



CONSOLIDATED POWER PROJECTS

Consolidated Power Projects (Pty) Ltd

Co. Reg. No. 1963/006171/07

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Website: www.concogrp.com

Delivered by Email to all known Affected Persons

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 Trade Unions

Emailed to the Companies and Intellectual Property Commission

February 2021

Attention: All Affected Persons of Consolidated Power Projects Proprietary Limited (In Business Rescue)
Companies and Intellectual Property Commission

STATUS REPORT FOR CONSOLIDATED POWER PROJECTS 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 latter requirement is applicable to Consolidated Power Projects 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 02 November 2020 by a resolution of the board of the Company passed on 02 November 2020 and we, PF van den Steen and MDT Liebenberg, were appointed as the business rescue practitioners on 02 November 2020 and which appointment was registered by the CIPC on 03 November 2020.

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 and its post-commencement finance (“**PCF**”) funders, have identified those projects which the Company intends to or has the ability to complete. To date, we have engaged with the employers of key projects and with the relevant JV partners and sub-contractors and have indicated whether a project will be completed by the Company. 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 representative from the Company who will liaise with us. Some projects have been terminated by employers early on in the business rescue process and this has caused great disruption and financial cost to the Company, the business rescue process and also in relation to employees.
 - 5.2.1. Key project terminations

One of the Company’s largest employers terminated five projects on 10 December 2020. This has had a significant impact on the Company, its employees and the business rescue in general including PCF funding. This necessitates that the Company is right-sized given the significant impact of the reduction in key/large active projects.

 - 5.2.2. Key project updates

Details regarding the ongoing active projects and projects currently in maintenance will be included in the business rescue plan.

 - 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 07 December 2020 (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 on 01 March 2021. 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, this extension was considered to be valid and necessary.

- 5.4. Employees' Meetings – The first statutory meeting of employees, in terms of section 148 of the Act, was convened virtually on 16th November 2020. Thereafter, an Employees Committee was duly formed by employees of the Company who volunteered or who were nominated by their colleagues to represent them on the committee. To date, we have convened two virtual meetings with the Employees Committee to discuss the business rescue proceedings of the Company, the first was held on 30 November 2020 and the second on 09 December 2020. The minutes of these meetings are available to all employees, upon request. Please send requests for meeting minutes to the business rescue email address: BR@concogrp.com. We will continue to communicate and engage with this committee throughout the business rescue proceedings.
- 5.5. 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, for the most part, 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 contract.
- 5.6. 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.
- 5.6.1. Before the start of the business rescue proceedings, in October 2020, the Company initiated a section 189A large scale retrenchment process in terms of the Labour Relations Act 66 of 1995 (“**Retrenchment Process**”). This was considered necessary due to, amongst other factors, the financial distress of the Company. Although the consultation process under this Retrenchment Process has been finalised and a Consensus Agreement signed by unionised and non-unionised representative employees, the exit of employees from the Company's operations under this Retrenchment Process has not yet been finalised. We are finalising this process during the business rescue. The Company's total number of direct employees has reduced from 492 as of the date of business rescue, to 163 as at 31 January 2021.
- 5.6.2. At the date of publication, the Company has fulfilled all Retrenchment Process financial obligations to all employees affected by the process.



- 5.7. Creditors' Meetings – The first meeting of creditors, as contemplated in section 147 of the Act, was convened virtually on 16 November 2020.
- 5.8. Creditors' Committee – At the first statutory meeting of creditors, we called for nominations for representatives to sit on a creditors' committee. We received nominations and volunteers through the business rescue email address, and we contacted those individuals. The first Creditors Committee meeting was convened virtually on 30 November 2020. The minutes of this meeting are available to all creditors upon request. Please send requests for meeting minutes to the business rescue email address: BR@concogrp.com. We remind all creditors that the creditors committee is open to all creditors who wish to form a part of the committee. Creditors are advised to contact us if they would still like to be a part of the committee. We will continue to engage with the creditors committee throughout the business rescue proceedings.
- 5.9. Claims Reconciliation – To date, we have received claim forms from creditors. A verification process is underway to reconcile the claims of creditors as reflected in the records of the Company against the claim forms received. 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.
- 5.10. Contracts
- 5.10.1. 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.
- 5.10.2. Cancellation of Contracts – Section 136(2)(b) of the Act allows a business rescue practitioner during business rescue proceedings to cancel 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 (whether or not he or she is entitled to do so in terms of the terms of the contract) on application to Court. We reserve the right to terminate any obligation that



we deem necessary to terminate, on application to Court, in accordance with the provisions of section 136(2)(b) of the Act.

