

22 March 2023

## CIRCULAR 03

THIS DOCUMENT IS A CIRCULAR TO THE AFFECTED PERSONS RELATING TO THE BUSINESS RESCUE PROCESS OF **HANSENS ENGINEERING (PTY) LTD** IN TERMS OF SECTION 129 OF THE COMPANIES ACT, 71 OF 2008 AS AMENDED (THE ACT).

### **OUTCOME OF THE 1<sup>ST</sup> MEETING OF CREDITORS**

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The business rescue practitioners wish to advise all the affected parties the outcome of the 1<sup>st</sup> meeting of creditors of **Hansens Engineering (Pty) Ltd** (Herein after referred to as “Hansens” or “The Business”) - held on 17<sup>th</sup> of March 2023.

Mr Pattinson gave a brief introduction of the Business Rescue team and welcomed all of the affected persons to the meeting.

### **CONDITIONS FOR BUSINESS RESCUE**

The practitioner explained the process of filing for business rescue and why a business would consider business rescue and the conditions of filing for business rescue.

#### **1. The first question - Is the Company Financially distressed?**

**YES**

- 1.1. Based on information at hand, yes, the business cannot pay its debts as and when they become due and payable, therefore it is clear that the business is in financial distress in terms of Section 128(1)(f) of the Companies Act and has filed for Business Rescue in terms of Section 129 of the Companies Act.
- 1.2. Had the directors decided not to file for business rescue, they would be compelled in terms of Section 129(7) of the Act to deliver a formal written notice to every affected person detailing:
  - 1.2.1. That the business is in financial distress.
  - 1.2.2. The reasons for the financial distress.
  - 1.2.3. The reasons for the company’s decision to not file for business rescue.

#### **2. Second Question - Does a reasonable prospect of a rescue exist? YES**

- 2.1. Based on the information provided to the practitioners to date.
  - 2.1.1. At minimum a better outcome than traditional liquidation will be sought.

2.2. The practitioners believe that there is a reasonable prospect of success as will be discussed later in the meeting minutes regarding the business' current operations.

2.2.1. Further, should a rehabilitation of the business not be possible, the practitioners will be required to at the very least seek a better outcome for the affected persons than that which they would receive in an immediate and traditional liquidation. As in terms of Section 128(1)(b)(ii) of the Companies Act and the judgment of Carrol v Michael Carrol.

## Information Provided

\*The practitioners hereby would like to confirm that the company went into business rescue on the 2<sup>nd</sup> of March 2023. The practitioners received their confirmation of appointments on the 3<sup>rd</sup> of March 2023. The practitioners have had precious little time to evaluate, scrutinise, confirm and consider the full events leading up to the business rescue process. Therefore, based on these initial and very high-level investigations into the affairs of the company, the practitioners present the following:

\*Based on the draft AFS – 31 May 2022

<b>Liabilities</b>	: R 19 486 184 (including Bank and other accounts not in arrears)
<b>Turnover</b>	: R 28 532 994
<b>Assets</b>	: R 16 183 796

	2022	2021	2020
2020 - Turnover	28 532 994	54 385 983	48 688 732
2020 - Cost of Sales	26 484 664	47 245 848	44 894 273
2020 - Expenses	4 510 838	4 846 559	10 376 579
2020 - Profit / loss before Tax	(2 676 399)	1 497 797	(7 978 704)
	Year end May		

### REASONS FOR THE FINANCIAL DISTRESS:

- Loss of significant client, reduced revenue leaving Hansens with a high overhead infrastructure cost and with the continued lack of revenue and high overheads left Hansens with no option but to make cuts and to begin a restructuring process. However, regardless of the efforts made, it was determined that more formal restructuring – such as business rescue had become necessary.
- It is impossible to not mention the continued impact on the South African economy of the Covid-19 pandemic. It is clear that the financial implications of the pandemic will be felt long after the supposed “end of the pandemic”.
- Financial statements not showing accurate financial information – adjust of R5 739 462 in 2020 AFS.

## Important Dates

Board Resolution Submitted	: 2 March 2023, (133 Protection date)
Practitioners Appointed	: 3 March 2023
1 <sup>st</sup> Meeting of Creditors	: 17 March 2023

### **FORMING A COMMITTEE**

1. The Business Rescue Practitioners advised the attendees that they can form a committee of creditors in terms of section 147 of the Act.
  - 1.1. The attendees voted against this proposal.
    - 1.1.1. The business rescue practitioner will thus interact with all the creditors of the business directly.

### **REQUEST FOR AN EXTENSION**

1. The business rescue practitioners requested, that they be allowed five (5) working days to communicate with some key decision makers of the business regarding the current position wherein the business finds itself. Discussions have already commenced however some key information still needs to be provided and evaluated in order for the practitioners to properly determine the reasonable prospect requirement.
2. BR360 is not in the habit of dragging out rescue processes and as such, at the conclusion of these five days, another meeting of creditors will be called for the purposes of further discussion on the matter and the way forward – whether that be the proposed rehabilitation of the plan, a Carroll v Carrol wind-down or liquidation. The practitioners require five additional days for the evaluation of the information.
3. The creditors accepted the above proposal unanimously and therefore, the practitioners will be allowed their five business days to properly evaluate the reasonable prospect requirement and will revert to the creditors at a meeting that will be called for that purpose on the 27<sup>th</sup> of March 2023.

### **PROOF OF CLAIMS**

1. The practitioners 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.

## QUESTIONS / COMMENTS

1. A question was raised regarding the “pre and post business rescue debt” as they are separated on the claim form as sent out by Mr. Durandt.
  - a. Pre and post business rescue debt is separated on the form so that any debt due to a creditor before the filing for business rescue can be separated from any debt that may have become due after the filing of business rescue as these two types of debt enjoy different preferences.

Kind Regards

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