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Hand Delivered to the Trade Unions

11 June 2019

Attention: **All Affected Persons**
Group Five Construction Proprietary Limited (In Business Rescue)

Attention: **Companies and Intellectual Property Commission**
businessrescue@cipc.co.za

STATUS REPORT FOR GROUP FIVE CONSTRUCTION PROPRIETARY LIMITED (IN BUSINESS RESCUE)

- 1 In accordance with section 132(3)(a) and section 132(3)(b) of the Companies Act 71 of 2008, as amended ("**Act**") when the business rescue proceedings of a company have not concluded within 3 months of the date on which they started, a business rescue practitioner is required to–
 - 1.1 prepare a report on the progress of the business rescue, 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 Companies and Intellectual Property Commission ("**CIPC**").
- 2 This requirement is applicable to Group Five Construction Proprietary Limited (In Business Rescue) ("**the Company**").
- 3 Accordingly, we hereby provide you with the first report on the status of the Company's business rescue proceedings.
- 4 As you are aware, the Company was placed in business rescue on 11 March 2019 by a resolution of the board of the Company passed on 11 March 2019 and we were appointed as the business rescue practitioners on 13 March 2019.

Group Five Construction (Pty) Ltd
Reg No 1974/003166/07

Directors: TC Kgogo AJ Clacher NM Humphreys KR Maharaj

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- 5 Since our appointment we have engaged in the following:
- 5.1 Management Control - In terms of section 140(1)(a) of the Act, we took full management control of the Company and delegated certain functions to management in terms of section 140(1)(b) of the Act.
- 5.2 Projects - We, together with the current management of the Company, have identified those projects which the Company intends to complete and those which it has terminated. To date, we, with the current management of the Company, have engaged with the employers in respect of each project and with the relevant JV partners and sub-contractors and have confirmed whether a project will be completed by the Company or not. Despite this, if you are unsure as to whether or not the project in which you are involved is continuing or not, and on what basis, you are encouraged to contact the relevant divisional managing directors who will liaise with us. Some projects have been terminated by employers early on in the business rescue process and have caused great disruption and financial cost to both the Company and the employers. In some of the aforementioned instances we are still engaging with the relevant persons to determine if projects can potentially be revived on a de-risked basis.
- 5.3 Extension of the Date for Publication of Business Rescue Plan - In terms of section 150(5) of the Act, the business rescue plan was required to be published on 16 April 2019 (i.e. within 25 days from the date of our appointment). We obtained an extension from the creditors at the first statutory meeting of creditors (as contemplated in section 150(5)(b) of the Act) for the publication date for the business rescue plan to be extended to 28 June 2019. In view of the complexity of the matter and the need for us to consult more widely in order to prepare an appropriately thorough business rescue plan, as at the date of publication of this update we are now of the view that the original extension date for the publication of the business rescue plan has proved to be optimistic. We will therefore be approaching creditors to seek their approval for an extension of the date for publication in due course.
- 5.4 Employees' Meetings - We held the first statutory meeting of employees, in terms of section 148 of the Act, on 26 March 2019. A further meeting of employees was convened on 4 and 5 April 2019 in Cape Town and Durban respectively.
- 5.5 Employee Litigation - A small number of employees have referred disputes to the Commission for Conciliation, Mediation and Arbitration ("**CCMA**") in relation to their dismissal by the Company, and/or the payment of severance amounts. In terms of section 133 of the Act, which allows for a moratorium on legal proceedings, including enforcement action against a Company in business rescue, we have not consented to any such disputes continuing in the CCMA. The Company will continue to avail itself of this moratorium for so long as business rescue proceedings endure.
- 5.6 Salaries and Wages - Employees have continued to be employed by the Company on the same terms and conditions as before business rescue. However, we have advised employees that they will not be receiving any increases or bonuses whilst the Company is in business rescue other than in respect of those employees who are contractually entitled (without discretion) to receive an annual salary increase and/or bonus in terms of an employment

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contract. Further, the remuneration of non-executive directors has been suspended for the duration of the business rescue proceedings.

5.7 Retrenchment Processes - For the business rescue efforts to be successful, and in an attempt to avoid an immediate liquidation, it is necessary for the Company to reduce its overhead costs and short term cash outflows significantly. The Company has engaged in retrenchment processes as set out below.