5.11. PCF and Construction Contracts –

5.11.1. We continue to engage with the company's existing lenders and guarantee providers in an effort to secure PCF for –

5.11.1.1. the general working capital requirements of the CONCO group;

5.11.1.2. The business rescue proceedings;

5.11.1.3. Non-guaranteed projects (5.11.1.1 – 5.11.1.3 being referred to as common PCF); and

5.11.1.4. Guaranteed projects (referred to as bilateral PCF).

5.11.2. To date, we have secured three tranches of PCF payments from the lenders in an amount of circa R152m. It is recognised that, without this PCF having been provided by PCF lenders, the business rescue practitioners would not have had the ability to continue to run the business or achieve the progress made to date. We negotiate, update and engage with PCF lenders on a regular basis in an effort to continue to secure the required PCF needed to facilitate the business rescue proceedings and allow the Company to continue to trade. We expect that PCF continues to be required in the near term until such time as a number of the key projects start to generate positive cash flows, which will be utilised for the purposes of the business rescue as well as repayment of PCF.

5.11.3. The Company, its subsidiaries, and related CONCO Group companies, are engaged with construction projects across a number of regions, both locally (South Africa) and abroad (Africa and Middle East). African countries with ongoing project exposure include Swaziland, Lesotho, Botswana, Namibia, Kenya, Mauritius, Democratic Republic of the Congo, Seychelles, Burkina Faso, Ivory Coast, Tanzania, and Ethiopia. Middle Eastern countries include Saudi Arabia and Oman. Across all entities, there are approximately 80 projects that still require some degree of action. Of those 80 projects there are approximately 15 high-value projects that remain in active construction.



5.12. Cost Reduction Initiatives - Since appointment, we have made ongoing efforts to reduce operating costs, wherever possible. This includes aggressive reductions in employee headcount, office rental reductions, reduction and elimination of IT costs and various other general overhead reductions.

5.13. 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. Funds in the form of PCF have been advanced by the guarantors to fund specific projects and working capital requirements.

5.14. Remuneration of Practitioners.

5.14.1. Section 143 of the Companies Act permits a business rescue practitioner, in agreement with the company in business rescue to conclude a fee agreement if the requisite support is obtained from the creditors and shareholders of the Company. In order for the remuneration agreement to be final and binding on the Company, the following support is required –

5.14.1.1. the holders of a majority of the creditors' voting interests present and voting at a meeting called for the purpose of considering the remuneration agreement; and

5.14.1.2. the holders of a majority of the voting rights attached to any shares of the company that entitle the shareholder/s to a portion of the residual value of the company on winding up, present and voting at a meeting called for the purpose of considering the remuneration agreement.

5.14.2. In this regard, a meeting with the sole shareholder was held on 10 December 2020 at 12h00. At this meeting, the sole shareholder voted in favour for the BRPs Remuneration Agreement and thus the requisite shareholder support was obtained.

5.14.3. Further to this meeting, we notified creditors of our intention to convene a meeting in terms of section 143 and subsequently held a virtual meeting with the creditors of the Company, for the purpose of procuring a vote in these terms, on 27 January 2021. We presented the details of the proposed remuneration agreement and called for the creditors to vote on same, either in the meeting or via the BR email address. The votes were tallied and based on the votes recorded, an overwhelming majority of creditor's approved the BRPs Remuneration Agreement and in excess of the required majority of 50.1% that is needed to support the remuneration agreement.



- 5.14.4. We express our gratitude to the sole shareholder and to the creditors for their support.
- 5.15. Asset and Business Sales – We have engaged in sale processes related to assets surplus to the needs of the Company including subsidiary companies, operating divisions, properties and/or shareholdings, projects/claims and movable assets that may be disposed of in order to offset the PCF requirements, to provide working capital for the business rescue proceedings and ultimately for the benefit of creditors.
- 5.16. Notifications – A number of notices have been circulated to affected persons of the Company and these have been published on the Company's website. The details of the website are set out below.
6. Non-Independent Creditors – Section 145(5)(a) requires the BRPs to determine whether or not a creditor of a company is independent for the purposes of business rescue and all the provisions set forth regarding creditors voting rights in Chapter 6 of the Act. We are in the process of determining the independence of all creditors of the Company and we will notify creditors deemed as non-independent creditors of the Company, prior to the publication of the business rescue plan. All creditors who are determined to be independent creditors of the Company for the purposes of business rescue, will not be notified.
7. If you have any queries, they may be directed to BR@concogrp.com. All relevant notices circulated to the affected persons of the Company, to date, have been published on the Company's website at www.concogrp.com, under the Business Rescue tab.

Yours faithfully,

A handwritten signature in black ink, appearing to be "PF van den Steen", written over a horizontal line.

PF van den Steen
Joint Business Rescue Practitioner
Consolidated Power Projects (Pty) Ltd

A handwritten signature in black ink, appearing to be "MDT Liebenberg", written over a horizontal line.

MDT Liebenberg
Joint Business Rescue Practitioner
Consolidated Power Projects (Pty) Ltd