FMHC RENTAL SA
(Registration number: 1998/024094/08)

BUSINESS RESCUE PLAN PUBLISHED IN TERMS OF SECTION 150 OF THE COMPANIES ACT OF 2008 TO THE AFFECTED PERSONS

DATE: 28 FEBRUARY 2023

PIETER HENDRIK STRYDOM

BUSINESS RESCUE PRACTITIONER

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1. EXECUTIVE SUMMARY

This is the Proposed Business Rescue Plan for FMHC Rental SA NPC (hereinafter referred to as the "Company").

The Company commenced Business Rescue Proceedings on account of financial distress. This Business Rescue Plan has been prepared by the Business Rescue Practitioner for consideration and adoption by holders of voting interest in the Company and was prepared in good faith in the course of the execution of the powers and duties of the Business Rescue Practitioner.

If you have any questions, queries, suggestions and/or requests for amendments, please submit these to the business rescue practitioner in writing by email to henk@lawsb.co.za and cindy@lawsb.co.za prior to the voting meeting. This will allow the Business Rescue Practitioner to address all queries and suggestions and incorporate it in the plan. Any requests for amendments received from the affected persons will be considered and presented during the voting meeting for discussion.

2. COMPANY PARTICULARS

Registered Name: FMHC RENTAL SA NPC

Registration Number: 1998/024094/08

Principal place of business:

Office No 1 Lakehaven Estate
49 Centre Road
Newlands
Kwa-Zulu Natal
4051

Directors: ISMAIL ABDULHASAN KHATIB (CEO)
LAWRENCE THULANI MTHETHWA (Chairperson)
NOKUTHULA CYNTHIA MOTLOLI
NOMPUMELELO JACQUELINE NXUMALO
MEERA AMRITHLAL BHOORA (Secretary)

Shareholder: Company does not have share capital and does not distribute dividends. It is a non profit organisation.

Main business: rental of residential units as part of a social housing scheme.

3. DISCLAIMER

3.1.1. This Business Rescue Plan is strictly private and confidential and should not be distributed to any person or persons other than the intended recipient(s) thereof without the express permission of the company or the Business Rescue Practitioner (BRP).

3.1.2. This Business Rescue Plan is formulated based on information obtained from books, records and other documentation recovered from the Company, management as well as interviews with relevant persons.

3.1.3. The content of this document is based on qualitative comments providing an indicative assessment of the current operational status of the Company and its potential to recover from its current distressed position. All quantitative comments are based on published information wherever possible. Where published reliable data was not available, qualitative comments were made based on analysis of available data, which may or may not reflect the true state of the company.

3.1.4. The operational and financial studies have been conducted based on internally available information provided by the Company and supported by data collected through various sources. Since the BRP has not conducted primary research, he has not independently verified the accuracy/completeness or the reasonableness of the information provided and accordingly, any possible inaccuracies in, and omissions of information available and/or provided will affect the final deliverable. However, the books and records are up to date and the audited financials are available and attached hereto marked **"A"**.

3.1.5. The BRP investigations have been limited by time constraints imposed by the Act. There is certain issues that require additional investigation for an absolute determination to be formed. Where deemed appropriate, the BRP has highlighted these issues throughout the body of the Business Rescue Plan and to the extent necessary has considered the possible impact of these when making his recommendations to Creditors. It is customary for the BRP report to Creditors to not form conclusive views in relation to all areas of investigation. Should liquidators be appointed to the Company, the liquidators will continue those investigations should there be a perceived benefit to Creditors. No opinion is expressed about the operating expenses for the last two years. Once the forensic investigation has been completed a further report in this regard will follow.

3.1.6. It is emphasised that the BRP's approach and procedures applied for the collection and collation of related information, did not constitute an audit or an independent review as contemplated in the International Standards on Auditing and, accordingly, the BRP has not expressed an audit or a review opinion. Unless expressly stated, the BRP has not had the opportunity to verify all the information provided by the Company, its directors/members or representatives.

3.1.7. The statements and opinions in this Business Rescue Plan are given in good faith and in the belief that such statements and opinions are not false or misleading.

3.1.8. Except where otherwise stated, the BRP reserves the right to alter any conclusions reached on the basis of any changes in or additional information which may become available to him between the date of this Business Rescue Plan and the date of any subsequent meetings or reports.

3.1.9. The BRP has made forecasts with respect to asset realisations and the quantum of total Creditors based on information available at the time. These forecasts and estimates may change as asset realisations progress and further claims are received from Creditors. Whilst the forecasts and estimates are the result of the BRP's best assessment in the circumstances, it should be noted that the ultimate distribution or outcome for Creditors could differ from the information provided in the Plan.

3.1.10. The BRP does not assume responsibility in any way whatsoever to any person in respect of any errors in this Business Rescue Plan arising from incorrect information provided.

3.1.11. The BRP will not be liable, other than in the event of bad faith or wilful default, for any loss or damage of whatsoever nature, arising from information material to the duties as BRP being withheld, concealed or misrepresented by the director(s)/member(s), employees, representatives or agents of the Company, or any other person unless detection of such withholding, concealment or misrepresentation should reasonably have been expected because such withholding, concealment or misrepresentation was, without further inquiry, evident from the information provided.

3.1.12. This disclaimer clause and any assessment of the BRP's work made pursuant to this clause will have regard to the limited scope of the procedures agreed to and performed under this report and Plan.

4. **DEFINITIONS**

4.1. **“Act”** means the Companies Act 71 of 2008, amended.

4.2. **“Affected persons”** means affected persons as defined in Section 128 (1) of the Act and in relation to the Company means a shareholder, a creditor and the employees of the Company.

4.3. **“Assets”** means all assets of the company as reflected in the books of account of the company at the commencement date.

4.4. **“BRP”** means Pieter Hendrik Strydom, a practising attorney and senior business rescue practitioner of Strydom & Bredenkamp Attorneys licensed by the CIPC on the 21st of October 2022 to act as BRP as defined in Regulation 126 of the Act.

4.5. **“Business Rescue Proceedings”** means the proceedings in terms of Chapter 6 of the Act and as defined in Section 128 (1)(b).

4.6. **“Business Rescue Plan”** means this document which is a Business Rescue Plan prepared in terms of Section 150 of the Act and published by the BRP on the 28th of February 2023 effective from the commencement date.

4.7. **“FMHC”** means FMHC Rental SA NPC.

4.8. **“Claims”** means secured, preferent or concurrent claims as envisaged in the Insolvency Act, against the company, the cause of action in respect of which arose, prior to or on the commencement date, of whatsoever nature and from whatsoever cause, including claims, arising from contract or delict, actual and contingent, prospective, conditional and unconditional, liquidated and unliquidated, assessed and unassessed and whether or not due for payment of performance, specific or otherwise, and including all claims arising out of any agreements entered into by the company on or prior to the commencement date, all such claims to be determined, calculated and admitted as secured, preferent or concurrent in accordance with the same ranking, as envisaged in the Insolvency Act, that attached to them upon the issue of a winding up order in respect of the company, whether or not such claims are proved.

4.9. **“Creditor/s”** means all legal entities, including natural persons, having secured, preferent and/or concurrent claims against the company as at the commencement date as envisaged in the Insolvency Act.

4.10. **“CIPC”** means the Company and Intellectual Properties Commission of South Africa and is a division of the Department of Trade and Industry which is responsible for the registration of companies in South Africa.

4.11. **“Concurrent Creditors”** means creditors having concurrent claims as envisaged in the Insolvency Act.

4.12. “**Contingent liability”** means a liability which may arise depending on the outcome of a specific future event. It is a possible obligation which may or may not arise depending on how the future event unfolds.

4.13. **“Company”** means FMHC Rental SA (NPC) (in business rescue), a company duly incorporated in terms of the Laws of South Africa under registration number: 1998/024094/08.

4.14. **“Commencement date”** means the 21st of October 2022, being the date upon which the resolution to voluntarily begin with Business Rescue Proceedings was filed with the Commission.

4.15. **“Director/s”** means the natural person or persons as registered on the official records of the company.

4.16. **“Employee”** means any person, excluding an independent contractor, who works for the Company and who receives, or is entitled to receive, any renumeration from the Company for this work performed.

4.17. **“Forced sale value”** means an estimate of what will be realised when a sale of assets occurs on an unreserved open-cry auction where a sale is concluded upon the fall of the hammer to the highest cash bidder, and where the auction is reasonably well advertised and attended by members of the public.

4.18. **“Historic debt/s”** means the debt owed by the Company to its various individual creditors as at the Commencement date.

4.19. **“Insolvency Act”** means the Insolvency Act 24 of 1936 as amended.

4.20. **“Legal moratorium”** means the moratorium on all legal actions against the company in terms of section 133 of the Act.

4.21. **“NHFC”** means National Housing Finance Corporation.

4.22. **“NPC”** means a non-profit company incorporated for one or more objects, either a public benefit or an object relating to cultural or social activities, or communal or group interests.

4.23. **“PBO”** means an organisation for public benefit which is a non-profit company as defined in Section 1 of the Companies Act.

4.24. **“PCF”** means Post Commencement Financing provided by a financier to the company as envisaged in terms of section 135 of the Act.

4.25. **“Power of Attorney”** means the legal document that is received by a person to obtain the authority to act for another person in legal or financial matters, in the specified format provided by the BRP.

4.26. **“Preferrent creditors”** means creditors having preferent claims as envisaged in terms of the Insolvency Act and the Companies Act.

4.27. **"Proof of claim"** means the full and total claim of a creditor against the company, in the specified format provided by the BRP subject to the final approval by the BRP.

4.28. **"SARS"** means the South African Revenue Services, the appointed organisation to administer the taxation legislation in terms of the South African Revenue Service Act 34 of 1997.

4.29. **"Secured creditors"** means creditors having secured claims as envisaged in the Insolvency Act.

4.30. **"SHRA"** means South African Housing Regulating Authority.

4.31. **"The final date"** means the date upon which the last payment in respect of the adopted Business Rescue Plan is made.

4.32. **"VAT"** means Value Added Tax, the indirect tax levied on the consumption of goods and services in the economy at a rate of 15%.

5. BUSINESS RESCUE

Business Rescue is a process introduced by Chapter 6 of the Companies Act of 2008 and the aim of it is clearly stated in the Act.

5.1 Purpose of Business Rescue

5.1.1. The definition of Business Rescue states that it is a process designed at rehabilitating ailing and financially distressed companies. This is done via a temporary supervision of the company by a rescue practitioner. During his tenure the practitioner must determine the financial position of the company and prepare a Business Rescue Plan on which the creditors will vote.
Once creditors voted for acceptance of the plan, the rescue practitioner will complete a turnaround of the company.

5.1.2. If a turnaround of the company is not possible as stated above, the BRP can continue if the Business Rescue will secure a better return to creditors and shareholders rather than through an immediate and traditional liquidation of the company.

5.1.3. The BRP believes that this proposed Business Rescue Plan will result in a far better outcome than that of an immediate and traditional liquidation and will provide a reasonable prospect of rescuing the business in order for it to continue as a sustainable business adding value to the South African economy and the other areas that it operates in. The company is solvent and will be able to repay its creditors.

5.2. **The Business Rescue Practitioner (BRP)**

5.2.1. Pieter Hendrik Strydom a practising attorney, practising as director of Strydom & Bredenkamp Inc, was appointed as Business Rescue Practitioner.

5.2.2. He has been licensed as a Senior Business Rescue Practitioner and registered as such with the Companies and Intellectual Property Commission. A copy of his *curriculum vitae* is attached hereto marked **"B".**

5.3. **Overview of the business rescue process**

5.3.1. The company commenced Business Rescue Proceedings in terms of section 129 of the Act by passing a resolution stating that it is in financial distress and therefore needed to file for business rescue. This resolution was filed with the CIPC on the 21st of October 2022.

5.3.2. The BRP's appointment to act as the BRP to the Company was confirmed by the CIPC on the 2nd of November 2022. Pursuant to the issuance of the licence to act as BRP, the BRP immediately assumed management and control of the Company in conjunction with the current and pre-existing management of the Company. The Company's Directors are presently responsible for the day to day running of the business under the guidance of the BRP. The BRP controls the finances of the company and will continue to do so whilst in office.

5.3.3. The BRP convened the First Meeting of Creditors. It was held on the 16th of November 2022. The minutes of the First Meeting of Creditors was sent to all the affected persons via Circular.

5.3.4. At the First Meeting of Creditors it was agreed that the publication of the business rescue plan will be extended to 28 February 2023.

5.3.5. Please note that further claims can be accepted by the BRP. The claims form the basis of determining the voting rights of the affected persons. Claims not received prior to the publication of this plan will not be afforded any voting rights at the creditors meeting during which the plan will be voted on unless it has been accepted by the BRP, forming part of the list of creditors.

5.3.6. All creditors claims as per the books and records of FMHC has been accepted at face value. Should a dispute arise the dispute will be dealt with in terms of the plan. Although SHRA is not a creditor, the BRP has allowed SHRA to participate in Business Rescue Proceedings and intend continuing to do so.

PART A

6. BACKGROUND OF THE COMPANY – SECTION 150(2)(a)

This section explains the background of the business of the Company and sets out pertinent details prior to the commencement of Business Rescue Proceedings as well as the BRP's actions since appointment.

6.1. History of the company

6.1.1. The company (which was formerly known as First Metro Housing Company) was the first social housing company in the city of Durban and was founded on 2 December 1998 as an independent Section 21 company (non-profit organisation) and subsequently an NPC (Non-Profit Company), with the specific aim of providing affordable rental accommodation for the low to medium income households in the eThekwini (Durban) metropolitan.

6.1.2. The company was initiated by the eThekwini Municipality out of the twin city relationship with the city of Rotterdam. The initiative was among the first social housing enterprises in the country and signalled Durban's intent on tackling the city's housing challenges.

6.1.3. Huge demand for housing exists in the social housing sector as there is a lack of suitable competitive private sector initiatives which can offer the same low rental opportunities.

