

12 February 2024

CIRCULAR 05

THIS DOCUMENT IS A CIRCULAR TO THE AFFECTED PERSONS RELATING TO THE BUSINESS RESCUE PROCESS OF **PROXIMITAS INVESTMENTS 60 (PTY) LTD** IN TERMS OF THE COMPANIES ACT, 71 OF 2008 AS AMENDED (THE ACT).

OUTCOME OF THE 2ND MEETING OF CREDITORS

The business rescue practitioners¹ wish to advise all the affected parties the outcome of the 2nd meeting of creditors of **Proximitas Investments 60 (Pty) Ltd** (Herein after referred to as “Proximitas” or “The Business”) - held on 12 February 2024.

Mr Durandt gave a brief introduction of the Business Rescue team and welcomed all of the affected persons to the meeting. The business rescue team consists of Mr. Pattinson – a senior business rescue practitioner with more than 50 successful substantial implementations of business rescue plans with a career in business turnarounds spanning over more than 15 years, and Mr Masterton who is an experienced business rescue practitioner with nearly a decade of turnaround experience. Mr Durandt will be assisting in an administrative capacity.

1. INFORMATION PROVIDED:

Creditors	: +- R33,39 Million
Loan Accounts (Receivable)	: R48,49 Million (per 2023 AFS)
Loan Accounts (Payable)	: R78,46 Million (per 2023 AFS)
Debtors	: TBC
Assets	: TBC

¹ Quinton Pat Pattinson, Senior Business Rescue Practitioner and David Masterton, Experienced Business Rescue Practitioner.

- 1.1. Proximitas was established in 2001 and the Blackie Swart Familie Trust is the shareholder of the Business. Proximitas owns farms on which citrus is grown (among other assets) – the citrus is in turn supplied to Blue Crane, who is responsible for the export and sale of the citrus that is produced on the various farms belonging to the interconnected entities. The citrus is all packed at the Goodhope Packhouse and is shipped and distributed from there and this responsibility is that of Blue Crane's.
- 1.2. It must at this stage again, be confirmed that the business rescue practitioners work for the creditors, and not the directors/members of the business. The practitioners will consult with the management, but do not take instructions from them. The role of a business rescue practitioner is to at all times balance the rights of all the affected persons.²
- 1.3. The practitioners, at the first meeting, relied heavily on information supplied by the business – however, there has been an ongoing vast investigation into the affairs of this business before the proposed business rescue plan can be published.³
- 1.4. It has been determined that at this stage in the process, very little reliance can be placed on the information as received from the business. As during the ongoing investigation, it has become abundantly clear that poor recordkeeping is crippling this, and the other entities in the group.

2. **REASONS FOR THE FINANCIAL DISTRESS:**

- 2.1. The reasons for the financial distress, as presented by the business to the practitioners is as follows:
- 2.1.1. Proximitas supplies Blue Crane with fruit, who in turn exports most of the fruit that is harvested to the European Union as there is a big market there for organic fruits.
- 2.1.2. The cost of exporting the fruits had gone up significantly due to a strike that happened and caused a shortage of logistical support – meaning an increase in the price thereof.

² Section 7(k) of the Companies Act.

³ Section 141 of the Companies Act.

2.1.2.1. There were additional costs involved with shipping when some fruits had to be re-routed due to quality issues.

2.1.3. The quality issues alluded to above are to do with a certain “black spot” that was present on the citrus during the transportation phase – which unfortunately meant the EU wouldn’t accept the fruit and it had to be shipped to another location for sale.

2.1.4. This caused the fruit to yield a significantly lower price than was originally anticipated as it had to be sold as normal fruit and not organic fruits.

2.1.5. There were also significant changes in the rainfall in the area which affected the farming activities on the farms.

2.2. Although the reasons for the financial distress are sound, and are indeed contributing factors, the practitioners have (during their ongoing investigation) concluded that these additional reasons are also contributory to the financially distressed situation in which the business now finds itself:

2.2.1. There has been a large amount of overcapitalisation on some of the farms, including the costs of purchasing some of these farms. – It was noted that one farm was purchased for approximately R980 000/hectare, which is far above the acceptable market value of such farmland.

2.2.2. The businesses/group own a large amount of non-income generating assets such as guesthouses, holiday homes, hunting farms and other assets which are a cashflow drain on the business and not generating further income.

