

11 July 2022

## CIRCULAR 23

THIS DOCUMENT IS A CIRCULAR TO THE AFFECTED PERSONS RELATING TO THE BUSINESS RESCUE PROCESS OF **UPAHLA CONSTRUCTION** IN TERMS OF THE COMPANIES ACT, 71 OF 2008 AS AMENDED (THE ACT).

### **OUTCOME OF THE 8<sup>TH</sup> MEETING OF CREDITORS AND AFFECTED PERSONS**

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The practitioner wishes to inform all affected persons of the outcome of the 8<sup>th</sup> meeting of creditors and affected persons for Upahla Construction. The practitioner started the meeting with a brief introduction and overview of what the meeting would entail in the form of an agenda.

#### **Main reason for the meeting:**

The practitioner called this meeting with a very specific purpose, specifically, to ask for a further extension of 10 business days to adjourn for a new meeting (for the 22<sup>nd</sup> of July 2022).

The reason for this final request for an extension is as a result of the adjudication process between the company and the department of higher education. The verdict is finally available, however the adjudicator will only make this verdict available pending payment. Upahla construction has paid their portion (R96 000) and the department of higher education has committed to making their payment timeously to release the verdict.

Once the payment has been made, the verdict will be released, and this can then be finally reviewed and used for the drafting of the proposed business rescue plan.

Should the department however fail to pay in a timeous manner, Upahla may opt to pay their portion of the funds due in order to have the verdict released – these funds will be claimed back from the department in any case: this is very much a last resort, but it is an option we are considering. The creditors voted unanimously in favour of making such payment should the department fail to do so in time (it was however confirmed by Luan that this is highly unlikely and that should the department have committed to paying their portion of the adjudication costs, they would do so).

### **Income and Expenses:**

	Mar-22	Apr-22	May-22		Total	AVE
Sales	2 363 490,70		5 733 878,33	3 784 176,09	11 881 545,12	2 970 386,28
Cost of Sales	1 318 074,66	892 869,48	2 872 274,93	1 598 666,85	6 681 885,92	1 670 471,48
Gross Profit	1 045 416,04	-892 869,48	2 861 603,40	2 185 509,24	5 199 659,20	1 299 914,80
GP%	44,2%		49,9%	57,8%	43,8%	
Expenses	299 761,71	245 388,76	377 927,52	726 386,86	1 649 464,85	412 366,21
Net profit / (loss)	745 654	(1 138 258)	2 483 676	1 459 122	3 550 194	887 549

Based on the income and expenses shown above, it is clear that the business is a profitable one even though June is shown as a “down month”. The profit generated in June will however be used to continue the “rolling” of the business for the month of July.

With the business proving to be profitable, it is clear that even should the adjudication process and verdict not be favourable for us, there is a reasonable prospect of a successful rescue due to the fact that the business will be able to trade its way out of the financial distress. This is however not our first choice as this will take substantially longer.

### **Next Meeting / Publication Date:**

The current due date for the publication of the business rescue plan, should an extension not be given, is the 18<sup>th</sup> of July 2022.

Based on the discussions had in this meeting and the reason stated above, it is proposed that another meeting similar to this one is held on Friday 22<sup>nd</sup> of July 2022 so that we can provide further feedback to assist in the drafting of a business rescue plan.

At the meeting of the 22<sup>nd</sup> of July 2022, the practitioner will give an update on the business rescue process to date and will discuss the final publication date for the proposed business rescue plan.

A unanimous vote was achieved in this regard and therefore the next meeting will be on the 22<sup>nd</sup> of July 2022 where a further/final update will be given regarding the adjudication process and the outcome thereof.

Kind Regards

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