

27 July 2022

CIRCULAR 07

THIS IS A CIRCULAR TO ALL THE AFFECTED PERSONS OF **VARYMIX NINETEEN (PTY) LTD** RELATING TO THE OUTCOME OF THE 3RD MEETING OF CREDITORS, HELD IN TERMS OF THE COMPANIES ACT, 71 OF 2008 AS AMENDED (THE ACT).

OUTCOME OF THE 3RD MEETING OF CREDITORS

The business rescue practitioner wishes to advise all the affected parties the outcome of the 3rd meeting of creditors held on **26th of July 2022**.

Mr Pattinson welcomed the attendees and notified the attendees that the meeting would be recorded and a circular pertaining to the outcome of the meeting will be circulated to the affected persons.

INFORMATION PROVIDED BY THE BUSINESS

Secured Creditors	11	R	11 357 281,27
Concurrent Creditors	40	R	6 748 301,75
Disputed Secured Creditors	11	R	2 078 369,06
TOTAL	52	R	20 183 952,08

As depicted above, the business rescue practitioner has to date received claims from only 52 creditors. Totalling around R20.2mil. The accounts of the business reflect approximately 100 creditors. We would again like to request that all creditors please submit a proof of claim form which is available at the website of the practitioner at <https://pattinson.biz/document-library>

It must be noted that of the 52 claims received so far, not all of them are for Varymix Nineteen. We understand that there may be some confusion regarding the two business rescue entities (Varymix and Dixotime) due to their

connections. Please do however check carefully when submitting your proof of claim that you are doing so for the correct business.

To date, there are at least 18 claims received in this business rescue that are for the incorrect entity. Please confirm for whom the claim is to be submitted by comparing the registration numbers of the businesses.

A final reminder for proof of claims will be sent to all affected persons as we approach the time for the publication of the business rescue plan. This reminder will contain a list of all the accepted claims in the business rescue and their values. The practitioner would like to remind the affected persons that there is no risk of a cost contribution in business rescue and therefore it is of utmost importance that all creditors submit a claim so that we can accurately determine the true indebtedness of the business.

REASONS FOR THE FINANCIAL DISTRESS

Some of the reasons for the company's financial distress were discussed in the meeting, these are:

- No new tenders advertised or allocated by Government since Feb 2022
- R17 500 000 of the business's cash flow is locked up in various litigations
- Rapid rise in the cost of materials and fuel
- Covid – 19 pandemic

Brief explanations of each were given, but there are some of the main reasons why the business is experiencing the financial distress in which it now finds itself.

REQUEST FOR AN EXTENSION

Based on the discussions had in this meeting, it is proposed that another meeting similar to this one is held on the 6th of September 2022 so that we can provide further feedback to assist in the drafting of a business rescue plan.

The reasons for the extension include but are not limited to:

- We need to have an independent asset valuation on the assets of the business
- We need time to do management accounts and projections
- Negotiations with the bank and with subcontractors is ongoing

At this meeting, if required, the practitioner will ask for further extension on the publication date for the business rescue plan. Should that extension not be granted, the business rescue plan will be due for publication no later than 10 days after the meeting

A majority vote was achieved in this regard (there was a single objection) and therefore the next meeting will be on the 6th of September 2022 where a further update will be given.

QUESTIONS AND COMMENTS

The practitioner received many emails with questions from creditors and instead of replying individually to email, it was deemed favourable to address these questions in the meeting so that all affected parties may participate and also to avoid duplication of questions.

- The fees of the business rescue practitioner.
 - o At this point in time, the practitioner is continuing to render his services at the hourly rate prescribed by the Companies Act.
 - o A full report of his fees/hours worked will be given at a later date where a proposal will be made regarding same.
- Is the business selling assets to pay historic debt?
 - o The practitioner confirmed that at this point, that is not the main goal of the business rescue process. Should there be an asset that is deemed entirely unnecessary, this may be sold to assist in immediate cash flow needs, but only if presented and approved in terms of a business rescue plan.
- Is the business still able to tender for new projects?
 - o The practitioner confirmed that even though the business is in rescue, that they would still be able to tender for new projects as long as they disclose this during the process.
 - o Although the practitioner is not against tendering for new projects, consideration must be given to the ability of the business to complete these projects.
 - o The practitioner simply cannot allow the business to tender for new projects knowing full well that they may not be able to complete the work on time or to standard, as this would be equal to reckless and negligent trading.

- There was a question regarding the sworn statement of the director which accompanied the business rescue filing documentation.
 - o This was a clerical error and was simply not sent out with the rest of the documentation at the outset.
 - o Please be aware that this sworn statement has since been uploaded to the website of the practitioner and is also attached to this circular.
- Question regarding the reason for financial distress and the Bank.
 - o Nedbank is not the reason why the business went into financial distress
 - o Nedbank has a valid cession of debtors of the business
 - o Nedbank also only perfected on this cession after the business went into business rescue
 - Therefore, the assumption that Nedbank perfected on its cession prior to BR and thereby being the cause of the financial distress is false.
- Retention monies
 - o These have not yet been invoiced and will therefore not be subject to a compromise in business rescue due to the fact that they become due after the commencement date.
 - o Monies due to creditors after the filing of business rescue is payable in the ordinary course of business.
- The subcontractors
 - o The subcontractors have committed (with agreements) to return to site to assist in the completion of ongoing projects.
 - o It is possible that Nedbank will allow for the use of funds to pay subcontractors that is paid by clients – consent required in terms of the cession agreement.
- There was some concern about a new business entity being formed and that work is being passed from Varymix to this new entity.
 - o This is simply false, and the business is not passing any of its work to another entity.
- A question was raised about staff being let go.
 - o The practitioner requests that the creditors do not listen to rumours regarding the business rescue. All facts will be

communicated by the practitioner to the creditors in approved communications such as these creditors meetings.

- At this point in time, there are no plans of letting the staff of the business go.
 - The successful rehabilitation of this business is still the goal of this business rescue.
- How much is the bank owed?
- At the commencement of business rescue it was R11.5mil (which is the value which will be used for voting interests)
 - The amount has of course gotten less as a result of the cession
 - The bank also has addition security in the form of a suretyship
 - The rest of the discussion regarding the bank will happen offline but feedback will be reported at the next creditors meeting.

All forms and circulars relating to the Business Rescue process for Varymix Nineteen (Pty) Ltd can be accessed at <https://pattinson.biz/document-library>

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