6.1.4. The company currently owns and manages over 2700 units for rental accommodation, in terms of the Social Housing Act 2008. These units accommodate over 10 000 people in inner city buildings, and well-located greenfields projects in the suburban areas.

6.1.5. During 2014 - 2015 the company experienced major rental boycotts. The company attempted to dispose of its non-performing assets (ie: the developments which were not generating adequate rental income due to the boycotts), however SHRA and the local municipality opposed / objected to the proposed sales.

6.1.6. The factors above adversely affected the company's financial performance and financial position, as there was insufficient cash-flow to honour the loan re-payment obligations due to NHFC.

6.1.7. This impasse remained ultimately leading to the current Business Rescue Proceedings commencing.

6.1.8. At date of commencement of the Business Rescue Proceedings, although solvent, FMHC was trading at a monthly shortfall of ± R1,5 million rand. The monthly expenses were exorbitantly high whilst the occupancy figure was lower than what it is supposed to be with a significant part of the tenants in arrears. Many of the tenants occupying units do not qualify in terms of the Social Housing Act to occupy units whilst there is an active rental boycott in place in Howell Road. The general condition of the buildings in the inner city is run-down and those properties require refurbishing and general repair.

6.2. List of Assets

6.2.1. Apart from land earmarked for the pipeline projects, the company currently owns and manages the following properties;

CARLEAN COURT – Forms part of Inner-City buildings

6.2.2. Carlean Court, high rise building situated on Portion 1 of Erf 10838 Durban at 93 Maud Mfusi Street, Albert Park, Durban which consists of 32 bachelor flats. Carlean Court was constructed in the 1960's and was acquired by the company in 2001 for R800 000.00 (Eight Hundred Thousand Rand).

6.2.3. At the end of December 2022, the total number of vacant units was 21, which amounts to a 66% vacancy rate.

6.2.4. At the end of December 2022, the current tenant rental arrears amounted to R50 428.00.

6.2.5. Carlean Court has a maximum potential rental income of R99 686.00 per month. If the vacancy factor per month of R61 518.00 and the default on payment of R4 687.00 is taken into account, the average monthly potential income accumulates to R33 481.00 per month.

6.2.6. Additional to the rental income there is an average commercial rent income of R7 918.00 per month, admin fees of R61.00 per month and water and electricity sales of R3 290.00 per month.

6.2.7. This accumulates to a total Gross income of R44 749.00 per month.

6.2.8. The total direct project expenditure of Carlean Court is R80 577.00 per month. It follows that this development runs at a monthly loss of -R35 827.00.

6.2.9. <u>Title Deed Number - T33148/2001</u>

According to the Title Deed the property is subject to such terms and conditions of the original Government Grant No 1737/1855 as same is still in force and applicable.

6.2.10. <u>Endorsements on Title Deed</u>

In terms of the Title Deed and Deeds Office Information there is a mortgage bond registered against the property for R2 769 000.00 (B39753/2002) in favour of National Housing Finance Corporation Limited. The full NHFC loan is currently due and outstanding. This building does not contribute towards the repayment of the debt at all. It is subsidized from other income.

6.2.11. In accordance with the information provided by the company, the total subsidy received was R23 345.00 per unit, consequently the total subsidy received for this development was R747 040.00.

6.2.12. In accordance with the valuation report compiled by DL Patrick & Co. dated 30 June 2022, a copy of which is annexed hereto marked **"C"**, the open market value / fair value of Carlean Court is R2 000 000.00 (Two Million Rand).

6.2.13. In accordance with the appraisal report compiled by Peter Maskell Auctioneers dated 8 December 2022, a copy of which is annexed hereto marked **"D",** the open market value of Carlean Court is R3 100 000.00 (Three Million One Hundred Thousand Rand), and the cost of refurbishing Carlean Court would amount to R16 401 224.54 (Sixteen Million Four Hundred and One Thousand Two Hundred and Twenty Fourt Rand and Fifty-Four Cents).

6.2.14. In accordance with the Quantity Surveyors Report compiled on the instructions of the BRP dated 21 January 2023, a copy of which is annexed hereto marked **"E"**, the cost of refurbishing Carlean Court would amount to R15 883 502.00 (Fifteen Million Eight Hundred and Eighty Three Thousand and Five Hundred and Two Rand).

6.2.15. The company has received an offer to purchase in respect of Carlean Court in the amount of R2 400 000.00 (Two Million Four Hundred Thousand Rand).

6.2.16. The Business Rescue Practitioner seeks ratification of the present offer alternatively instructions to offer it for sale by public auction or private treaty for a higher amount from affected parties.

TABORA COURT - Forms part of Inner-City buildings

6.2.17. Tabora Court, high rise building situated on Remainder of Erf 10835 Durban at 15 – 17 Park Street, Albert Park, Durban, which consists of 43 residential units and 3 commercial units. The residential units consist of 37 bachelor flats and 6 one-bedroom units. Tabora Court was constructed in the 1960's and was acquired by the company in 2001 for R920 000.00 (Nine Hundred and Twenty Thousand Rand).

6.2.18. At the end of December 2022, the total number of vacant units was 20, which amounts to a 47% vacancy rate.

6.2.19. At the end of December 2022, the current tenant rental arrears amounted to R161 241.00.

6.2.20. Tabora Court has a maximum potential rental income of R147 263.00 per month. If the vacancy factor per month of R72 287.00 and the default on payment of R6 816.00 is taken into account the average monthly potential income accumulates to R68 163.00 per month.

6.2.21. Additional to the rental income there is commercial rent income of R26 716.00 per month, admin fees of R16.00 per month and water and electricity sale of R7 277.00 per month.

6.2.22. This accumulates to a total Gross income of R102 217.00 per month.

6.2.23. The total direct project expenditure of Tabora Court is R119 566.71 per month which means this development runs at a monthly loss of -R17 350.00.

6.2.24. <u>Title Deed Number - T44189/2001</u>

According to the Title Deed the property is subject to such terms and conditions of the original Government Grant No 1737/1855 as same is still in force and applicable.

6.2.25. <u>Endorsements on Title Deed</u>

In terms of the Title Deed and Deeds Office Information there is a mortgage bond registered against the property for R2 769 000.00 (B39753/2002) in favour of National Housing Finance Corporation Limited. The full NHFC loan is currently due and outstanding.

6.2.26. In accordance with the information provided by the company, the total subsidy received was R23 345.00 per unit, consequently the total subsidy received for this development was R1 003 835.00.

6.2.27. In accordance with the valuation report compiled by DL Patrick & Co. dated 30 June 2022, a copy of which is annexed hereto marked **"F"**, the open market value / fair value of Tabora Court is R3 300 000.00 (Three Million Three Hundred Thousand Rand).

6.2.28. In accordance with the appraisal report compiled by Peter Maskell Auctioneers dated 8 December 2022, a copy of which is annexed hereto marked **"D",** the open market value of Tabora Court is R4 700 000.00 (Four Million Seven Hundred Thousand Rand), and the cost of refurbishing Tabora Court would amount to R19 253 611.00 (Nineteen Million Two Hundred and Fifty Three Thousand Six Hundred and Eleven Rand).

6.2.29. In accordance with the Quantity Surveyors Report compiled on the instructions of the BRP dated 21 January 2023, a copy of which is annexed hereto marked **"E"**, the cost of refurbishing Tabora Court would amount to R21 862 334.00 (Twenty-One Million Eight Hundred and Sixty Two Thousand Three Hundred and Thirty Four Rand).

6.2.30. The company has received an offer to purchase in respect of Tabora Court in the amount of R3 200 000.00 (Three Million Two Hundred Thousand Rand).

6.2.31. The Business Rescue Practitioner seeks instructions to accept the present offer alternatively instructions to offer it for sale by public auction or private treaty for a higher amount.

WELTEVREDE - Forms part of Inner-City buildings

6.2.32. Weltevrede, high rise building situated on Remainder of Erf 10834 Durban at 60 McArthur Street, Albert Park, Durban, which consists of 31 bachelor flats. Weltevrede was constructed in the 1960’s and was acquired by the company in 2001 for R900 000.00 (Nine Hundred Thousand Rand).

6.2.33. At the end of December 2022, the total number of vacant units was 18, which amounts to a 58% vacancy rate.

6.2.34. At the end of December 2022, the current tenant rental arrears amounted to R70 117.00.

6.2.35. Weltevrede has a maximum potential rental income of R100 406.00 per month. If the vacancy factor per month of R65 329.00 and the default on payment of R3 476.00 is taken into account the average monthly potential income accumulates to R3 476.00 per month.

6.2.36. Additional to the rental income there is an average water and electricity sale of R727.00 per month.

6.2.37. This accumulates to a total Gross income of R32 328.00 per month.

6.2.38. The total direct project expenditure of Weltevrede is R56 164.00 per month which means this development runs at a monthly loss of -R23 837.00.

6.2.39. Title Deed Number - T31660/2001

In terms of the Title Deed the property as a whole is still subject to conditions, as same are still in force and applicable, as contained in Government Grant No. 1737 dated 27th July 1855.

6.2.40. Endorsements on Title Deed

In terms of the Title Deed and Deeds Office Information there is a mortgage bond registered against the property for R2 769 000.00 (B39753/2002) in favour of National Housing Finance Corporation Limited. The full NHFC loan is currently due and outstanding.

6.2.41. In accordance with the information provided by the company, the total subsidy received was R23 345.00 per unit, consequently the total subsidy received for this development was R723 695.00.

6.2.42. In accordance with the valuation report compiled by DL Patrick & Co. dated 30 June 2022, a copy of which is annexed hereto marked **"G"**, the open market value / fair value of Weltevrede is R2 050 000.00 (Two Million and Fifty Thousand Rand).

6.2.43. In accordance with the appraisal report compiled by Peter Maskell Auctioneers dated 8 December 2022, a copy of which is annexed hereto marked **"D",** the open market value of Weltevrede is R3 900 000.00 (Three Million Nine Hundred Thousand) and the cost of refurbishing Weltevrede would amount to R16 044 676.00 (Sixteen Million Forty Four Thousand Six Hundred and Seventy Six Rand).

6.2.44. In accordance with the Quantity Surveyors Report compiled on the instructions of the BRP dated 21 January 2023, a copy of which is annexed hereto marked **"E"**, the cost of refurbishing Weltevrede would amount to R15 431 236.00 (Fifteen Million Four Hundred and Thirty One Thousand Two Hundred and Thirty Six Rand).

6.2.45. The company has received an offer to purchase in respect of Weltevrede in the amount of R1 900 000.00 (One Million Nine Hundred Thousand Rand).

6.2.46. The Business Rescue Practitioner seeks instructions to accept the present offer alternatively instructions to offer it for sale by public auction or private treaty for a higher amount.

STRATHDON COURT - Forms part of Inner-City buildings

6.2.47. Strathdon Court, high rise building situated on Erf 10874 Durban at 92 Maud Mfusi Street, Albert Park, Durban, which consists of 66 units divided into two phases. Phase one consists of 42 units which were not subsidized. Phase 2 consists of 24 units which were subsidised. The units consist of a variety of bachelor flats, one, two and five bedroom units.

6.2.48. Strathdon Court was constructed in the 1960's and was acquired by the company in 2002 for R1 320 000.00 (One Million Three Hundred and Twenty Thousand Rand).

6.2.49. At the end of December 2022, the total number of vacant units was 16, which amounts to a 24% vacancy rate.

6.2.50. At the end of December 2022, the current tenant rental arrears amounted to R223 146.00.

6.2.51. Strathdon Court has a maximum potential rental income of R218 556.00 per month. If the vacancy factor per month of R70 620.00 and the default on payment of R2 901.00 is taken into account the average monthly potential income accumulates to R145 035.00 per month.

6.2.52. Additional to the rental income there is an water and electricity sale of R20 826.00 per month and admins fees of R61.00 per month.

6.2.53. This accumulates to a total Gross income of R165 922.00 per month.

6.2.54. The total direct project expenditure of Strathdon Court is R149 421.00 per month which means this development runs at a monthly profit of R16 501.00.

6.2.55. <u>Title Deed Number - T74451/2002</u>

In terms of the Title Deed the property as a whole is still subject to conditions, as same are still in force and applicable, as contained in Government Grant No. 1737 dated 27th July 1855.

6.2.56. <u>Endorsements on Title Deed</u>.

In terms of the Deeds Office Information there is no mortgage bond registered against the subject property.

6.2.57. In accordance with the information provided by the company, the total subsidy received for phase two was R125 615.00 per unit, consequently the total subsidy received for phase two of this development was R3 014 760.00.

6.2.58. In accordance with the valuation report compiled by DL Patrick & Co. dated 30 June 2022, a copy of which is annexed hereto marked **“H”**, the open market value / fair value of Strathdon Court is R5 400 000.00 (Five Million Four Hundred Thousand Rand).

6.2.59. In accordance with the appraisal report compiled by Peter Maskell Auctioneers dated 8 December 2022, a copy of which is annexed hereto marked **“D”,** the open market value of Strathdon Court is R8 700 000.00 (Eight Million Seven Hundred Thousand) and the cost of refurbishing Strathdon Court would amount to R25 849 757.00 (Twenty Five Million Eight Hundred and Forty Nine Thousand Seven Hundred and Fifty Seven Rand).

6.2.60. In accordance with the Quantity Surveyors Report compiled on the instructions of the BRP dated 21 January 2023, a copy of which is annexed hereto marked **“E”**, the cost of refurbishing Strathdon Court would amount to R37 208 693.00 (Thirty Seven Million Two Hundred and Eight Thousand Six Hundred and Ninety Three Rand).

6.2.61. The company has received an offer to purchase in respect of Strathdon Court in the amount of R6 500 000.00 (Six and a Half Million Rand).

6.2.62. The Business Rescue Practitioner seeks ratification of the present offer alternatively instructions to offer it for sale by public auction or private treaty for a higher amount.