2.2.3. In general, record keeping is rather poor across the group of companies, and it has proven difficult to not only obtain correct information, but any information at all. Information that should be readily available is often times not present and this has also added to the delays in certain process.

2.2.4. Poor financial decision-making. As mentioned above, purchase of farms way above market value, investments into property that will never show a return on that investment, extending of loans that have little chance of ever being recovered.

2.3. The Section 141 investigation is still ongoing and any further information that comes to light will be shared with the creditors at the next meeting.

3. **IMPORTANT DATES:**

3.1. Below are the notable dates regarding the business rescue proceedings to date:

Board Resolution Submitted	: 28 November 2023 ^(133 Protection date)
	CIPC returned : 29 November 2023
Practitioner Submitted	: 29 November 2023
	CIPC returned : 1 December 2023
1 st Meeting of Creditors	: 11 December 2023
1 st Meeting with Staff	: Proposed 14 Dec 2023
2 nd Meeting of Creditors	: 12 February 2024

4. **BUSINESS RESCUE PROCESS TO DATE:**

4.1. The Business Rescue Practitioners have commenced with their formal Section 141 investigations into the affairs of the business – the preliminary findings are as above under the reasons for the financial distress.

4.1.1. The practitioners have been scrutinizing all information as received from the management of the business and can confirm at this time that there are some irregularities that are being addressed as a matter of urgency.

4.2. To date, it has proven difficult to place any real reliance on the information received from the business such as financial statements, asset registers and the likes.

4.3. The practitioners have on many occasions done site visits and inspections. The practitioners are not farmers by trade and have therefore consulted with 3 different external parties with regards to doing various testing and yield studies to determine whether there will be a viable crop for harvesting.

4.3.1. Mr. Masterton detailed some of the ongoing testing that is being done to check the quality of the fruit as well as the potential yield that will be realised from the current harvest.

5. RESCUE OUTCOMES TO DATE:

5.1. The practitioners can at this stage confirm that much of the information received is factually flawed and much of it will require redoing.

5.2. The practitioners have confirmed that to date, there has in fact been irregular expenditure within the business.

5.3. Those non-income generating assets have been identified and will be sold as part of the ongoing rehabilitation process.

5.4. The practitioners have had independent studies done to verify a potential crop yield.

5.4.1. The yield figures everyone agrees on, the quality of the fruit is what is still being tested and to determine if it will be of export quality.

5.5. The practitioners have implemented substantial cost-saving measures to reduce ongoing wasteful expenditure.

5.6. The practitioners are also in the process of securing additional funding for the business in order to assist with the rehabilitation. Currently communicating with multiple potential investors/buyers.

5.7. The practitioners have also, to date, determined that there is in fact a reasonable prospect of a successful business rescue based on the yield figures that have been estimated.

6. RESCUE ACTIONS TAKEN TO DATE:

6.1. The practitioners have, after consulting with the relevant parties, made some management changes to the business. The Chief Executive Officer, Financial Manager, Head of Exports, Workshop Manager and Maintenance Manager have all vacated their current positions.

6.1.1. Currently, from an operational standpoint, Mr. Masterton has taken control of all financial responsibilities and Mr. Pattinson has taken management control of the company.

6.2. Further operational changes that have been implemented to date include the likes of purchasing and payment controls. No new purchasing is done without the express consent of Mr. Masterton, same goes with the payment of any amounts out of the business.

6.2.1. This has helped to ensure key expenses are paid on an ongoing basis, such as the short-term insurance, ongoing spraying and water and electricity. These are crucial factors for the success of the proposed rescue.

6.3. As mentioned previously, independent studies have been conducted to help ascertain the potential crop yields and the information received thus far appears to be in line with the anticipated yield. The only outstanding tests still are the quality tests to determine the export quality of the fruit.

6.4. A business rescue survey was sent to all affected persons and valuable information was received as a result. If you have not yet filled in the survey, please follow this link in order to do so as we would love to hear from the affected persons directly.

6.4.1. [LINK FOR THE SURVEY!!!](#)

7. RESCUE PROPOSAL (PROVISIONAL):

7.1. The practitioners have determined that the rescue plan will consist of a hybrid approach. Meaning that the intention remains to continue farming and to affect an organic turnaround of the business and the disposal of around R200mil worth of assets, most of which are not contributing to the business.

7.1.1. The scale of the farming will likely need to be reduced to a size where the business is capable of managing all aspects effectively.

