensed as a Junior Business Rescue Practitioner by the Companies and Intellectual Property Commission. My license is attached as "**Annexure B**".
- I am accredited as a Professional Turnaround Practitioner by the Turnaround Managers Association ("**TMA**")
5. My letter of good standing from the TMA is attached hereto as "**Annexure C**".
6. I also attach hereto my tax clearance certificate as "**Annexure D**".

Yours faithfully,



MDT LIEBENBERG
JUNIOR BUSINESS RESCUE PRACTITIONER