HAWAII WEST - Forms part of Inner-City buildings

6.2.63. Hawaii West, high rise building situated on Remainder of Portion 7 (of 2) of Erf 10255 and Portion 14 (of 6) of Erf 10236 and Portion 15 (of 6) of Erf 10236 Durban, at 15 Rutherford Street, South Beach, Durban, which consists of 36 units comprised of one-bedroom and two-bedroom units. 9 of the units were subsidized. Hawaii West was constructed in the 1960’s and was acquired by the company in 1999 for R1 254 000.00 (One Million Two Hundred and Fifty-Four Thousand Rand).

6.2.64. At the end of December 2022, considering Hawaii West, East and Central cumulatively (total units being 128) the total number of vacant units was 73, which amounts to a 57% vacancy rate.

6.2.65. At the end of December 2022, considering Hawaii West, East and Central cumulatively (total units being 128) the current tenant rental arrears amounted to R466 315.00.

6.2.66. Hawaii West has a maximum potential rental income of R174 916.00 per month. If the vacancy factor per month of R96 989.00 and the default on payment of R6 434.00 is taken into account the average monthly potential income accumulates to R71 492.00 per month.

6.2.67. Additional to the rental income there is an average parking income of R652.00 per month, repairs and maintenance recovery of R406.00 per month, monthly admin fees of R144.00 and water and electricity sale of R3 509.00 per month.

6.2.68. This accumulates to a total Gross income of R76 204.00 per month.

6.2.69. The total direct project expenditure of Hawaii West is R81 113.00 per month which means this development runs at a monthly loss of -R4 909.00.

6.2.70. <u>Title Deed Number - T27723/1999</u>.

In terms of the Title Deed the property is transferred in terms of all conditions contained in the original Government Grant No. 1737, in so far as same are still in force and applicable.

6.2.71. <u>Endorsements on Title Deed</u>

In terms of the Deeds Office Information there is a mortgage bond registered against the subject property for R 1 647 750.00 (B41580/2001) in favour of National Housing Finance Corporation Limited.

6.2.72. In accordance with the information provided by the company, the total subsidy received was R17 250.00 per unit, consequently the total subsidy received for this development was R155 250.00.

6.2.73. In accordance with the valuation report compiled by DL Patrick & Co dated 30 June 2022, a copy of which is annexed hereto marked **"I"**, the open market value / fair value of Hawaii West is R5 700 000.00 (Five Million Seven Hundred Thousand).

6.2.74. In accordance with the appraisal report compiled by Peter Maskell Auctioneers dated 8 December 2022, a copy of which is annexed hereto marked **"D",** the open market value of Hawaii West, East and Central cumulatively is R20 200 000.00 (Twenty Million Two Hundred Thousand) and the cost of refurbishing Hawaii West, East and Central cumulatively would amount to R66 317 996.00 (Sixty Six Million Three Hundred and Seventeen Thousand Nine Hundred and Ninety Six Rand).

6.2.75. In accordance with the Quantity Surveyors Report compiled on the instructions of the BRP dated 21 January 2023, a copy of which is annexed hereto marked **"E"**, the cost of refurbishing Hawaii West would amount to R26 503 936.00 (Twenty Six Million Five Hundred and Three Thousand and Nine Hundred and Thirty Six Rand).

6.2.76. The company has received an offer to purchase in respect of Hawaii West in the amount of R10 000 000.00 (Ten Million Rand).

6.2.77. The Business Rescue Practitioner seeks instructions to accept the present offer alternatively instructions to offer it for sale by public auction or private treaty for a higher amount.

HAWAII EAST AND CENTRAL - Forms part of Inner-City buildings

6.2.78. Hawaii East and Central, high rise building situated on Erven 10255 and 10256 Durban Ethekwini, at corner of Gillespie Street and Rutherford Street, South Beach, Durban which consists of 92 units comprised of one-bedroom and two-bedroom flats. Hawaii East and Central was constructed in the 1960's and was acquired by the company in 1999.

6.2.79. At the end of December 2022, considering Hawaii West, East and Central cumulatively (total units being 128) the total number of vacant units was 73, which amounts to a 57% vacancy rate.

6.2.80. At the end of December 2022, considering Hawaii West, East and Central cumulatively (total units being 128) the current tenant rental arrears amounted to R466 315.00.

6.2.81. Hawaii East and Central has a maximum potential rental income of R447 007.00 per month. If the vacancy factor per month of R247 861.00 and the default on payment of R16 443.00 is taken into account the average monthly potential income accumulates to R182 703.00 per month.

6.2.82. Additional to the rental income there is an average parking income of R1 666.00 per month, repairs and maintenance recovery of R1 038.00 per month, monthly admin fees of R369.00 and water and electricity sale of R8 969.00 per month.

6.2.83. This accumulates to a total Gross income of R194 745.00 per month.

6.2.84. The total direct project expenditure of Hawaii East and Central is R207 289.00 which means this development runs at a monthly loss of -R12 545.00.

6.2.85. <u>Title Deed Number – T28246/1999 (Erf 10255 Durban) T28247/1999 (Erf 10256 Durban).</u>

In terms of the Title Deed the property is transferred in terms of all conditions contained in the original Government Grant No. 1737, in so far as same are still in force and applicable.

6.2.86. <u>Endorsements on Title Deed.</u>

In terms of the Deeds Office Information there is a mortgage bond registered against the subject property for R 1 647 750.00 (B41580/2001) in favour of National Housing Finance Corporation Limited.

6.2.87. In accordance with the information provided by the company, the total subsidy received was R17 250.00 per unit, consequently the total subsidy received for this development was R1 587 000.00.

6.2.88. In accordance with the valuation report compiled by DL Patrick & Co dated 30 June 2022, a copy of which is annexed hereto marked **"J"**, the open market value / fair value of Hawaii East and Central is R8 450 000.00 (Eight Million Four Hundred and Fifty Thousand Rand).

6.2.89. In accordance with the appraisal report compiled by Peter Maskell Auctioneers dated 8 December 2022, a copy of which is annexed hereto marked **"D",** the open market value of Hawaii West, East and Central cumulatively is R20 200 000.00 (Twenty Million Two Hundred Thousand) and the cost of refurbishing Hawaii West, East and Central cumulatively would amount to R66 317 996.00 (Sixty Six Million Three Hundred and Seventeen Thousand Nine Hundred and Ninety Six Rand).

Note from Business Rescue Practitioner:

6.2.90. The inner city is a huge problem for FMHC. The cost to repair and refurbish is significantly higher than the cost to build new units. It is expensive and difficult to police and manage. I propose that the buildings are sold on conditions set by SHRA, NHFC and the other affected parties and that the proceeds of the sale are paid to NHFC, alternatively retained as a deposit for the proposed pipeline projects. I have instructed the staff of FMHC not to place any tenants and stop with immediate effect any and all refurbishments of units. This issue to be discussed with SHRA and FMHC.

6.2.91. In accordance with the Quantity Surveyors Report compiled on the instructions of the BRP dated 21 January 2023, a copy of which is annexed hereto marked **"E"**, the cost of refurbishing Hawaii East and Central would amount to R64 264 001 (Sixty-Four Million Two Hundred and Sixty Four Thousand and one Rand).

6.2.92. The company has received an offer to purchase in respect of Hawaii East and Central in the amount of R10 650 000.00 (Ten Million Six Hundred and Fifty Thousand).

6.2.93. The Business Rescue Practitioner seeks instructions to accept the present offer alternatively instructions to offer it for sale by public auction or private treaty for a higher amount.

HOWELL ROAD

6.2.94. Howell Road, High Rise Building situated on Portion 21 of Erf 301 Springfield at 30 Howell Road, Springfield, Durban, which consists of 213 free standing 2-bedroom units (212 units were subsidized).

6.2.95. Howell Road was acquired by the company in 2001 for R300 000.00 (Three Hundred Thousand Rand).

6.2.96. At the end of December 2022, the total number of vacant units was 17, which amounts to a 8% vacancy rate.

6.2.97. At the end of December 2022, the current tenant rental arrears amounted to R9 748 562.00.

6.2.98. Howell Road has a maximum potential rental income of R849 014.00 per month. If the vacancy factor per month of R49 786.00 and the default on payment of R311 894.00 is taken into account the average monthly potential income accumulates to R487 334.00 per month.

6.2.99. Additional to the rental income there is an average water and electricity sale of R17 115.00 per month and admin fees of R2 215.00 per month.

6.2.100. This accumulates to a total Gross income of R506 664.00 per month.

6.2.101. The total direct project expenditure of Howell Road is R143 614.00 per month and the repayment of the loan to NHFC is R74 760.00 per month, the net effect being R288 291.00 per month. The practical interference makes it impossible to continue managing this development.

6.2.102. <u>Title Deed Number - T58087/2001.</u>

The property as a whole was transferred subject to:

A. All terms and conditions in so far as still in force and applicable contained in the original Grant of the property

B. Subject to conditions imposed and enforceable by the eThekwini Municipality which clause relates to normal Municipal stipulations for electricity, roads, water pipelines, sewer lines and other benefits for the inhabitants', necessary for the township development.

6.2.103. <u>Endorsements on Title Deed.</u>

6.2.104. In terms of the Deeds Office information, there are mortgage bonds registered against the subject property for R6 086 694.00 (B1464/2005) and R5 987151.00 (B10239/2011) in favour of the National Housing Finance Corporation Limited.

6.2.105. In accordance with the information provided by the company, the total subsidy received was R18 400.00 per unit, consequently the total subsidy received for this development was R3 919 200.00.

6.2.106. In accordance with the valuation report compiled by DL Patrick & Co. dated 30 June 2022, a copy of which is annexed hereto marked **"K"**, the open market value / fair value of Howell Road and Howell Heights cumulatively is R28 200 000.00 (Twenty Eight Million Two Hundred Thousand).

HOWELL HEIGHTS (Part of greenfield projects)

6.2.107. Howell Heights, which is situated on the same property as Howell Road, is a low rise block of flats situated on Portion 21 of Erf 301 Springfield at 30 Howell Road, Springfield, Durban, which consists of 48 2-bedroom flats (48 units were subsidized).

6.2.108. At the end of December 2022, the total number of vacant units was 1, which amounts to a 2% vacancy rate.

6.2.109. At the end of December 2022, the current tenant rental arrears amounted to R655 619.00.

6.2.110. Howell Heights has a maximum potential rental income of R120 540.00 per month. If the vacancy factor per month of R3 317.00 and the default on payment of R3 414.00 is taken into account the average monthly potential income accumulates to R113 809.00 per month.

6.2.111. Additional to the rental income there is an average parking income of R3 000.00 per month, admin fees of R963.00 per month and water and electricity sale of R516.00 per month.

6.2.112. This accumulates to a total Gross income of R118 288.00.00 per month.

6.2.113. The total direct project expenditure of Howell Heights is R84 217.00 per month and the repayment of the loan to NHFC is R57 809.00 per month, the net effect being a loss of -R23 738.00 per month.

6.2.114. Title Deed Number – same as above (Howell Road).

6.2.115. Endorsements on Title Deed – same as above (Howell Road).

6.2.116. In accordance with the information provided by the company, the total subsidy received was R125 615.00 per unit, consequently the total subsidy received for this development was R6 029 520.00.

6.2.117. In accordance with the valuation report compiled by DL Patrick & Co. dated 30 June 2022, a copy of which is annexed hereto marked **"L"**, the open market value / fair value of Howell Road and Howell Heights cumulatively is R47 500 000.00 (Forty Seven Million Five Hundred And Thousand Rand).

6.2.118. Die Business Rescue Practitioner proposes the sale of Howell Road (not Howell Heights) to Province to implement a sale/rent to transfer of ownership project that was promised to the tenants years ago. The tenants have been promised ownership and are actively boycotting the payment of rent. Evicting the tenants will not improve matters. The proceeds of the sale to be used for repayment of debt to NHFC alternatively as a deposit for the pipeline projects.

LAKEHAVEN – PHASE 1 (Part of greenfield projects)

6.2.119. Lakehaven Phase 1, low rise block of flats situated on Portion 4 of Erf 270 Zeekoe Vallei at 49 Centre Road, Sea Cow Lake, Durban, which consists of 312 2-bedroom flats. The vacant land was acquired by the company in 2004 for R866 000 (Eight Hundred and Sixty-Six Thousand Rand), Lakehaven phase 1 was developed in 2011.

6.2.120. At the end of December 2022, the total number of vacant units was 13, which amounts to a 4% vacancy rate.

6.2.121. At the end of December 2022, the current tenant rental arrears amounted to R2 124 447.00.

6.2.122. Lakehaven Phase 1 has a maximum potential rental income of R871 147.00 per month. If the vacancy factor per month of R53 389.00 and the default on payment of R53 498.00 is taken into account the average monthly potential income accumulates to R764 260.00 per month.

6.2.123. Additional to the rental income there is an average parking income of R17 669.00 per month, admin fees of R122.00 per month and water and electricity sale of R137 217.00 per month.

6.2.124. This accumulates to a total Gross income of R919 267.00 per month.

6.2.125. The total direct project expenditure of Lakehaven Phase 1 is R516 313.00 per month and the repayment of the loan to NHFC is R231 641.00 per month, the net effect being a profit of R171 314.00 per month.

6.2.126. Title Deed Number - T9882/2005. The property as a whole was transferred subject to:

1. The whole terms and conditions in so far still in force and applicable contained in the original Government Grant No 787/1847

2. With the Benefit of all Roads and Rights of Way over transferred subdivisions of said Subdivision A as created in the relevant subdivision transfers over said Remainder.

3. Subject to the following two (2) servitudes, in favour of the Remainder of Subdivision A of lot of Farm Zeekoe Vallei No 787, namely:

a) A Sewer and Drain servitude 3,05 metres wide lettered ABabdefghjqA1;

b) A Sewer and Drain servitude 6,00 metres wide lettered BCtr.

6.2.127. Endorsements on Title Deed - in terms of the Deeds Office information there are mortgage bonds registered against the subject property for R 35,518,230.00 (B10265/2011) and R 33,016,984.00 (B93/2014) in favour National Housing Finance Corporation.