7.1.2. The type of farming will also need to be re-evaluated and diversified. Although the organic farming is very lucrative, it comes with far more risk due to the reduced shelf life of product and the time taken for exports, there is too much risk involved as we have noted previously. The business will need to consider some conventional farming as well.

7.1.3. It has also become abundantly clear that the business will need to sell a large amount of assets. The business requires working capital and the last few years of expansion need to be rolled back to where the business can operate effectively.

7.2. The practitioners have, on many occasions, noted and confirmed that the five entities (4 businesses and 1 trust) effectively operate as a single entity. The practitioners are therefore currently investigating the possibility of having all the entities collapsed into one.

7.2.1. Currently, independent legal, tax and accounting advice is being sought on the matter as the goal would be to achieve the collapse of the entities into one, without prejudicing any rights of the affected persons.

7.2.1.1. Feedback on this will be provided during the next meeting.

7.3. It is currently envisaged that the rehabilitation process will span at least for a period of 2 harvests in order to fully financially recover from the various setbacks that have been experienced. Again, more detail will be available once we have the results of the quality testing and are to give more detailed financial information.

7.4. The benefit of the rescue process lies in the fact that the practitioners believe that a far greater dividend could be achieved should adequate time be given and the business be allowed to trade for the following 2 harvests.

8. REQUEST FOR AN EXTENSION:

8.1. Based on the discussions had in this meeting, it is proposed that another meeting similar to this one is held in the first week of March 2024 so that the practitioners can provide further feedback to the creditors.

8.1.1. The practitioners confirmed that this meeting, would be combined with the meetings for all the other entities as well. As it has been confirmed, the entities effectively trade as one single entity, the practitioners do not wish to waste the affected person's time with 5 separate meetings wherein the same information is shared.

8.1.2. The practitioners require more time to adequately attain all the relevant information as required for the publication of a business rescue plan⁴ and this was discussed at the meeting and the affected persons agreed to a provisional publication date for the rescue

⁴ Section 150 of the Act.

plan being the 22nd of March 2024 – subject to a potential further extension being requested, and granted at the meeting to be held in the first week of March 2024.

8.2. A unanimous vote was achieved in this regard and therefore the next meeting will be in the first week of March 2024 (date to be confirmed and circulated) where a further update will be given, and further extensions be requested should it be necessary.

9. VOTES:

9.1. Although not required by the Act, the practitioners want to at all times be transparent with the affected persons. Therefore, the sale of the non-income generating assets owned by the business is the matter at hand.

9.1.1. Should any of these assets be secured, consent will be sought directly from the secured creditor prior to any such sale taking place.

9.2. The concept of these sales was discussed with the creditors and there was no objection to the proposal.

10. PROOF OF CLAIMS:

10.1. The practitioner confirmed that Jaco Durandt has sent out the proof of claim forms and these proof of claim forms must be completed and returned to Jaco Durandt on the prescribed document. Same is also available – along with all other documentation relating to the business rescue – on the website of the practitioner at <https://pattinson.biz/> under the “Business Rescue” tab at the top right of the page.

10.2. Please provide us with these proof of claims as soon as possible as we would like to compare the claims received to those values contained in the books of the company.

11. QUESTIONS / COMMENTS

11.1. What is the current position with relation to SARS, it is noted that some returns have not been submitted since rescue commenced?

11.1.1. Mr. Masterton confirmed that in terms of the Act, all ongoing statutory submissions will continue, and he has followed up with the auditor as to why this has yet to be done. Currently awaiting feedback. Furthermore, with regards to payment of ongoing expenses, the business will continue to maintain ongoing expenses as and when they become due and are able to pay them.

11.2. When does the harvest start?

11.2.1. The harvest will commence in April 2024 and will last till around September 2024.

11.2.2. The 2 years envisaged for the turnaround include the 2024 harvest as year 1.

11.3. With the key management having left the business, will the practitioners take full control of the signing rights over the bank accounts of the entities?

11.3.1. The practitioners confirmed that at the time of the meeting, stringent controls were in place to facilitate the alleviation of wasteful expenditure and not paying for anything that does not benefit the business (such as the use of an attorney's trust account). However, full signing rights have not been taken over the accounts and the practitioners will make contact with the bank to ensure that this is done.

11.4. Mention was made of personal properties bought with company money, are these properties in the name of the business or the individuals for whom they were bought?

11.4.1. All purchases of immovable property, that the practitioners are currently aware of, were bought in the name of the businesses and not personal names of the individuals.

Kind Regards

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