

- Delivered by Email To:** All known Affected Persons of Group Five Construction Proprietary Limited
(in business rescue)
Companies and Intellectual Property Commission
- Displayed:** Registered business address 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
-

May 2021

ATTENTION: Affected Persons of Group Five Construction Proprietary Limited (in business rescue)

STATUS REPORT ON THE BUSINESS RESCUE PLAN FOR GROUP FIVE CONSTRUCTION PROPRIETARY LIMITED (“Company”)

1. Introduction

- 1.1. In accordance with section 7.6 of the approved and adopted Business Rescue Plan of the Company (“**Plan**”), published on 30 August 2019 and distributed to all know Affected Persons, this Status Report on the Plan (“**Report**”) is being published and distributed by the duly appointed business rescue practitioners of the Company (“**BRPs**”) to update and inform Affected Persons in all matters relating to the commencement of the implementation of Phase 2 of the Plan.
- 1.2. Affected Persons are advised that the BRPs have completed the Implementation of Phase 1 and hereby provide Affected Persons with information (to the extent available) in relation to the commencement of the Implementation of the Phase 2 of the Plan.
- 1.3. Capitalised words not otherwise defined in this Report shall have the meaning ascribed to them in the Plan.

2. Achievements to date

- 2.1. Whilst progress with the implementation of the Plan was slowed by the COVID-19 environment, significant progress has been made with regards to the rescue process for the Company.

Group Five Construction (Pty) Ltd (in business rescue)

2.2. Progress to date can be summarised as follows:

- 2.2.1. Asset Disposals: The majority of the business assets (subsidiaries, joint ventures, shareholdings, investment assets, etc), held by the Company and or its subsidiaries (the “**Group**”) at the commencement of the business rescue proceedings (“**Commencement**”), by both value and number, have been disposed of and the majority of the relevant proceeds received.
- 2.2.2. Other funds: The majority of “other assets” available to the Company, by value and number, have been realised and converted into cash.
- 2.2.3. Construction projects: The majority of the projects being undertaken by the Company at Commencement, by both value and number, have either been completed, ceded, sold as part of a business sale or terminated.
- 2.2.4. Guarantee Exposure: Group guarantee exposure has been reduced by some 83% (in value) since Commencement, the majority being through the release of relevant guarantees and/or pursuant to the sale of the underlying entity, which included transferring of the associated guarantee obligation(s).
- 2.2.5. Overhead costs: The monthly overhead costs required to support the remaining operations of the Group have been materially reduced and are now a fraction of those in place at Commencement.
- 2.2.6. Staff: Whilst there have been a number of retrenchments and resignations, a significant majority of the Staff employed by the Group at Commencement have retained their employment through the successful restructuring (in some cases) and/or sale of operating entities in which those staff members were employed.
- 2.2.7. Closure of entities: A significant project has been undertaken to clean up the Group structure (which consisted of some 179 entities at Commencement) and bring relevant financial statements and regulatory filings up to date. This project is well advanced and the majority of the work has been completed.
- 2.2.8. Distributions to Secured Creditors: Distributions to the Secured Creditors together with the reduction in their guarantee exposure has resulted in the Secured Creditor Claims reducing from R4.5bn to R1.6bn. This represents a recovery of 63% of Secured Creditor Claims (since Commencement), compared to the 18% anticipated recovery for Secured Creditors estimated by PwC in the alternative (to business

rescue) scenario of a liquidation of the Company. Further reductions in the exposure are anticipated.

2.2.9. Distributions to Concurrent Creditors: Distributions in the amount of c. R137m have been made to, or provided for, Concurrent Creditors. This represents an initial Distribution of 4% of remaining Concurrent Creditor Claims at Commencement. This is comparable to the 3.4%* total recovery for Concurrent Creditors estimated by PwC in the alternative (to business rescue) scenario of a liquidation of the Company. Further Distributions are anticipated.

2.2.10. Dispute Resolution: Numerous disputes involving the Company and/or Group, in both formal and informal processes, have been either completed or settled with the relevant counterparties.