6.2.128. In accordance with the information provided by the company, the total subsidy received was R221 856.00 per unit, consequently the total subsidy received for this development was R62 119 714.00.

6.2.129. In accordance with the valuation report compiled by DL Patrick & Co. dated 30 June 2022, a copy of which is annexed hereto marked **"M"**, the open market value / fair value of Lakehaven phase 1 and 2 cumulatively is R R279 200 000.00 (Two Hundred And Seventy Nine Million Two Hundred Thousand Rand).

LAKEHAVEN – PHASE 2 (Part of greenfield projects)

6.2.130. Lakehaven Phase 2, low rise block of flats situated on Portion 4 of Erf 270 Zeekoe Vallei at 49 Centre Road, Sea Cow Lake, Durban, which consists of 280 2-bedroom units. Lakehaven phase 2 was developed in 2013.

6.2.131. At the end of December 2022, the total number of vacant units was 10, which amounts to a 4% vacancy rate.

6.2.132. At the end of December 2022, the current tenant rental arrears amounted to R2 044 111.00.

6.2.133. Lakehaven Phase 2 has a maximum potential rental income of R726 681.00 per month. If the vacancy factor per month of R45 313.00 and the default on payment of R19 846.00 is taken into account the average monthly potential income accumulates to R661 522.00 per month.

6.2.134. Additional to the rental income there is an average parking income of R15 170.00 per month, admins fees of R525.00 per month, and water and electricity sale of R145 777.00 per month.

6.2.135. This accumulates to a total Gross income of R822 994.00 per month.

6.2.136. The total direct project expenditure of Lakehaven Phase 2 is R502 056.00 per month and the repayment of the loan to NHFC is R305 065.00 per month, the net effect being a profit of R15 872.00 per month.

6.2.137. Title Deed Number – same as above (Lakehaven phase 1).

6.2.138. Endorsements on Title Deed – same as above (Lakehaven phase 1).

6.2.139. In accordance with the information provided by the company, the total subsidy received was R221 856.00 per unit, consequently the total subsidy received for this development was R62 119 714.00.

6.2.140. In accordance with the valuation report compiled by DL Patrick & Co. dated 30 June 2022, a copy of which is annexed hereto marked **"M"**, the open market value / fair value of Lakehaven phase 1 and 2 cumulatively is R R279 200 000.00 (Two Hundred And Seventy Nine Million Two Hundred Thousand Rand).

AVOCA HILLS - (Part of greenfield projects)

6.2.141. Avoca Hills, low rise building situated on Erf 501 Avoca Hills at 250 Avoca Hills Drive, Avoca Hills, Durban, which consists of 520 two-bedroom units. Avoca Hills was acquired by the company 2010 for in R17 100 000.00 (Seventeen Million One Hundred Thousand Rand), and developed in 2014.

6.2.142. At the end of December 2022, the total number of vacant units was 20, which amounts to a 4% vacancy rate.

6.2.143. At the end of December 2022, the current tenant rental arrears amounted to R5 501 404.00.

6.2.144. Avoca Hills has a maximum potential rental income of R1 248 079.00 per month. If the vacancy factor per month of R63 578.00 and the default on payment of R56 405.00 is taken into account the average monthly potential income accumulates to R1 128 096.00 per month.

6.2.145. Additional to the rental income there is an average parking income of R44 041.00 per month, admin fees of R1 936.00 per month, repairs and maintenance recovery of R217.00 per month and water and electricity sale of R190 178.00 per month.

6.2.146. This accumulates to a total Gross income of R1 364 469.00 per month.

6.2.147. The total direct project expenditure of Avoca Hills is R825 662.00 per month and the repayment of the loan to NHFC is R609 118.00 per month, the net effect being a loss of -R70 311.00 per month.

6.2.148. Title Deed Number - T41113/2010. The property as a whole was transferred subject to: terms and conditions of the original Government Grant Number 1542/1848 in so far as now applicable.

6.2.149. Endorsements on Title Deed - In terms of the Deeds Office information there is a mortgage bond registered against the subject property for R66 056 228.00 (B15157/2012) in favour of the National Housing Finance Corporation Soc. Limited.

6.2.150. In accordance with the information provided by the company, the total subsidy received was R228 381.00 per unit, consequently the total subsidy received for phase two of this development was R118 758 276.00.

6.2.151. In accordance with the valuation report compiled by DL Patrick & Co. dated 30 June 2022, a copy of which is annexed hereto marked **"N"**, the open market value / fair value of Avoca Hills is R237 000 000.00 (Two Hundred And Thirty Seven Million Rand).

HAMPSHIRE - (Part of greenfield projects)

6.2.152. Hampshire, low rise building situated on Erf 30658 Pinetown at 10 Hampshire Place, Pinelands, Pinetown, Durban, which consists of 180 two-bedroom units. Hampshire was acquired as vacant land by the company 2012 for in R11 000 000.00 (Eleven Million Rand) and developed in 2017.

6.2.153. At the end of December 2022, the total number of vacant units was 0, which amounts to a 0% vacancy rate.

6.2.154. At the end of December 2022, the current tenant rental arrears amounted to R179 770.00.

6.2.155. Hampshire has a maximum potential rental income of R539 925.00 per month. If the default on payment factor of R15 726.00 is taken into account the average monthly potential income accumulates to R524 199.00 per month.

6.2.156. Additional to the rental income there is an average parking income of R17 105.00 per month, admin fees of R191.00 per month and water and electricity sale of R600.00 per month.

6.2.157. This accumulates to a total Gross income of R542 096.00 per month.

6.2.158. The total direct project expenditure of Hampshire is R292 442.00 per month and the repayment of the loan to NHFC is R183 386.00 per month, the net effect being a profit of R66 268.00 per month.

6.2.159. Title Deed Number - T39759/2012. The property as a whole was transferred subject to: The terms and conditions of the original Government Grant No 815 in so far as they are still in force and applicable.

6.2.160. Endorsements on Title Deed - In terms of the Deeds Office information there is a mortgage bond registered against the subject property for R17 711 462 (B7732/2016) in favour of the National Housing Finance Corporation.

6.2.161. In accordance with the information provided by the company, the total subsidy received was R253 204.00 per unit, consequently the total subsidy received for phase two of this development was R45 476 720.00.

6.2.162. In accordance with the valuation report compiled by DL Patrick & Co. dated 30 June 2022, a copy of which is annexed hereto marked **"O"**, the open market value / fair value of Hampshire is R165 000 000.00 (One Hundred And Sixty Five Million Rand).

HILLTOPS - (Part of greenfield projects)

6.2.163. Hilltops, low rise building situated on Remainder of Erf 48 Bellair at 52 Bedford Avenue, Bellair, Durban, which consists of 240 two-bedroom units. Hilltops was acquired as by the company 2016 for in R6 600 000.00 (Six Million Six Hundred Thousand Rand) and developed in 2018.

6.2.164. At the end of December 2022, the total number of vacant units was 5, which amounts to a 2% vacancy rate.

6.2.165. At the end of December 2022, the current tenant rental arrears amounted to R365 067.00.

6.2.166. Hilltops has a maximum potential rental income of R691 202.00 per month. If the vacancy factor per month of R14 110.00 and the default on payment of R13 276.00 is taken into account the average monthly potential income accumulates to R663 816.00 per month.

6.2.167. Additional to the rental income there is an average parking income of R24 912.00 per month, admin fees of R2 376.00 per month, and water and electricity sale of R23 243.00 per month.

6.2.168. This accumulates to a total Gross income of R714 348.00 per month.

6.2.169. The total direct project expenditure of Hilltops is R231 541.00 per month and the repayment of the loan to NHFC is R435 617.00 per month, the net effect being a profit of R47 191.00 per month.

6.2.170. Title Deed Number - T29043/2017. The property as a whole was transferred subject to:

A. Subject to terms and conditions of the original Government Grant 823, insofar as the same are now applicable.

B. The within mentioned properties are subject to a restraint of free alienation in favour of the eThekwini Municipality in that they shall not be alienated, transferred, leased, mortgaged or otherwise dealt with, separately from each other as will be more fully appear on reference to Notarial Deed K2120/2013S, dated 6 June 2013.

6.2.171. Endorsements on Title Deed - In terms of the Deeds Office information there is a mortgage bond registered against the subject property for R21 747 615 (B13202/2017) in favour of the National Housing Finance Corporation.

6.2.172. In accordance with the information provided by the company, the total subsidy received was R253 204.00 per unit, consequently the total subsidy received for phase two of this development was R60 768 972.00.

6.2.173. In accordance with the valuation report compiled by DL Patrick & Co. dated 30 June 2022, a copy of which is annexed hereto marked **"P"**, the open market value / fair value of Hilltops is R112 100 000.00
(One Hundred And Twelve Million One Hundred Thousand Rand).

HAMPTONS - (Part of greenfield projects)

6.2.174. Hamptons, low rise building situated on Erf 650 Bellair at 59 St Ives Road, Bellair, Durban which consists of 432 two-bedroom units. Hamptons was acquired as by the company 2012 for in R12 995 000.00 (Twelve Million Nine Hundred and Ninety Five Thousand Rand) and developed in 2020.

6.2.175. At the end of December 2022, the total number of vacant units was 6, which amounts to a 1% vacancy rate.

6.2.176. At the end of December 2022, the current tenant rental arrears amounted to R292 805.00.

6.2.177. Hamptons has a maximum potential rental income of R1 209 592.00 per month. If the vacancy factor per month of R11 287.00 and the default on payment of R23 496.00 is taken into account the average monthly potential income accumulates to R1 174 809.00 per month.

6.2.178. Additional to the rental income there is an average parking income of R39 824.00 per month, admin fees of R1 487.00 per month, and water and electricity sale of R39 800.00 per month.

6.2.179. This accumulates to a total Gross income of R1 255 921.00 per month.

6.2.180. The total direct project expenditure of Hamptons is R507 030.00 per and the repayment of the loan to NHFC is R224 897.00 per month, the net effect being a profit of R523 994.00 per month.

6.2.181. Title Deed Number - Consolidated Title Deed Number T17957/2017. There are 31 properties consolidated under the above Title with numerous servitudes and other conditions.

6.2.182. Endorsements on Title Deed - In terms of the Deeds Office information there is a mortgage bond registered against the subject property for R42 023 992 (B8297/2017) in favour of the National Housing Finance Corporation Soc. Limited.

6.2.183. In accordance with the information provided by the company, the total subsidy received was R252 031.00 per unit, consequently the total subsidy received for phase two of this development was R108 877 741.00.

6.2.184. In accordance with the valuation report compiled by DL Patrick & Co. dated 30 June 2022, a copy of which is annexed hereto marked **“Q”**, the open market value / fair value of Hamptons is R376 500 000.00
(Three Hundred and Seventy Six Million Five Hundred Thousand Rand).

ESSELEN - (Forms part of Inner-City buildings) – SOLD

6.2.185. Esselen, low rise building situated on Remainder of Erf 10836 Durban at 26 Park Street, Albert Park, Durban, which consists of 18 units. Esselen was constructed in the 1960's and acquired by the company 2001 for in R800 000.00 (Eight Hundred Thousand Rand).

6.2.186. At the end of December 2022, the total number of vacant units was 10, which amounts to a 56% vacancy rate.

6.2.187. At the end of December 2022, the current tenant rental arrears amounted to R42 894.00.

6.2.188. This development has been sold for **R2 450 000.00** prior to business rescue commencing and is currently going through the conveyancing process. The BRP put the transaction on hold since I do not believe that the value obtained is market related.

6.2.189. No subsidy was received for this building, which is why it could be sold without SHRA's approval / consent.

6.2.190. In accordance with the valuation report compiled by DL Patrick & Co. dated 30 June 2022, a copy of which is annexed hereto marked **"R"**, the open market value / fair value of Esselen is R 1,950,000.00 One Million Nine Hundred And Fifty Thousand Rand). The current offer is significantly more but I believe R3 million is achievable.

6.2.191. The BRP seeks instructions from affected parties as to the ratification of the transaction.

RUTHERFORD - (Unsubsidized vacant land)

6.2.192. Rutherford, vacant plot situated between Hawaii West and Central on Remainder of Erf 10258 Durban at 9 Rutherford Street, South Beach, Durban. Rutherford was acquired by the company in 2007 for R 1 995 000.00 (One Million Nine Hundred and Ninety Five Thousand Rand).

6.2.193. No subsidy was received for the purchase of this vacant land.

6.2.194. In accordance with the valuation report compiled by DL Patrick & Co. dated 30 June 2022, a copy of which is annexed hereto marked **"S"**, the open market value / fair value of Rutherford is R3 000 000.00 (Three Million Rand).

6.2.195. The company has received an offer to purchase in respect of Rutherford in the amount of R900 000.00 (Nine Hundred Thousand Rand). The Business Rescue Practitioner believes that the offer is too low to be considered. Instructions as to the sale is required.

PLYMOUTH MEWS - (vacant land) (Pipeline project)

6.2.196. Plymouth Mews, vacant land situated in Pinetown. 72 units have been earmarked for this site.

6.2.197. No subsidy was received for the purchase of this vacant land.

6.2.198. The open market value / fair value of Plymouth Mews is R1 640 000.00 (One Million Six Hundred and Forty Thousand Rand).

6.3. **COMPARISON BETWEEN FAIR VALUE AND FORCED SALE VALUE**

6.3.1. The financial year end of the Company is June of each year. The BRP investigated the available financial records prepared by Turning Point Chartered Accountants for the period ending 30 June 2022 of the Company and established that the Company has ownership of the assets listed below.

6.3.2. The BRP made a comparison between the fair value and the value that could be obtained during liquidation.

6.3.3. In the financial statements the total assets is R978 463 571.00 and compared to a liquidation scenario will most probably only realise the amount of R733 847 678.25.

6.3.4. Since all creditors will be settled in full in the event of liquidation, the Business Rescue Practitioner did not prepare comparative figures, comparing dividends in liquidation vs payments to be made whilst in business rescue or prepared a draft liquidation and distribution account.