5.7.1 Before the start of the business rescue proceedings, in December 2018, and in February 2019, the Company initiated a section 189A large scale retrenchment process in terms of the Labour Relations Act 66 of 1995 ("**First Retrenchment Process**"). This was considered necessary due to, amongst other factors, the loss of major construction projects by the Company which resulted in excess staff. Although the consultation process under this First Retrenchment Process has been finalised, the exit of employees from the Company's operations under this First Retrenchment Process has not yet been finalised. We are finalising this process during the business rescue. Although the Company has sought to make payment of amounts due to retrenched employees in the ordinary course, the payment of severance entitlements owing to retrenched employees unfortunately have to be deferred until such time as the Company has sufficient funds to discharge these amounts in full.

5.7.2 Although the First Retrenchment Process provided some relief and allowed us to rationalise the Company's workforce according to its project needs, we needed to reduce costs further and therefore started a second section 189A process at the end of April 2019 ("**Second Retrenchment Process**"). We issued notices to all affected employees and their trade unions inviting them to consult about the need for further retrenchments. Consultations under this Second Retrenchment Process are being facilitated by the CCMA and are expected to be finalised by the end of June 2019. Any exit of employees would ordinarily take place within 30 days of the end of the process, although certain employees may be given longer notice periods to ensure that the Company can meet its project commitments. We have considered the most beneficial way to structure the timing of these further retrenchments, and the payment of the severance entitlements, to ensure that affected employees are treated as favourably as possible in order to stabilise the Company and preserve cash. We have also invited affected employees to apply for voluntary retrenchment packages. A number of applications have been received and are being considered by the Company.

5.7.3 All amounts that become due and payable during the business rescue proceedings with respect to severance entitlements will retain the benefits and ranking set out in section 135 of the Companies Act.

5.8 Creditors' Meetings - A first meeting of creditors, as contemplated in section 147 of the Act, was convened on 26 March 2019. A further meeting of creditors was convened on 4 and 5 April 2019 in Cape Town and Durban, respectively.

5.9 Creditors' Committee - At the first statutory meeting of creditors and at the additional creditors' meetings in Cape Town and Durban, we called for

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nominations for representatives to sit on a creditors' committee. We received nominations and accepted all nominations received. Details of the members of the creditors' committee were circulated to affected persons in a notice dated 3 May 2019. At a meeting of the creditors' committee held on 10 May 2019, Haroon Laher, of Hogan Lovells, was appointed by the creditors' committee, to be the independent chairman. This committee will be consulted by the BRPs with respect to the development and implementation of the business rescue plan.

5.10 Claims Reconciliation – To date, we have received claim forms from creditors. A verification process has been undertaken to reconcile the claims of creditors as reflected in the records of the Company against the claim forms received. All persons with claims against the Company were requested to submit their claim forms by 15 May 2019. Creditors who have not submitted a claim form, are urged to do so as soon as possible, and before the publication of the business rescue plan. All claims that are accepted in whole or in part will be reflected in the business rescue plan. No other communication will be given to creditors about whether a claim has been accepted or not. The business rescue plan will provide a process for persons to deal with any disputes related to claims, and creditors with disputed claims will be at liberty to follow such process if they so wish.

5.11 Contracts

5.11.1 Suspension of Contracts - Section 136(2)(a) of the Act allows business rescue practitioners during business rescue proceedings to entirely, partially or conditionally suspend, for the duration of the business rescue proceedings, any obligation of the Company that arises under an agreement to which the Company was a party at the commencement date and which would otherwise become due during the business rescue. We have suspended the Company's obligations under certain agreements that have become due during business rescue, and notified the relevant persons of this, and the BRPs have reserved the right to continue to do so as is necessary.

5.11.2 Cancellation of Contracts – We have the right, in terms of section 136(2)(b) of the Act to cancel any contract (whether or not they are entitled to do so in terms of the terms of the contract) on application to court. We reserve the right to terminate any agreement that we deem necessary to terminate, on application to court, in accordance with the provisions of section 136(2)(b) of the Act.