2.2.11. Use of funds: Funds realised from the sale of assets and from operations (where such operations have provided net positive cashflows) have been utilised to fund the business rescue proceedings and the balance thereafter used to fund Distributions to Creditors.

2.3. Further detail relating to the abovementioned matters, in particular relating to matters still to be resolved in Phase 2, are provided below.

3. Asset disposals

3.1. As at the date of this report, a number of assets are still to be disposed of and/or funds to be collected from completed sale transactions. Material amongst these are:

3.1.1. final payments to be received in respect of the sale of the Intertoll Europe operations;

3.1.2. final payments to be received in respect of the sale of various G5 Property assets;

3.1.3. completion of the Oxford Road property disposals;

3.1.4. completion of the Tshwane House PP shareholding disposal;

3.1.5. completion of the Kalahari Mall shareholding disposal; and

3.1.6. completion of the Ilima liquidation process.

3.2. In addition to the above, there are a number of smaller assets which are still to be disposed of.

*Note. The original version of this document, in error, showed this number to be 3.6%. This was a typographical error which does not materially impact on the document as a whole. This typographical error has been corrected in this version and the online version of this document, and the correction will be carried through in terms of any future correspondence and documents which refer to this percentage.

4. Other funds to be realised

4.1. As at the date of this report a number of other funds are still to be realised. Material amongst these are:

4.1.1. international claims owed to the Company are being actively pursued in the jurisdictions of Angola, Mozambique, Zimbabwe, Saudi Arabia and India;

4.1.2. pension surplus/contribution holiday fund is to be realised; and

4.1.3. the Group 5 Black Management Economic Empowerment Trust.

5. Construction Projects.

5.1. A total of 79 active projects were in existence at Commencement. At the date of this report, 11 active projects remain to be completed and a further 13 projects are in commercial close out. All the active projects are estimated to reach final completion on or before 31 December 2022, but with the majority having an extended commercial close out period of another 12 months thereafter. The expected expenses and revenues for these 24 projects (11 + 13) have been included in the forecast business rescue cash flows.

5.2. The total of project guarantee exposures as at Commencement of R2 057m has reduced to R348m as at the date of this report.

6. Human resources issues

6.1. The current number of employees employed by the Company is 183. This number will be reduced as the Group's activities diminish.

6.2. All employee related costs (PAYE, medical aid, pension, etc.) are met on a monthly basis.

6.3. Financial provision has been made for the retrenchment costs of all staff.

7. Closure and de-registration of legal entities locally and internationally

7.1. At the commencement of Business Rescue, there were 179 companies in the group (85 international, 94 local). Currently, 126 companies remain (45 international, 81 local).

7.2. The detailed project to bring financial statements up to date, regulatory filings up to date, and to effect the closure/deregistration of all entities is continuing and will be completed during Phase 2.

8. Ongoing Litigation and Disputes

8.1. There are a number of ongoing disputes and litigation matters involving the Company and Group. These matters are being pursued by the BRPs in order to protect the interests of Affected Persons.

8.2. A list of ongoing disputes/litigation is provided in Annexure 1.

8.3. These matters will all be brought to a conclusion, or otherwise provided for, by the BRPs in Phase 2.

9. Latent Defects

9.1. A total of 148 projects had potential latent defect obligations at Commencement. This has reduced to 122 with a potential life span of a further 11 years. The majority (78%) of the contractual latent defect periods impacting on the Company and/or the Group will have expired by the end of 2026. The anticipated future expenses associated with meeting any obligations associated with potential latent defects (based on an independent actuarial assessment) have been appropriately provided for in the forecast business rescue cash flows and in terms of the adopted business rescue plan.

10. Retention (asset) recoveries

10.1. A total of 9 projects with retentions of R55m (net of provisions) are due to the Company as at the date of this report. These are receivable over a period of another 3 years.

10.2. These matters will all be brought to a conclusion, or otherwise accounted for, by the BRPs in Phase 2.

11. Retention (liability) distributions

11.1. A total retention liability of R122m is payable to the suppliers of the Company at the date of this report. R117m of these retentions relate to pre business rescue retention liabilities and R5m to post BR retention liabilities.

11.2. All residual retention liabilities will be settled or otherwise provided for by the BRPs in the course of Phase 2 in terms of the adopted business rescue plan.