6.4. **INVESTMENT PROPERTY**

6.4.1. The income approach was adopted in calculating the fair value of the properties.

6.4.2. As detailed above, each site / development was valued by DL Patrick and Associates.

6.4.3. The fair value of the properties as per the DL Patrick and Associates is set out as follows:

	Land & Buildings Valuations as at 30 June 2022	
No.	**Project name**	**R**
1	Avoca Hills	237 500 000
2	Carlean Court	2 000 000
3	Esselen Court	1 950 000
4	Hampshire	91 700 000
5	Hamptons	185 200 000
6	Hawaii	14 150 000
7	Hilltops	112 100 000
8	Howell Heights	8 700 000
9	Howell Road	28 200 000
10	Lakehaven estate	279 200 000
11	Plymouth	1 640 000
12	Rutherford Mansions	3 100 716
13	Strathdon	5 400 000
14	Tabora	3 300 000
15	Weltevrede	2 050 000
		976 190 716

6.4.4. However, the total fair value amount of the properties as per the financial statements is R978 463 571.00.

6.4.5. In a liquidation scenario a forced sale value is obtained, and a 25% deduction was applied to the fair value of each development listed above.

6.4.6. The total forced sale value amount of the properties as per a liquidation scenario would be R733 847 678.25.

6.5. PROPERTY, PLANT & EQUIPMENT

6.5.1. The carrying value as stated in the financial records for property, plant and equipment is R222 539.00

6.5.2. To obtain a forced sale value, a 50% deduction was enforced to the carrying value. In a liquidation scenario these assets will obtain R111 269.50.

6.6. TRADE AND OTHER RECEIVABLES

6.6.1. The financial statements show a total of R9 908 240.00.

6.7. CASH

6.7.1. As stated in the financial statements the cash in the company is R17 376 130.00. The available cash at 28 February 2023 will be discussed at the Second Meeting of Creditors. It amounts to R10,537,091.00 rounded off as at 28 February 2023.

6.8. LIST OF CREDITORS

6.8.1. The list of creditors of the Company as at 31 January 2023 is dealt with below. Creditors are not required to file claims. The records of the company is up to date. The creditors claims do not include contingent claims of service providers who is part of the professional team tasked with the development of the pipeline projects.

LIST OF CREDITORS

NR	*CREDITOR*	*ACRONYM*	*AMOUNT OWING*	*% VOTING INTEREST*	*PROOF OF CLAIM*
1.	Ambiso Trading Enterprise	CC	268 920.09	0%	NO
2.	Asifunde Trading Enterprise	CC	64 700.00	0%	NO
3.	Basil Sikhakhane	CC	192 000.00	0%	NO
4.	Blue Bam Tracing	CC	300.00	0%	NO
5.	Chaptronix Natal CC	CC	2 610.00	0%	NO
6.	Delevex 280 CC t/a ZF Security	CC	31 753.12	0%	NO
7.	Department of Labour	CC	6 989.00	0%	NO
8.	Ekwezi Meter	CC	27 008.00	0%	NO
9.	Ethekweni Municipality	PC	2 092 138.46	1%	NO
10.	Hampshire Caretaker	CC	7 525.00	0%	NO
11.	HDH Consulting (Pty) Ltd	CC	848 622.00	0%	NO

12.	Independent Newspapers (Pty) Ltd	CC	268.48	0%	NO
13.	Insidedata South (Pty) Ltd	CC	1 431.00	0%	NO
14.	Jabunoku (Pty) Ltd	CC	51 976.25	0%	NO
15.	Lambie Spark & Associates	CC	50 836.29	0%	NO
16.	Legal fees - M Naran	CC	50 000.00	0%	NO
17.	Legal fees - J Sayed	CC	10 000.00	0%	NO
18.	Legal fees - Garlicke & Bousefield	CC	50 000.00	0%	NO
19.	Lightspeed Investments	CC	13 649.98	0%	NO
20.	Locksmith & Car Key Specialist	CC	1 590.39	0%	NO
21.	Makaziwe Guarding and Cleaning Services (Pty) Ltd	CC	61 440.00	0%	NO
22.	Morgan's photograpy & Copy Centre	CC	3 043.48	0%	NO
23.	Motla Utilities (Pty) Ltd	CC	4 604.14	0%	NO
24.	MRA Computers CC t/a RSA Computers	CC	50 780.00	0%	NO
25.	MRI Computers	CC	82 330.43	0%	NO
26.	National Association of Social Housing Organisation	CC	12 250.00	0%	NO
27.	Ngwanya Kamajola (Pty) Ltd	CC	60 000.00	0%	NO
28.	Nombuso Zama - Legal Support	CC	18 964.00	0%	NO
29.	Nortje Kadwa & Associates	CC	23 171.60	0%	NO
30.	Nozula Security (Pty) Ltd	CC	72 450.00	0%	NO
31.	Netvendor	CC	31 200.00	0%	NO
32.	Okay Lifts & Escalators CC	CC	14 546.33	0%	NO
33.	Professional Specialist Burglar Guards in Arc Weld	CC	7 500.00	0%	NO
34.	Pureau Fresh Water Co.	CC	1 235.10	0%	NO
35.	Rare Group (Pty) Ltd	CC	25 000.00	0%	NO
36.	RCK Trading CC	CC	4 763.51	0%	NO
37.	Salt Agency	CC	5 869.57	0%	NO
38.	Saramanzi Cleaning Company (Pty) Ltd	CC	38 000.00	0%	NO
39.	Sharaya (Pty) Ltd	CC	250 000.00	0%	NO
40.	Sim Shift Holdings	CC	16 940.90	0%	NO

41.	Sthenhla Investments	CC	840 000.00	0%	NO
42.	Thuthu & Family (Pty) Ltd	CC	38 812.50	0%	NO
43.	Vikela Protection Solutions	CC	528 000.00	0%	NO
44.	Windeed	CC	2 978.00	0%	NO
45.	Payroll Expense	CC	976 886.00	0%	NO
46.	Robert Sibiya	CC	70 000.00	0%	NO
47.	Director's fees	CC	180 000.00	0%	NO
48.	Bank charges	CC	40 000.00	0%	NO
49.	NHFC Loan	SC	248 276 997.00	90%	YES
50.	eThekwini Municipality - Loan Funding as at September 2022	SC	15 989 338.00	6%	YES
51.	eThekwini Municipality Utility Bills – unknown charges on account	CL	5 792 313.00	3%	NO
51.		**TOTAL**	**R 277 291 731.62**	100%	

The list above indicates which creditor's claim falls within which category as follows:

Secured creditor: (SC) — A Secured creditor has a claim that is secured over an asset of the Company which can be reclaimed by the creditor to settle the outstanding debt.

Preferrent creditor: (PC) — Chapter 6 of the Act and the Insolvency Act determines who the Preferrent creditors are inter alia the Employees, the BRP and/or SARS.

Concurrent creditor: (CC) — In terms of the laws of Insolvency, a Concurrent creditor's claim would be subordinated in a liquidation process and this creditor does not have a secured claim against the Company.

Contingent Liability: (CL) — These are potential liabilities that may or may not become an actual liability but are recognised in the list for the sake of completeness.

6.8.2. This list includes all the known creditors other than the professional team working on the pipeline projects. As per the list of creditors, the total debt owed by the Company amounts to R 277 291 731.62. The breakdown of the Creditors into the different classes as per section 150(2)(a)(ii) of the Act are as follows:

- Secured creditors in the amount of R264 266 335.00 with a voting interest of 96%.
- Preferrent creditors in the amount of R2 092 138.46 with a voting interest of 1%.
- Contingent liabilities in the amount of R5 792 313.00 with a voting interest of 3%
- Concurrent creditors in the amount of R4 971 453.81 with a zero voting interest.

6.8.3. I am still investigating these claims. I do not pronounced the validity of the claims by including it in the list of creditors.

6.9. **Liquidation option**

6.9.1. The BRP is permitted and in certain instances expected to terminate Business rescue proceedings and apply for liquidation. If the BRP believes that there is no reasonable prospect of a successful business rescue this approach should be adopted. Because it is difficult to determine the exact amounts that can be obtained for all the assets during liquidation proceedings, estimated liquidation values of the assets can be used, alternatively the values provided by an independent expert.

6.9.2. Since the Company is not insolvent, creditors will receive 100 cents in the Rand of all their claims in the event of liquidation.

6.9.3. In compliance with the Act the liquidation scenario is dealt with below.

Total Assets (section 6.2)	R733 847 678.25
Total Creditors (section 6.3)	R 277 291 731.62
Surplus	R 506 555 946.63

6.9.4.

In a liquidation scenario, the affected parties can expect to obtain the following net values from the sale of the assets:

Proceeds from the forced sale values	R733 847 678.25
Estimated costs of liquidator and Auctioneer (15%)	R110 077 151.74
NET Realised Value	R623 770 526.51

6.9.5. Liquidation dividend to the **Secured Creditors** of the company:

Secured Assets available for distribution (Fair value of assets as per DL Patrick less developments which weren't subsidized ie: Esselen Court + Rutherford + Plymouth)	R964 449 284.00
Less: Secured Creditors	R264 266 335.00
Equals: Surplus	R700 182 949.00
Available in free residue after secured Creditors	R700 182 949.00
Dividend in the Rand to Secured Creditors	100 cents

6.9.6. Liquidation dividend to the **Preferent Creditors** of the company:

Free residue from sale of encumbered Assets after secured creditors had been paid	R700 182 949.00
Remaining Assets (Esselen Court + Rutherford + Plymouth)	R6 690 716.00
Total Assets available for distribution	R706 873 665.00
Less: Preferrent Liabilities	R2 092 138.46
Equals: Surplus	R704 781 526.54
Concurrent portion carried forward	R704 781 526.54
Dividend in the Rand to Preferrent Creditors	100 cents

6.9.7. Liquidation dividend to the **Concurrent Creditors** of the company:

Free residue after Preferrent Creditors	R704 781 526.54

Less: Contingent Liabilities		R5 792 313.00
Concurrent Creditors		R4 971 453.81
Concurrent portion of Secured Creditors	R	0.00
Concurrent portion of Preferrent Creditors	R	0.00
Equals:	R	694 017 759.73
Dividend in the Rand to Concurrent Creditors		100 cents

6.9.8. Amount available for distribution after all Creditors have been paid. **R 694 017 759.73**

6.10. **Directors and holders of securities**

6.10.1. The Companies registered Directors with the CIPC is listed in paragraph 2 of the plan.

6.10.2. There are no external shareholding in the Company as it is a NPC.

6.10.3. The Business Rescue Practitioner believes that more directors should be appointed as members of the board. These should come from within the ranks of the tenant committees, SHRA and NHFC nominees. A minimum of 10 directors should hold office in the opinion of the BRP.

6.11. **Rescue practitioner's remuneration**

6.11.1. The 2011 Companies Act Regulations [128(1)] limits the hourly rate of the BRP of a medium business to R2 500 per hour. This is then further limited to an overall maximum of R18 750 per BRP per day. These amounts are exclusive of VAT.

6.11.2. The BRP has an arrangement with the Company whereby he is paid R2500 per hour.

6.11.3. The BRP and the company did not enter into a contingency agreement. It is however proposed that an additional success fee be paid in the event of rescuing the company takes place before year end of 2023. This is to be discussed and agreed to at the meeting during which the plan is to be discussed.

6.12. **Statements made by creditor's**

6.12.1. On the 26th of January 2023, a stakeholder's workshop was held in Pietermaritzburg with the SHRA (South African Housing Regulating Authority), NHFC (National Housing Finance Corporation) and Department of Human Settlements (Province). The BRP advised that in order to rescue the company the inner city buildings need to be sold, together with Howell Road. If NHFC and SHRA are opposed to the sale, NHFC or SHRA must fund the refurbishment costs of the inner-city buildings, which would amount to R180 million.

6.12.2. An undertaking was given to them in terms of which the proposed plan will be submitted to them for approval after which they would consider and revert on proposed amendments. It will in all probably lead to a postponement of the Second Creditors Meeting until April 2023.

PART B

7. PROPOSALS IN THE BUSINESS RESCUE PROCESS – SECTION 150(2)(b)

This section explains the proposals made by the BRP that would ensure a successful Business Rescue.

7.1. **Business issues and impacts**

7.1.1. Since the date of appointment, the BRP has undertaken certain investigations to determine the current state of the Company and to determine whether a reasonable prospect of rescuing the Company exists. These actions focused on the following:

A. REDUCTION OF MONTHLY EXPENSES

7.1.2. At the end of 2022 before the BRP's intervention, the company was running at an average monthly loss of approximately R1.5 million per month, as the companies monthly expenditure far exceeded the rental income received. This had to be remedied on an urgent basis, or else liquidation was inevitable. On the calculation of the BRP there were not sufficient liquid assets to continue trading for longer than four months.

7.1.3. The BRP had to cut costs back dramatically. Consequently, the service providers were approached to provide the company with a discount of between 30% - 50% on any current invoices due, as well as to provide services at this discounted rate going forward. Service providers were informed that if they refused to accommodate the company by rendering the company with services at a discounted rate, we would no longer be able to do business with them and the BRP would suspend their contracts.

7.1.4. The BRP noted with concern that the company currently owes the NHFC in excess of R255 million, and the monthly interest that accrues on this loan is in excess of R2 million. The BRP's current budget, which was reengineered, does not as yet make provision for any repayments toward this loan or the interest accruing thereon. It will take at least 12 months before repayment can commence.

7.1.5. The BRP suspended payment of all the employees 13th cheques in December 2022, and undertook to start paying same in 4 (four) instalments as soon as the company generated sufficient profit to afford these payments. Employees and tenant committees were consulted and requested to take ownership of the developments and provide proposals to cut costs on the long term.