5.12 Post-Commencement Finance and Construction Contracts –

5.12.1 We have engaged with the lenders and have managed to secure post-commencement finance for –

5.12.1.1 the general working capital requirements of the Group Five group;

5.12.1.2 the various litigation proceedings in respect of the Kpone Independent Power Project; and

5.12.1.3 for specific projects. To date, PCF has been made available for the following projects –

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- 5.12.1.3.1 the improvement of National Route 2, section 3 between Caledon and Rivierseind project, where the employer is the South African National Roads Agency SOC Limited;
 - 5.12.1.3.2 the construction of the new Nelspruit High Court, where the employer is The Independent Development Trust;
 - 5.12.1.3.3 the Jan Mouton Learning Centre project, where the employer is the Council of the University of Stellenbosch;
 - 5.12.1.3.4 upgrades to Sea Outfall Pumping Scheme, Southern Waste Water Treatment Works project where the employer is the Ethekwini Municipality;
 - 5.12.1.3.5 Tender No S021/17 Contract No NRA N002-030-2015/1 – The completion of a public school PC Petersen Primary School located at, 9 Riebeeck Street, Cape Town, 8001, South Africa;
 - 5.12.1.3.6 the Waterfall Corporate Campus Project Contract No 121414 – The building of Phase 2 of the Waterfall Corporate Campus at Jukskei View Ext 117, where the employer is the Corporate Campus Joint Venture;
 - 5.12.1.3.7 the extension and upgrade of the Themba Water Purification Plant project where the employer is the City of Tshwane; and
 - 5.12.1.3.8 the Waterfall Point offices project, where the employer is Attaq Waterfall Investment Company.
- 5.12.2 There are also a number of projects that are at various stages and for which post-commencement finance has been provided, or mechanisms have been put in place to ensure the completion of such projects.
- 5.12.3 The Company was involved in 79 construction projects. To date (3 months after the commencement of the business rescue proceedings) –
- 5.12.3.1 39 projects are running independently of external funding;
 - 5.12.3.2 9 projects are running with post-commencement finance funding;
 - 5.12.3.3 2 projects are close to being recommenced, with funding arrangements in place and the relevant agreements finalised (but awaiting the fulfilment of various approvals and governance requirements);
 - 5.12.3.4 5 projects - the employer is engaging directly with the subcontractors and are proceeding to completion;
 - 5.12.3.5 5 projects - joint venture partners have taken over the project or are in advanced stage of negotiating the takeover of the project; and

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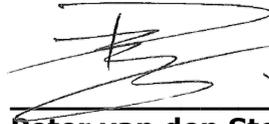
- 5.12.3.6 11 projects have been terminated and will unfortunately not be revived.
- 5.12.4 We are hopeful that as many as 60 out of 79 projects in the construction portfolio will be completed. However, there is a risk that 1 of the projects may not be rejuvenated despite funding having been made available to do so.
- 5.13 Cost Reduction Initiatives - Since appointment, we have made ongoing efforts to reduce operating costs, wherever possible.
- 5.14 Cash Management - In order to minimise the operating expenses of the Company, we continue to monitor the cash flow and financial position, control payments and enforce general controls.
- 5.15 Remuneration - Our remuneration agreement was supported with the requisite majority of creditors at a meeting held on 24 April 2019 and is final and binding on the Company. This was confirmed in a circular sent to the affected persons of the Company on 3 May 2019.
- 5.16 Asset and Business Sales -
- 5.16.1 We have engaged in numerous sale processes related to subsidiary companies, operating divisions, properties and/or shareholdings ("**Assets**") that may be disposed of in order to relieve the burden of the secured debt owed by the Company (and/or by its direct and indirect subsidiaries) as well as to provide working capital for the business rescue proceedings.
- 5.16.2 In this regard, as at the date of this report:
- 5.16.2.1 we are in discussions with arms' length counterparties with regards to the sale of 7 such Assets;
- 5.16.2.2 we are running formal sales processes with arms' length bidders in respect of 3 such Assets;
- 5.16.2.3 We, on behalf of the Company, have entered into binding arms' length sale agreements (subject to conditions precedent) with counterparties in relation to such 10 Assets;
- 5.16.2.4 we are in the process of restructuring 3 businesses in order to optimise their value before entering into sales processes in respect of those businesses;
- 5.16.3 In addition, we have disposed of approximately 180 pieces of equipment which are no longer used in operations - realising a gross value of approximately R115 million.

- 5.17 Notifications – A number of notices have been circulated to affected persons of the Company and these have been published on notice boards at the registered office and principal place of business of the Company (and anywhere where employees are employed) and on the Company's website. The details of the website are set out below.
- 6 If you have any queries, they may be directed to G5constructionptyltd@groupfive.co.za. 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

Yours faithfully,



Dave Lake



Peter van den Steen

Joint Business Rescue Practitioners of Group Five Construction Proprietary Limited (in Business Rescue)

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