12. Document and record management

12.1. All non-relevant/surplus documents and records have been selected and destroyed (c.30 000 boxes). The remaining material documents and records (c.20 000 boxes) are being stored/archived in accordance all applicable regulations.

13. Additional Distributions to be made to Secured Creditors from net proceeds (after costs) from the disposal of encumbered assets

13.1. Secured Creditors will be kept informed of developments in this regard in the regular monthly business rescue updates as and when further proceeds are received.

14. Additional Distributions to Concurrent Creditors of free residue

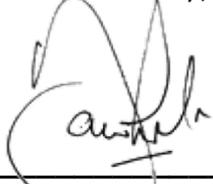
14.1. Concurrent Creditors have already received a first Distribution of 4%, which is already more than the c3.4% estimated by PwC in the alternative (to business rescue) scenario of a liquidation of the Company.

14.2. Concurrent Creditors will be kept informed of developments with regard to further Distributions in the regular monthly business rescue updates.

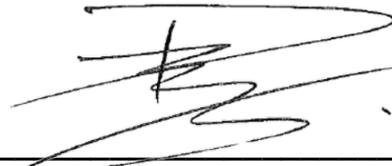
15. Notices and Documents

Affected Persons are reminded that all distributed notices and documents regarding the business rescue proceedings of the Company, have been published on the Company's website: www.g5.co.za, under the "Business Rescue" tab.

Yours faithfully,



Dave Lake
Business Rescue Practitioner
Group Five Construction (Pty) Ltd



Peter van den Steen
Business Rescue Practitioner
Group Five Construction (Pty) Ltd



ANNEXURE 1 – KEY LITIGATION AND LEGAL MATTERS

in relation to the

**STATUS REPORT ON THE BUSINESS RESCUE PLAN FOR
GROUP FIVE CONSTRUCTION PROPRIETARY LIMITED**
(in business rescue)

KEY LITIGATION AND LEGAL MATTERS	CURRENT STATUS
Competition Commission – Senekal	Dispute ongoing
Competition Commission – World Cup	Review process won, on appeal
Exxaro GG6 Project - Bond	Dispute ongoing
Exxaro GG6 Project-Damages	Dispute ongoing
Fast Track Application	Dispute ongoing
Ghanaian assets	Dispute ongoing
Ilima - Liquidation	Awaiting liquidation pay out
Khewija - Sasol Alrode Expansion Project	Dispute ongoing
Lockstock (shareholders' application)	Dispute ongoing
Melrose Arch Investment Holdings (One on Whiteley)	Dispute ongoing
Millennium Guarantee Application	Dispute ongoing
Mrs Gutridge (117 Strand)	Dispute ongoing
Nokeng Fluorspar Mine	Dispute ongoing
Northpoint	Dispute ongoing
PTR - Fabrication Disputes - Fabrication 2 CEQ dispute	Won, on appeal
PTR - Outage 223 Disputes – Phase H&I dispute	Won, on appeal
The Pearls - Liability and quantum	Dispute ongoing
VRP – Further payment	Arbitration won, on review
VRP – Recover Money paid	Held in abeyance

Matters resolved since the publication of the Business Rescue Plan for Group Five Construction Proprietary Limited, in August 2019, include:

- Ankerlig
- Bara Hospital
- Darvill - Cancellation
- Darvill - Guarantee
- ENM- NW Department of Health – Jouberton Community Centre
- Fast Track / Millennium / PDT Arbitration
- JMLC – University of Stellenbosch
- La Mercy - Plumbmann
- Lougot
- Nelspruit high court
- Parklands - Bond
- PC Flooring
- PTR - Fabrication Disputes - Fabrication CEQ dispute
- PTR - Fabrication Disputes - Safety case additional works
- PTR - Fabrication Disputes - Safety case additional works - Engineering Documentation
- PTR - Framatome
- PTR - Maintaining the Organisation
- PTR - Outage 223 Disputes – Phase D dispute
- PTR Contract - Adjudication on extended stoppage due to LTI
- Transcon
- Water & Sanitation Head Office
- Willows School