

Attention: **All Affected Persons**

Group Five Construction Proprietary Limited (in business rescue) ("**the Company**")

Attention: **Companies and Intellectual Property Commission ("CIPC")**

[businessrescue@cipc.co.za](mailto:businessrescue@cipc.co.za)

Delivered by Email

Displayed

- Registered Office and Principal Place Business of the Company and anywhere where Employees are employed
- Published on the Website Maintained by the Company and Accessible to Affected Persons

Hand delivered to the Trade Unions after publication

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July 2020

## **BUSINESS RESCUE STATUS UPDATE REPORT FOR GROUP FIVE CONSTRUCTION PROPRIETARY LIMITED**

1. In accordance with section 132(3)(a) and section 132(3)(b) of the Companies Act 71 of 2008, as amended when the business rescue proceedings of a company have not concluded within 3 months of the date on which they started, the business rescue practitioners ("**BRPs**") are required to –
  - 1.1. prepare a report on the progress of the business rescue proceedings and update it at the end of each subsequent month until the end of the business rescue proceedings; and
  - 1.2. deliver the report and each update to each affected person and to the CIPC.
2. This requirement is applicable to the Company.

3. This report is for the month of July 2020 and is published as an update to the status update report for the month of June 2020, circulated to all known affected persons and filed with the CIPC.
4. Capitalised words not otherwise defined in this report shall have the meaning ascribed to them in the approved Business Rescue Plan for the Company as published on 30 August 2019 ("**the Plan**").
5. Accordingly, we, the BRPs of the Company hereby provide you with the fourteenth report on the status of the Company's business rescue proceedings.
6. **Payment of first Distribution to Concurrent Creditors**

6.1. Creditors have previously been advised that the completion of Implementation Phase 1 and the payment of the first Distribution to Concurrent Creditors remains subject to the ongoing evaluation of the impact of COVID-19 on the Company's cash position.

6.2. The cash position of the Company is stable, but the impact of COVID-19 on the Company's cashflow remains negative both in terms of project related cashflows and, more significantly, as a result of COVID-19 related delays in completing sale transactions. Our forecasts for the quantum of Distributions to Concurrent Creditors remain positive and broadly in line with the Plan, however the timing thereof remains subject to the timing of completion of the numerous delayed sales processes.

6.3. In addition to this, a risk exists that in the event of certain of the Secured Creditors of the Company not realising anticipated secured recoveries, that shortfall would need to be treated as a concurrent claim. The BRPs are in the process of carrying out a calculation to determine a "worst case scenario", on the assumption that no further Secured Creditor claims in respect of the sale of the Intertoll Europe operations (Intertoll Europe is a secured asset of the Company – see below) are met, in order to determine each Secured Party's potential concurrent distribution entitlement. Only upon that determination having been made and agreed with all Secured Parties, will Distributions to Concurrent Creditors be affected. The BRPs are engaging with the Secured Creditors in question with the aim of resolving this restriction such that the

proposed first Distribution to Concurrent Creditors can be made as soon as the cashflow position of the Company allows.

- 6.4. The BRPs regret that this resolution and cash availability are unlikely to both occur during the month of August. The BRPs will provide an update on the position with regards to the proposed first Distribution to Concurrent Creditors in the next monthly update.

## **7. Legal Proceedings Against Group Five Limited**

7.1. As Affected Persons have been advised, a group of shareholders of Group Five Limited ("**G5 Limited**"), the holding company and sole shareholder of the Company, have instituted legal proceedings against G5 Limited and a number of other parties. No such legal action has been instituted against the Company. The BRPs do not anticipate that these proceedings will have any material impact on the business rescue proceedings of the Company.

7.2. The BRPs are opposing the action and the process is likely to continue for some time. No court date has yet been proposed or set.

## **8. General**

8.1. Construction Contracts – The Company re-mobilised and activated all relevant and permitted construction sites on 1 June 2020, at the commencement of Level Three of the National Lockdown. All Company sites and offices are adhering to strict hygiene protocols in accordance with government regulations. Remaining project-related construction activities continue to be exited, ceded, completed and/or concluded by the Company in controlled, considered and stable processes, specific to each individual project. Certain projects have experienced delays due to COVID-19 related matters and are being dealt with in terms of the applicable contracts and engagements with the employers.

8.2. Asset and Business Sales – The asset and business sale processes remain ongoing and broadly in accordance with the adopted Plan, however we are experiencing delays in disposal implementation processes (and thus cash realisation). A significant majority of the assets and businesses available for sale have either been realised or are the subject matter of binding sale

agreements which are progressing, albeit slowly. Pleasingly, however, the sale of Intertoll Europe, the Company's largest asset, was completed during July 2020. The bulk of the sale proceeds have been received and subsequently distributed to the Secured Creditors holding security over the asset. A portion of the sale proceeds are deferred and will be settled at a later date, and until such time as these sale proceeds are received, a contingent liability exists over this portion of the sale proceeds in terms of a warranty provided in the sale agreement. The warranty is normal for a transaction of this nature and the BRPs at this time have no reason to believe that any claim will be made in terms of the warranty.

8.3. Litigation etc. – The Company continues to actively pursue the resolution of numerous disputes by means of negotiation or, where applicable, by means of litigation, arbitration and adjudication matters.

## 9. Disputed Creditors

9.1. Details relating to Disputed Creditors the abandonment and resultant expungement of claims have been provided in the Plan and in earlier updates.

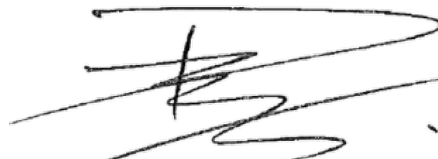
9.2. The BRPs are confident that the remaining Disputed Claims will be resolved with Disputed Creditors of the Company in a timeous manner through the process set out in the Dispute Resolution Mechanism provided in the Plan.

10. All relevant notices circulated to the affected persons of the company, to date, have been published on the company's website at [www.g5.co.za](http://www.g5.co.za), under the Business Rescue tab.

Yours faithfully,



**Dave Lake**



**Peter van den Steen**

**Joint Business Rescue Practitioners of Group Five Construction Proprietary Limited**