7.1.6. Cash Flow Projections were prepared in December 2022 for a six month period, in accordance with the BRP's reengineered business model. See same attached hereto marked as annexure **"T".**

7.1.7. The first of four instalment of all the employees 13th cheques was paid at the end of January 2023, as the companies income exceeded its expenses for the first time. The same should apply in February 2023. The BRP managed to turn a R1,5 million trading deficit around.

7.1.8. Strict control measures were implemented with immediate effect. The company may not pay any monthly creditors / service providers without the BRP's approval in the form of his signature on the Payment Requisition Form. These are managed carefully and only the most important sub-contract work is authorised.

7.1.9. The BRP has compiled a report on how the company should deal with the aspect of maintenance going forward. Same involves the company hiring a string of maintenance employees who are qualified plumbers, electricians and handymen to attend to the simple and common repairs which occur across the developments on a daily basis, as opposed to utilising contractors who in the opinion of the BRP over charge to attend to small jobs.

7.1.10. The changes in the cost structure immediately had the desired effect. The January and February 2023 income and expenditure statements record a turnaround in these costs It is summarised as follows:

Income		**Jan-23 Actual**
Rental (RRI)		**6 083 260**
Other income		**784 459**
Admin fees	10 229	
Disk Fee	70	
Parking Rent (2nd)	25 442	
Parking Rent	138 596	
Subsidy Renal	270	
Water	116 966	
Electricity	491 225	
Repairs and Maintenance	1 661	
Commercial rent	72 266	
Total income		6 939 985

Project expenses	**Jan 23 Budget**
Electricity (e124)	1 163 637
Insurance (e103)	134 428
Rates & Taxes (e106)	509 873
Sal & Wag – salaries (e253)	411 460
Cleaning (e101)	313 795
Gardens & Landscaping (e127)	90 969
Legal expense (e129)	-
Project Admin/Electricity (e137)	74 583
Printing & Stationery (e183)	-
Professional fees (e132)	-
Security (e108)	817 458
Telephone & Fax (e181)	14 763
R&M – Building S/T (e141)	513 442
R&M – Lifts Contracts (e143)	16 420
R&M – Lifts Maintenance (e147)	4 606
Total Project Expenses	**4 065 434**
Net trading profit	R2 874 551

Income	**Feb-23 Budget**
Rental (RRI)	**6 083 260**
Other income	**802 343**

Admin fees	28 113
Disk Fee (0033)	70
Parking Rent (2nd) (OP2)	25 442
Parking Rent (OP)	138 596
Subsidy Renal (RS)	270
Water (i030)	116 966
Electricity (REL)	491 225
Repairs and Maintenance (RRM)	1 661
Commercial rent (OCR)	72 266
Total income	**6 957 869**

Project expenses	**Feb 23 Budget**
Electricity (e124)	1 163 637
Insurance (e103)	134 428
Rates & Taxes (e106)	509 873
Sal & Wag – salaries (e253)	411 460
Cleaning (e101)	313 795
Gardens & Landscaping (e127)	90 969
Legal expense (e129)	-
Project Admin/Electricity (e137)	74 583
Printing & Stationery (e183)	-
Professional fees (e132)	-
Security (e108)	817 458
Telephone & Fax (e181)	14 763
R&M – Building S/T (e141)	513 442
R&M – Lifts Contracts	16 420
R&M – Lifts Maintenance	4 606
Total Project Expenses	**4 065 434**
Project income/(loss) before interest and Administrative costs	2 892 435

Overhead Expenses	**Jan 23 Budget**
Insurance	13 875
Sal & Wag – Salaries	729 944
Books and Subscriptions	3 054
Cleaning	6 409
Computer Expenses – MDA	95 590
Computer Expenses	47 432
Printing & Stationery	9 461
Professional Fees	3 951
Rent Expense office	61 715
Rental – Internet	144

Rental – Office building	18 996
Security	1 634
Staff Welfare	17 969
Telephone & Fax	14 444
Travel – local	1 775
Bank charges	56 295
Total overhead expenses	**1 082 688**
Consolidated income/(Loss) before interest after overhead expenses	1 791 862

Overhead Expenses	**Feb 23 Budget**
Insurance	13 875
Sal & Wag – Salaries	729 944
Books and Subscriptions	3 054
Cleaning	6 409
Computer Expenses – MDA	95 590
Computer Expenses	47 432
Printing & Stationery	9 461
Professional Fees	3 951
Rent Expense office	61 715
Rental – Internet	144
Rental – Office building	18 996
Security	1 634
Staff Welfare	17 969
Telephone & Fax	14 444
Travel – local	1 775
Bank charges	56 295
Total overhead expenses	**1 082 688**
Consolidated income/(Loss) before interest after overhead expenses	1 809 746

Consolidated Income / (Loss) before interest	**Jan 23 Actual**
After overhead expenses	1 791 862

Consolidated Income / (Loss) before interest	**Feb 23 Budget**
After overhead expenses	1 809 746

B. FORCEFULL REMOVAL OF NON-COMPLIANT & NON-PAYING TENANTS

7.1.11. An aggressive approach to the current defaulting tenants has been adopted. The amount owing by tenants contributed significantly to the financial distress of the company and has to be collected. To add to the problems of the company there seems to be material non-compliance with the social housing legislation and sub-letting by various tenants making a profit monthly.

7.1.12. A letter was addressed to all the tenants and dispatched accordingly, addressing the predominant issues by demanding the following:

a) If a tenant is in arrears with rental and/or municipal bills, such tenant need to enter into a re-payment plan with the company and keep up to date with his/her monthly rental;

b) If a tenant is renting the unit from a 3rd party who isn't FMHC (ie: the unit is being sub-let) the occupying tenant needs to enter into a lease agreement with FMHC and pay FMHC directly; and

c) If a tenant is non-compliant with the income threshold in order to qualify for social housing, such tenant needs to enter into a new lease agreement for the period of 1 year, after which such tenant will be expected to vacate and find alternative accommodation.

7.1.13. The tenants were advised in the aforementioned letter that if they fell into one of the three categories as set out above, and have not attended at the companies offices to enter into a repayment plan or signed a new lease agreement, they will be evicted. A copy of the aforementioned letter addressed and dispatched to the tenants is attached hereto marked as annexure **"U".**

7.1.14. The BRP will launch eviction applications in March 2023, against every defaulting and non-compliant tenant who ignored the aforementioned letter.

7.1.15. SHRA from time to time conduct a tenant audit. A copy of SHRA's tenant audit report pertaining to the Hampshire and Hilltops developments are attached hereto marked **"V"**.

7.1.16. A copy of the tenant handover lists dated January 2023 and February 2023, which have been referred to attorneys for collection, is attached hereto marked as annexure **"W".**

C. OTHER ACTION TAKEN BY BUSINESS RESCUE PRACTITIONER

7.1.17. The BRP was contacted by a whistle blower, who gave vast amounts of valuable information regarding alleged illicit deals that certain staff members and management of the company have with a number of the service providers. This includes, but is not limited to;

- service providers rendering invoices for services never rendered, in exchange for a "backhand";

- service providers inflating their invoices for services rendered, in exchange for a “backhand”;
- money being syphoned out of the company through a subsidiary company; and
- maintenance companies rendering services to staff members private residences and charging the company;

7.1.18. The BRP after consultation with SHRA and NHFC has appointed an independent auditor from Price Waterhouse Coopers (PWC), namely Mr. Trevor Hills, to launch a full investigation and audit all the records and financials of the company, in order to ascertain whether there is any truth to the whistle blowers allegations.

7.2. Working Capital

7.2.1. For the BRP to effect a successful business rescue, it is crucial to have working capital at his disposal. To this end, the biggest portion of available working capital within the Company consists of the rental income of the units.

7.2.2. The BRP proposes that the company continue to invoice and receive the rental income and utilise the funds in the daily operations of the company and to improve the utility recoveries across the developments. All funds not utilised towards payment of overhead and operating costs will be kept separate to address repairs and maintenance.

7.2.3. It is a further requirement of this proposed Business Rescue Plan that any nett proceeds from the sale of any assets be used to develop the new Pipeline Projects to increase the company’s monthly rental income. Therefore, it is necessary to accelerate the sale of Inner-City and Howell Road, to generate additional cash inflow. The disposal of Inner-City and Howell Road is dealt with fully below.

7.2.4. To this extent, the Inner-City developments will be sold block by block to give the tenants a chance to relocate.

7.3. Legal moratorium period

7.3.1. An automatic general moratorium on legal proceedings as contemplated in Section 133 of the Act applies until final implementation of the approved Business Rescue Plan.

7.3.2. This moratorium must be read with Section 154 and other relevant Sections as referred to in Chapter 6 of the Act.

7.4. Proposed payments to Creditors

Proposed payments on asset finance agreements (secured creditor)

7.4.1. **NHFC** is the only secured creditor with an outstanding balance of **R225 980 645.00** as at 17 February 2023.

7.4.2. The loan amount towards Howell Road is R6 086 694.00 with an arrear instalment due in the amount of R1 204 476.00.

7.4.3. The loan amount for Howell Heights is R7 367 132.00 with an overall monthly repayment of R57 809.00.

7.4.4. The loan amount for Lakehaven Phase 1 is R31 078 452.00 with an overall monthly repayment of R231 641.00.

7.4.5. The loan amount for Lakehaven Phase 2 is R33 181 248.00 with an overall monthly repayment of R305 065.00.

7.4.6. The loan amount for Avoca Hills is R66 384 866.00 with an instalment amount of R609 118.00 per month.

7.4.7. The loan amount for Hampshire is R17 711 462.00 with an instalment amount of R183 386.00 per month.

7.4.8. The loan amount for Hamptons is R42 273 176.00 with an instalment amount of R435 617.00 per month.

7.4.9. The loan amount for Hilltops is R21 897 615.00 with an instalment amount of R224 897.00 per month.

7.4.10. (Note that these instalment figures are subject to interest rate change and my vary from time to time).

7.4.11. **The BRP proposes a payment holiday of 12 months, the repayment of these loans to commence on 1 March 2024, subject to payment of the proceeds of the sales of the properties forming part of the inner-city activities.**

Find herewith a table with information regarding each loan on each development:

SCHEDULE OF FMHC - NHFC LOAN DETAILS									
Date of report: 17-02-2023									
Details	**Howell Road**	**Howell heig**	**Lakehaven Phase 1**	**Lakehaven Phase 2**	**Avoca Hills**	**Hampshire**	**Hamptons**	**Hilltops**	**Total**
Loan - Amount Borrowed									
Loan 1	6 086 694	7 367 132	5 805 865	33 181 248	33 328 638	9 204 927	26 947 122	#########	134 343 699
Loan 2			5 692 024		33 056 228	8 506 535	2 701 515	7 792 092	57 748 395
Loan 2			19 580 563				12 624 539	1 683 449	33 888 551
Total Loan Amount Borrowed	**6 086 694**	**7 367 132**	**31 078 452**	**33 181 248**	**66 384 866**	**17 711 462**	**42 273 176**	**#########**	**225 980 645**
Interest rate	prime	prime less 1	prime less 1%	prime	prime	prime	prime	prime	
Start date	2004/12/13	2011/05/06	2011/06/30	17812/2014	2014/11/28	2016/12/20	2017/06/23	2017/09/28	
Security	mortgage bond over investment property	mortgage bond over investment property	mortgage bond over investment property	mortgage bond over investment property	mortgage bond over investment property	mortgage bond over investment property	mortgage bond over investment property	mortgage bond over investment property	mortgage bond over investment property
Actual Instalment - Annual	-	693 706	2 779 687	3 660 783	7 309 417	2 200 633	5 227 399	2 698 759	24 570 383
Actual Instalment - Monthly		57 809	231 641	305 065	609 118	183 386	435 617	224 897	2 047 532
Actual Arrear instalment due	1 204 476	1 666 484	6 840 486	8 687 757	26 786 627	1 432 897	16 995 522	1 708 519	65 322 769
Current Loan Amount Outstanding	1 204 627	6 792 175	23 009 511	36 183 701	81 552 089	20 723 647	62 526 867	#########	256 678 544

7.5. SUGGESTED PROPOSAL 1 – Disposal of non-performing assets

7.5.1. Currently the Inner-City buildings are a liability to the company, as they are extremely expensive to maintain and the rental income received is negligible due to the vacancy rate and other factors that cannot be controlled by the Business Rescue Practitioner. It simply does not make commercial sense to continue owning these properties.

7.5.2. As part of his investigation the BRP obtained a quote from a Quantity Surveyor determining how much the necessary refurbishments would cost. The report attached hereto as annexure "E", estimate the cost of refurbishing all the Inner-City buildings in excess of R180 million.

7.5.3. The company is not in the financial position to fund the aforementioned refurbishments. Consequently, the BRP approached NHFC and SHRA and advised of his intentions are to dispose of the inner-city buildings, and if they are opposed to this, then they should fund the cost of refurbishment a viable option and by way of a grant, since repayment of a loan of R180 million is not a viable option.

7.5.4. The Inner-City developments consist of 300 units cumulatively, consequently the quote of R180 million mentioned above, translates to R600 000.00 as the cost of refurbishment, per unit.

7.5.5. To put the aforementioned into perspective, the BRP advises that the current cost of building a brand-new modern unit is R450 000.00. Whilst being alive to the responsibility towards the tenants in the inner-city, continuing to place the livelihood of the other tenants of FMHC at risk is not an option the BRP is prepared to consider.

7.5.6. It makes commercial sense to dispose of the Inner-City buildings as opposed to refurbishing them. The sale will occur at a public auction or through the tender process, alternatively the current offers are to be accepted. Affected parties will have to vote to determine the preferred method of disposal.

7.5.7. The BRP is aware that social housing developments can only be sold to other social housing providers, so as to ensure that social housing units are not lost in the process of being sold. This aspect is fully dealt with below. Disposing of the inner city buildings to SHRA or another social housing company is an option which the BRP is prepared to consider.

7.5.8. Howell road, which consists of 213 free standing two-bedroom units, is currently experiencing a rental boycott. The rental boycott is the primary reason why BRP advocates for the sale of this development.

7.5.9. A report compiled by Mr. DB Sikhakhane dated October 2022, which is attached hereto and marked as annexure **"X"**, sets out the plan moving forward on how the BRP intends to dispose of this asset.

7.6. **SUGGESTED PROPOSAL 2 – proceed with pipeline projects**

7.6.1. The sale of any current buildings in which tenants are housed will be done with as little as possible inconvenience to the tenants. The proceeds of the sale is to be utilised to repay the NHFC and other creditors alternatively the proceeds will be allocated as a deposit towards the acquisition of further land alternatively the building of further housing developments that have already been identified on land already owned and paid for by FMHC.

7.6.2. The proceeds of the sale of the Inner-City developments, as well as Howell Road, will be applied towards developing the new Pipeline Projects. This will ultimately have the effect of creating a vast number of new social housing units.

7.6.3. This will result in the rental income generated by the company to substantially increase and increase the companies chances of being rescued and ultimately continue trading.

7.6.4. A PowerPoint slide show detailing the new pipeline projects is attached hereto marked as annexure **"Y".** It will be presented at the Second Creditors Meeting and discussed in great detail by Ismail Khatib.

7.6.5. If FMHC cannot proceed with the Pipeline projects, the Pipeline Projects should be given to another social housing company to continue with. FMHC will use the proceeds from the sale of the Inner-City and Howell Road to re-structure its loans and start making repayments to NHFC. The cost incurred to date with the pipeline projects and the land paid for and transferred to FMHC can be sold to the nominee of NHFC and/or SHRA in an attempt to recover the costs already incurred and paid to NHFC in reduction of the existing debt.

Proposed payments of monthly overheads

7.6.6. The BRP proposes that the payments of normal monthly overheads, non-exhaustive list comprising of i.e. Telecommunication Costs, BRP Costs, Fuel and Maintenance, Salaries and Wages, Bank Charges, Cash Purchases, Rental Expenses, Insurance, Security, Pay-As-You-Earn (PAYE), continue to be paid as they are incurred or become due and payable. The total monthly overheads are an estimated at R4 065 434.00 per month including the direct expenses for the different developments. The company is in a position to continue with repayment thereof, due to the estimated rental income exceeding these estimated expenses.

Proposed payments to creditors (Concurrent Creditors excl. Contingent Liabilities)

7.6.7. The BRP proposes that all the concurrent creditors be repaid on presentation of their invoices and in terms of the contracts they entered into with the company, save for the service providers who are currently rendering services on a discounted basis and not in terms of their old contracts. New contracts will be entered into with them shortly.

Proposed payment to Contingent Liabilities

7.6.8. Payment towards the Municipality will be paid on the actual current monthly consumption unrelated to the disputed amount of each development.

7.6.9. See further under discussion about dispute declared with municipality.

Proposed payments to SARS

7.6.10. The BRP proposes that the ongoing monthly PAYE and VAT returns will be submitted and paid as and when they become due and payable during every month. As the company is a non-profit organization no Income Tax returns need to be filed.

7.7. **Interest and Legal fees**

7.7.1. This proposed Business Rescue Plan proposes the payment of legal fees relating to the collection of debt on outstanding rental. An agreed fee has been arranged with these upon favourable terms for the company.

7.7.2. This Business Rescue Plan makes provision for proceeding with pending legal action against non paying tenants and the institution of further legal actions for eviction of illegal tenants.

7.8. **Effect of the plan on the holders of security and secured creditors**

7.8.1. This proposed Business Rescue Plan does not provide for the amendment of the shareholding percentages. It is however pivotal that the applicable interest rates and repayment terms of the NHFC loans be renegotiated.

7.9. **Effect of the plan on SARS**

7.9.1. The BRP shall ensure that all future tax obligations (including the filing of returns and payment of related taxes) will be met until Business Rescue Proceedings have been terminated in accordance with Section 132 of the Act.

7.10. **Property available to settle creditors**

7.10.1. The Company owns immovable property, consisting of land and buildings, which would be available for sale if the need arises.

7.10.2. It must however be noted that the disposal of social housing stock funded with public funds must be dealt with in terms of Regulation 13 and 14 of the Social Housing Act, 2008.

Disposal of social housing stock funded with public funds

14. (1) A social housing institution must seek permission from the Regulatory Authority before-

(a) disposing of social housing stock into the open market where it might cease to be social housing for low to medium income households as provided in the Act; and

(b) disposing of social housing stock funded with public funds ..

(2) The Regulatory Authority may not approve a disposal of social housing stock funded with public funds in the open market as contemplated in sub regulation (1),unless after consultation with the municipality and other social housing institutions in the area concerned and it is satisfied on reasonable grounds that there is sufficient social housing in the area and there is no need to retain the relevant housing stock as social housing.

7.11. **Post commencement financing (PCF)**

7.11.1. The company is solvent and liquid if the arrear payments to NHFC is not taken into account. However the BRP is in need of PCF in order to pay all the legal fees and effect improvements and maintenance and necessary repairs to the new developments which will be incurred as a result of adopting a more aggressive approach to defaulting and non-compliant tenants. Discussions in this regard will be communicated to SHRA and NHFC as soon as the new repairs and maintenance policy has been finalised. For this reason a payment holiday until 1 March 2024 is proposed.

7.12. **Order of preference**

7.12.1. The order of preference for the payment of claims in Business Rescue is provided for by section 135 of the Act and can be summarised as follows:

7.12.1.1. The Practitioner's remuneration and expenses and other claims arising out of the costs of the Business Rescue Proceedings;

7.12.1.2. Employee costs for services rendered during the Business Rescue Proceedings;

7.12.1.3. Secured Post Commencement Finance;

7.12.1.4. Unsecured Post Commencement Finance;

7.12.1.5. Secured Pre Business Rescue claims;

7.12.1.6. Employee costs for services rendered before Business Rescue Proceedings;

7.12.1.7. All other unsecured pre-Business Rescue claims.

7.13. **Future role of the company and existing agreements**

7.13.1. The future role of the Company will be to continue to trade in its current form providing the services that it has become known for.

7.13.2. The Practitioner has suspended certain pre-Business Rescue contractual obligations of the Company. The Company will, however, continue to honour all existing agreements, subject to the provisions of this Business Rescue Plan and the available cash reserves.

7.13.3. The Company will continue in existence in accordance with the provisions of this Business Rescue Plan.

7.14. **Benefits of adopting the Business Rescue Plan**

7.14.1. The first benefit of adopting this proposed Business Rescue Plan is to secure the repayment of the historic debts as provided for in this proposed Business Rescue Plan to the Creditors by implementing systems and improving processes to increase the sustainability and profitability of the business. This is academic in the view of the BRP given the content of the plan.

7.14.2. The second benefit of adopting this proposed Business Rescue Plan is that the jobs of approximately 22 direct employees will not be affected.

7.14.3. The third benefit of adopting this proposed Business Rescue Plan is that it will provide continued housing for an estimated 10 000 people within the low-income threshold.

7.15. **Failure**

7.15.1. Should the Company default on any of the obligations imposed in terms of this Business Rescue Plan it is proposed that the Company will automatically be afforded an extension of time to the end of the subsequent month to rectify the breach of 30 days.

7.15.2. If the Company fails to rectify such a breach, and provided that the BRP has not filed a notice of substantial implementation and provided that the BRP continues to believe that there exists a reasonable prospect of rescuing the Company, the BRP reserves the right to approach affected persons to seek approval for an amendment to the Business Rescue Plan.

7.15.3. The provisions of section 147(3) shall apply to any such vote.

7.15.4. In such an event, any proposed amendments must be considered and approved by affected persons under the provisions of Section 151 and 152 of the Act.

7.15.5. Should the BRP’s request to amend the Business Rescue Plan not be approved, the Business Rescue Plan will fail, leading to the liquidation of the Company.

7.16. **General Provisions**

7.16.1. Affected Persons who vote against the Business Rescue Plan are referred to the provisions of the Act in terms of which any Affected Person or combination of Affected Persons may make a binding offer to purchase the voting interest of one or more persons who opposed the adoption of the Business Rescue Plan, at a value independently and expertly, at the request of the BRP, determined to be a fair and reasonable estimate of the return to that person if the business was to be liquidated.

7.16.2. The BRP will retain all powers, as provided for in the Act, until such date of substantial implementation of the Business Rescue Plan.

7.16.3. Should any requirement, as set out in the Act, not have been adhered to during these Business Rescue Proceedings, same will be deemed to be ratified upon acceptance of the Proposed Business Rescue Plan.

Notes from the BRP to consider:

7.16.4. The business model of social housing in the South African environment is complicated. A lot of stakeholders is involved and balancing the interests of all will remain challenging as the history of FMHC has shown. A lot of factors contributed to the present situation.

7.16.5. The question how FMHC ended up trading at a monthly loss is not a simple one. It justifies and requires some explanation.

7.16.6. First and foremost the occupancy figures in some of the buildings are to blame.

7.16.7. The second major contributing factor is the age of some of the inner city buildings with the associated cost of repair and maintenance.

7.16.8. The third factor worth mentioning is the Howell Road rent boycot. Whilst the cost of maintaining and securing the property is carried by FMHC, very little income is derived from the individuals occupying the residential units.

7.16.9. However none of these factors can compare to the operating costs of the company. Huge amounts of money was allocated on budget to operating costs such as salaries and wages, security, maintenance and repairs but to name a few. We have reconsidered each and every expense and after comparing it with other social housing companies commenced with radical cost cutting exercises, resulting in a significant reduction in the operating costs of FMHC and intend doing so until the company can repay its monthly costs.

7.16.10. Some of the subcontractor/service providers contracts have been suspended and re-negotiated. This resulted in major cost savings.

7.16.11. The number of security guards, the cost of maintenance per unit, (some unoccupied) and the total outsourcing of repairs and maintenance and refurbishing is in the process of being re-engineered to bring the cost in line with other social housing schemes.

7.16.12. Since the appointment of the Business Rescue Practitioner and after an invitation to all affected parties to participate in the restructuring process, a number of individuals came forward and reported a number of irregularities which in the mind of the Business Rescue Practitioner warrants a forensic audit. After consultation with the major stakeholders PriceWaterHouseCoopers was appointed to conduct a comprehensive forensic investigation with these allegations and he alleged irregularities. A number of very serious allegations have been made which warrant an investigation.

7.16.13. The Business Rescue Practitioner received a number of reports from SHRA indicating that apart from the non-paying component of tenants there are a significant number of units whose registered tenants:

(i) Do not qualify to occupy social housing units since they earn more than the threshold dictates. Some even own other property.

(ii) Sub-let the units and some for even more than what they pay for the unit to FMHC.

7.16.14. Roughly 250 non paying tenants were handed over for collection and eviction by the Business Rescue Practitioner since the beginning of 2023. Communications have been sent to all tenants in all of the buildings of FMHC in terms of which they were invited to become compliant or face eviction.

7.16.15. It was reported to the Business Rescue Practitioner that members of the South African Police was involved in sub-letting of tenants and threatening staff members of FMHC. Proceeding in the High Court to evict and interdict them have been commenced with.

7.16.16. The Business Rescue Practitioner is confident that cost cutting measures implemented, the forensic investigation and the drive to collect outstanding debt and regularise the tenancy will result in an effective turnaround of the business of the company and within a relatively short period of time.

7.16.17. The long term plan revolves around:

7.16.18. The sale of the non-profitable inner city buildings;

7.16.19. The development of the pipeline projects to replace the lost units in the inner city with funding from NHFC and SHRA;

7.16.20. The operating costs to be reduced to within acceptable norms;

7.16.21. The repayment of creditors pro rata / compromising their claims to bring the repayment terms within the budget of FMHC;

7.16.22. If bullet point 2 above is not acceptable, the sale of the land on which the pipeline projects are to be developed to another social housing company;

7.16.23. Payment of the land and development cost and the net proceeds of the sale of the inner city buildings to be applied towards the reduction of the current debt.

7.16.24. It is my view that FMHC can repay its debt to its creditors if properly managed. The assets are generally speaking valuable, well situated and managed by a staff complement who are dedicated to provide affordable housing to the tenants. There are management and cost issues that will have to be addressed and the repayment structure of the debt has to be reconsidered. With the assistance of NHFC and SHRA as well as the involvement of the tenants and loyal staff complement it will be possible to turn the business around in a relatively short period of time.

7.16.25. By February 2024 the cost saving measures should have yielded a significant saving and afford FHMC sufficient cash to pay for its own repairs and maintenance to the new developments.

7.16.26. From March 2024 FMHC should be able to commence with the repayment of its monthly obligations towards NHFC. It is proposed that FHMC repay from March 2024 all available nett income to NHFC on a monthly basis taking into account certain budget line items such as repairs and maintenance, these to be authorized by SHRA and NHFC on an annual basis.

7.16.27. The BRP will furthermore approach NHFC and SHRA for a further grant/loan to implement proposed improvements to the new developments such as security perimeter fences which will on the long run reduce running costs. Access control measures and biometric scanning to ensure that only tenants who have been vetted and are legally occupying units can enter a development is presently being considered.

7.16.28. The sale of the inner city buildings and the decision as to the pipeline projects cannot be implemented immediately. It will take some time to implement. It is however of paramount importance that the affected parties of FMHC and SHRA consent thereto and that NHFC and SHRA provide guidance to the BRP as to whether funding (loan/grant) is available for the pipeline projects. If not, guidance as to who the projects can be offered is required. If the sale of the inner city buildings is not to be addressed immediately SHRA and NHFC are requested to present alternative proposals and agree to an indefinite suspension of the repayment obligations of FMHC.

7.16.29. Guidance is also sought as to the methodology of sale. There is at present offers on the table for consideration whilst a proposal as to offering the buildings for sale via public auction/tender forms part of the annexures to the plan.

7.16.30. The BRP is in the hands of the affected parties.

7.16.31. I am open for suggestions as to the amendment of the plan presented to affected parties.

PART C

8. ASSUMPTIONS AND CONDITIONS OF THE PLAN – S150(2)(c)

This section explains the assumptions used by the BRP and the conditions on which this Business Rescue Plan is based upon.

8.1. **Basic assumptions**

8.1.1. This proposed Business Rescue Plan is firstly based on the assumption that the Creditors who have historic debts outstanding have been reflected in the business plan. This proposed Business Rescue Plan is based on this list of Creditors and the historic debts and any material changes to it might necessitate a rewrite of the proposals in this Business Rescue Plan.

8.1.2. The second assumption is that the financial information provided to the BRP is accurate and correct and reliance can be placed upon it by the BRP. The accuracy of this information received determines the accuracy of any projections the BRP makes in this proposed Business Rescue Plan.

8.2. **Conditions**

8.2.1. This Business Rescue Plan or any amended Business Rescue Plan will come into operation once adopted.

8.2.2. The BRP has the authority to negotiate and settle claims disputed by Creditors. Should the BRP not be able to settle such claims, the matter will be referred to a referee for final determination as more fully described in paragraph 8.3 below.

8.2.3. Should a Creditor be unable to prove its claim in such an instance, such Creditor will not participate further in this Business Rescue Plan and will lose its claim against the Company.

8.2.4. Upon full implementation of this Business Rescue Plan, the Company will be released from any obligations to Creditors except as provided for in this Business Rescue Plan.

8.2.5. Where applicable, Creditors will compromise their claims against the Company upon the final payment due in terms of this Business Rescue Plan on The Final Date and will thereafter have no further claims against the Company. Until such time as the full amount, in terms of this Business Rescue Plan, has been paid to each individual Creditor by the Company, a Creditor's claim will not be compromised.

8.2.6. Any compromise contemplated in this Business Rescue Plan is conditional upon the Company meeting its obligations in terms of this Plan in full. In the event of a breach by the Company of any obligation contained herein, the full balance due to Creditors at the commencement of Business Rescue Proceedings will immediately become due and payable, subject to the conditions set out in this Business Rescue Plan.

8.2.7. Should the Company be liquidated during the period of implementation of this Plan, Creditors will have claims equal to those at the commencement of Business Rescue Proceedings less amounts already paid in terms of this Business Rescue Plan.

8.2.8. Prescription in respect of proved Creditors' claims will not run until, at least, the claim becomes due and payable upon breach or winding up as contemplated above.

8.2.9. Until such time as the Company has fully satisfied all its obligations contained in this Business Rescue Plan, the Company will not declare any dividends and will notify Creditors of any bonus, incentive, salary increase or other benefit granted to any person that is a shareholder, member or director of the Company or who is related to such a person.

8.2.10. Salaries and other benefits payable to Directors or to persons related to such persons will not increase by more than the Consumer Price index for the previous year and in accordance with their employment agreements.

8.2.11. All taxes incurred before the commencement of Business Rescue Proceedings are dealt with in terms of this Business Rescue Plan. All taxes that may be incurred by the acceptance and/or implementation of this Business Rescue Plan are deemed to be settled with SARS. There will thus be no tax liability or adverse tax effect (including, without limitation, Value-added Tax, Income Tax and Capital Gains Tax) of any nature whatsoever arising out of or due to the approval and/or implementation of this Business Rescue Plan.

8.2.12. Nothing contained in this Business Rescue Plan shall preclude a Secured Creditor from pursuing any rights that creditor may have against any Sureties.

8.2.13. This proposed Business Rescue Plan in its entirety must be interpreted in accordance with the provisions of the Act with specific reference to Section 7(k) and Section 158(b)(i) and (ii).

Section 7(k): ***The purposes of this Act are to –***
(k) *provide for the efficient rescue and recovery of financially distressed companies, in a manner that balances the rights and interests of all relevant stakeholders*.

Section 158(b): ***When determining a matter brought before it in terms of this Act, or making an order contemplated in this Act –***

(b) *The Commission, the Panel, the Companies Tribunal or a court –*

(i) *must promote the spirit, purpose and objects of this Act; and*

(ii) *if any provision of this Act, or other document in terms of this Act, read in its context, can be reasonably construed to have more than one meaning, must prefer the meaning that best promotes the spirit and purpose of this Act, and will best improve the realisation and enjoyment of rights*.

8.3. DISPUTE RESOLUTION MECHANISM (ARBITRATION)

8.3.1. In order to resolve Disputed Claims, and / or any other disputes concerning this Business Rescue Plan, in an expedited manner and at minimum cost to all parties concerned, an accelerated and optimised Dispute Resolution Mechanism will be followed as set out in this Business Rescue Plan.

8.3.2. Save as provided for in Section 133 of the Companies Act (and without in any way impacting or depriving the rights of the BRP), all Disputed Claims that are not already subject to court proceedings and / or a formal dispute resolution process (to which the BRP have agreed to or in respect of which the courts have granted leave) as at the Publication Date must be resolved in accordance with this Dispute Resolution Mechanism.

8.3.3. In terms of this Dispute Resolution Mechanism, all Disputed Creditors must notify the BRPs in writing within 30 days after the date of Adoption of the Business Rescue Plan (or in the case of a Contingent Claim, within 30 days after the relevant contingency has been satisfied) of their intention to resolve the dispute. Similarly, all Contingent Creditors must notify the BRPs in writing within 30 days after the contingency has been met that they are a Creditor.

8.3.4. If the Disputed Creditor or Contingent Creditor, as the case may be, does not notify the BRP within the time period allowed, or such longer period as the BRP may in his sole discretion determine, then such Disputed Creditor or Contingent Creditor shall be deemed to have abandoned its claim/s. Any claim so abandoned will be deemed to have been Expunged and not be enforceable in terms of Section 154 of the Companies Act) at a later date. If a Contingent Creditor's claim is disputed, then the further provisions of this clause 8.3.4 and onwards will apply.

8.3.5. If, after having availed itself of the opportunity to resolve the dispute in terms of paragraph 8.3.3, the dispute is not resolved directly with the BRP within a 15-day period thereafter, the Disputed Creditor will be afforded 7 days (reckoned from the date of expiry of the 15 days) to nominate a retired judge or senior counsel (on the basis set out below) as an arbitrator to preside over and to resolve the dispute. Should the Disputed Creditor not make this nomination and / or the BRP not agree to appoint such nominee as arbitrator within the period allowed, then the BRP will request the President of the Arbitration Foundation of South Africa ("AFSA") to appoint a retired judge or senior counsel as an arbitrator on behalf of the Disputed Creditor and the BRP, and this appointment will be binding on the Disputed Creditor.

8.3.6. Thereafter, the retired judge or senior counsel who agrees to accept such appointment (hereinafter referred to as the "Arbitrator") will endeavour to complete his mandate within 30 days of his appointment or within such further time period as the BRP in his sole discretion may determine. To the extent that the Arbitrator as nominated refuses to act or is not available to act, the President of AFSA will appoint another retired judge or senior counsel as Arbitrator.

8.3.7. The Arbitrator will in his sole and absolute discretion determine:

8.3.7.1. the venue at which the dispute is to be resolved;

8.3.7.2. the rules, regulations and procedures that will govern the determination of the dispute;

8.3.7.3. the date/s for the determination of the dispute;

8.3.7.4. will give his award / determination within five days of the completion of the process as determined by him; and

8.3.7.5. will as part of his award / determination determine who is liable for the costs of the determination, such costs to include his costs, legal costs, venue costs, recording equipment (if applicable), transcript of evidence (it applicable) and the like.

8.3.8. The Disputed Creditor/s agree that the determination of the Arbitrator will be final and binding and will not be subject to any subsequent review or appeal process, unless reviewed on grounds of negligence, bias or malice.

8.3.9. All parties agree to use their utmost endeavours to ensure that a dispute is determined by the Arbitrator within the 30-day period as set out above.

8.3.10. To the extent necessary, should the BRPs be of the view that certain disputes may be settled or compromised, the BRPs shall be authorised to settle and/or compromise such a dispute.

8.3.11. If the Disputed Creditor does not follow the procedure set out in 8.3.4, then the Disputed Creditor shall be deemed to have abandon its claim/s. Any claim so abandoned will be deemed to have been Expunged and not be enforceable in terms of Section 154 of the Companies Act) at a later date.

8.4. **Effect on employees**

8.4.1. The BRP will ensure that all labour relations legislation is strictly adhered to during the Business Rescue Proceedings of the Company.

8.4.2. The current status of the employees will not be affected. It is the intention of the BRP to keep all the current employees as their skills and knowledge are extremely valuable to the Company.

8.4.3. If the need arises in the future that retrenchments are the only remaining viable option, then the provisions of the Labour Relations Act 66 of 1995 (LRA) will be followed. The BRP and the Director also implemented a full freeze on any vacant non-critical positions and the workload is currently being shared amongst different employees. The BRP will continue to employ new employees where the position is a critical position that needs to be filled and the operations of the Company require an immediate replacement.

8.4.4. The BRP will however continue to analyse the salaries and wages of all the employees, including the Directors to determine the comparison to market related salaries for their respective positions. Any amendments to these will be done in accordance with the Labour Relations Act 66 of 1995. This would include any and all benefits the Director and the staff receives as a result of their position.

8.5. **Substantial implementation of the Business Rescue Plan**

8.5.1. This proposed Business Rescue Plan will be considered substantially implemented when the following actions have been completed by the BRP:

- The BRP has implemented all the required proposals, *and*
- The BRP has implemented payment schedules and arrangements with the creditors of the Company to repay their historic debts.

8.6. **Finalisation of the Business Rescue Plan**

8.6.1. The BRP will start to implement the proposals mentioned as soon as possible after the successful voting for this proposed Business Rescue Plan to ensure the successful implementation of the plan and the timely execution thereof.

8.6.2. This Business Rescue Plan will be deemed to have been fully implemented when the processes mentioned have been implemented and completed and the Company has paid off its historic debts to creditors in terms of this proposed Business Rescue Plan. This will be known as The Final Date.

8.7. **Projected financial statements**

8.7.1. The BRP prepared a combined projected income and cash flow statement for the Company, for the following 3 (three) years. Same is attached hereto marked as annexure **"Z".**

8.7.2. **Annexure Z** illustrates, amongst others, the expected revenues and expenses/payments of the Company on a monthly basis as well as the payments to historic debts proposed in terms of this Business Rescue Plan.

8.7.3. **Annexure Z** includes the following assumptions:

- A portion of the potential rentals and sale of units have materialised and are included in the cash received from customers.

- The repayment regarding interest and extension of term has been included.

9. VOTING ON THE PLAN

9.1. The voting forms containing the voting details on behalf of your business, or the business you are representing, to this proposed Business Rescue Plan will be handed out as you arrive for this meeting. Please fill in the blank sections and return this form to be counted at the end of each vote. The full process will be explained during the meeting, but before the actual voting is due to take place.

9.2. It is also important to note that those persons voting on behalf of a company must be in possession of a valid power of attorney for every meeting on which a vote is to take place.

9.3. As per section 152(4) of the Act, a Business Rescue Plan that has been voted in by the creditors is binding on the company, and on each of the creditors of the company and every holder of the company's securities, whether or not such a person

a) was present at the meeting; or
b) voted in favour of adoption of the plan; or
c) in the case of creditors, had proven their claims against the company.

9.4. Furthermore, section 154(2) of the Act clearly states that once a plan has been approved, no creditor is entitled to enforce a claim owed by the company immediately before Business Rescue, except to the extent provided for in the plan.

10. ANNEXURES TO THE BUSINESS RESCUE PLAN

The following annexures are attached to this proposed Business Rescue Plan.

Annexure A – Annual Financial Statements dated June 2022
Annexure B – Curriculum Vitae pertaining to the BRP
Annexure C – Valuation of Carlean Court prepared by DL Patrick &Co
Annexure D – Report prepared by Peter Maskell Auctioneers
Annexure E – Report prepared by ST Consulting
Annexure F - Valuation of Carlean Court prepared by DL Patrick &Co
Annexure G - Valuation of Carlean Court prepared by DL Patrick &Co
Annexure H - Valuation of Carlean Court prepared by DL Patrick &Co
Annexure I - Valuation of Carlean Court prepared by DL Patrick &Co
Annexure J - Valuation of Carlean Court prepared by DL Patrick &Co
Annexure K - Valuation of Carlean Court prepared by DL Patrick &Co
Annexure L - Valuation of Carlean Court prepared by DL Patrick &Co
Annexure M - Valuation of Carlean Court prepared by DL Patrick &Co
Annexure N - Valuation of Carlean Court prepared by DL Patrick &Co
Annexure O - Valuation of Carlean Court prepared by DL Patrick &Co
Annexure P - Valuation of Carlean Court prepared by DL Patrick &Co
Annexure Q - Valuation of Carlean Court prepared by DL Patrick &Co
Annexure R - Valuation of Carlean Court prepared by DL Patrick &Co
Annexure S - Valuation of Carlean Court prepared by DL Patrick &Co

Annexure T – Cash Flow projections for 6 months
Annexure U – Letter addressed to all the Tenants
Annexure V – SHRA Tenant Audit Report for Hampshire and Hilltops
Annexure W – 1st and 2nd handover reports detailing tenants which have been handed over for collection
Annexure X – Report compiled by DB Sikhakhane for disposal of Howell Rd
Annexure Y – PowerPoint slide show detailing the Pipeline Projects
Annexure Z – Projected income and cashflow statement for 3 years

11. CERTIFICATE TO THE BUSINESS RESCUE PLAN BY THE BRP

I, the duly appointed Business Rescue Practitioners of FMHC Rental SA NPC, hereby declare that the information contained in this Business Rescue Plan is based on actual information supplied to us. The information was requested from authorised representatives of the Company and third parties where applicable.

Estimates contained herein are made in good faith based on actual information supplied to us and in the exercise of professional judgement.

Thus, done and signed at Pretoria.

PIETER HENDRIK STRYDOM

Senior Business Rescue Practitioner

28 February 2023

PRETORIA

GAUTENG