

14 May 2023

CIRCULAR 10

THIS DOCUMENT IS A CIRCULAR TO THE AFFECTED PERSONS RELATING TO THE BUSINESS RESCUE PROCESS OF **SURFACE PREPARATIONS EQUIPMENT AND COATINGS (PTY) LTD** IN TERMS OF THE COMPANIES ACT, 71 OF 2008 AS AMENDED (THE ACT).

OUTCOME OF THE 3RD MEETING OF CREDITORS

The business rescue practitioners wish to advise all the affected parties the outcome of the 3rd meeting of creditors of **Surface Preparations Equipment and Coatings (Pty) Ltd** (Herein after referred to as “SPEC” or “The Business”) - held on 11th of May 2023.

Mr Durandt gave a brief introduction of the meeting and extended an apology relating to the delay in this meeting being held.

UPDATE ON THE BUSINESS RESCUE PROCESS TO DATE:

Mr Durandt conversed with the creditors and confirmed the following important points amongst others:

1. The practitioners confirmed that the bank (Nedbank) has agreed to assist the business with ongoing PCF in terms of access to debtors funds. The practitioners thank Nedbank for their assistance herein, as this is allowing the business to continue trading.
 - a. The limited funds that are available for use, are being prioritised by the business and the practitioners and priority is being given to the following projects:
 - i. Ogunjini – is an ongoing project which has already been awarded to the business with a total value of around R44mil. Of this R44mil, the business has only completed and invoiced for around R8mil – therefore this project still has the potential to yield a further R36mil over the next 12 months.
 - ii. Port Alfred – A project with a value of around R6.5mil which will be for a period of only about 3 months’ worth of work. A better update regarding commencement dates and the likes, relating to this project, will be available after the 29th of May 2023 when we should hear back from the project organisers.
2. The business has a large amount of assets that have recently returned from various sites around the country, which simply are not needed anymore. The assets were for previous long-term projects that have now come to a conclusion and the business no longer has any need for them.
 - a. Therefore, the business has had 2 “auction days” whereby any affected person or members of the public were able to view assets and to place bids on same.
 - b. These auctions proved rather successful, and some items were sold for small profits, other assets were sold for minor shortfalls which were then covered by the profits. Therefore, although the business did

not necessarily make any profits off the sale of these assets, they were able to reduce their overall monthly expenditure by over R115 000 because of no longer paying for instalment financing.

- c. The business expects to save a further estimated R20 000 per month when the adjusted insurance schedule kicks in as the assets are no longer required to be on the business insurance.
 - d. Lastly, those items not sold as part of these auctions, are being marketed by the business still and will hopefully be able to dispose of the remainder of the assets that are no longer in use as soon as possible.
3. It has come to the point where the business, no longer requires the big staff compliment that it currently has as a result of the restructuring and the number of ongoing projects. It is an unfortunate reality, but retrenchments may well be likely throughout this business rescue process. This will of course also attribute to the ongoing cost savings of the business – but it will not affect the ability of the business to complete current projects as many staff are already on short time.
- a. This process had already commenced prior to the rescue process, but the practitioners are heading this process with the assistance of HR specialists in determining the best way forward. An update will be provided as soon as there is further information.

THE BUSINESS RESCUE PROCESS GOING FORWARD:

1. The ongoing collection of company debtors:
 - a. Those debtors that owe the business a smaller amount have already been called up and the letters of demand have been sent as at the date of drafting this meeting outcome – feedback on this will be provided at the next meeting.
 - b. The remaining debtors that are of a larger nature, have already been handed over to the attorney's of the business for collection.
2. The various litigation files for the matters that the company is involved in should be received back from the previous attorneys next week – this has been one of the major delay points as without sight of the files, the practitioners are not in a position to make informed decisions as to what litigation is worth continuing and what should be put on hold.
3. The business will continue with the projects that it currently has and is actively pursuing further work. The projects already commenced are receiving priority as any form of late penalties and fines are trying to be avoided and thus the focus and priority relating to funds availability is being given to these projects.
4. As mentioned previously, the business is continuing to sell assets that it no longer requires, and the funds thereof are being utilised for further cost saving purposes.
5. Staff related matters will also be an ongoing process and affected persons will be kept informed of the decisions made in this regard.

REQUEST FOR AN EXTENSION, AND REASONS:

1. The plan would currently be due to be published on the 31st of May 2023.
2. Based on the discussions had in this meeting, it is proposed that another meeting similar to this one is held on the 26th of May 2023 so that we can provide further feedback to the creditors.

- a. There is an ongoing dispute with SARS that needs to be resolved prior to the practitioners being able to draft, let alone publish a business rescue plan. The auditors are working closely with the practitioners on this matter and believe we should have this resolved within 2-3 weeks.
 - b. As mentioned, loan accounts are being called up and the director/shareholder has made certain properties available for sale for the continuation of the business rescue process.
 - i. Mandate agreements need to be finalised and signed between the practitioners and various estate agents.
 - ii. One offer has already been received regarding the development property for roughly R7.2mil and a further 2nd offer for 2/3 of the development property for roughly R5.5mil.
 - iii. The property from which SPEC currently operates is also one of those that is being considered for sale – but we are waiting for the municipality to confirm the correct erf sizes as previously, these even had a boundary line between them that was moved, but not sized correctly. Once the sizing issue has been resolved, we will be in a position to market this property.
3. A unanimous vote was achieved in this regard and therefore the next meeting will be on the 26th of May 2023 where a further update will be given, and further extensions be requested should it be necessary.

PROOF OF CLAIMS:

1. It was 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.

CLAIMS HAVE BEEN RECEIVED FROM THE FOLLOWING CREDITORS:

2. Should your name not be on the list below, this means that a claim has not been received by the practitioners and you should please submit one soonest, on the prescribed form as mentioned above.

African Overalls
Ainsworth Valves Manufacturing
Atlanta Instruments
BAMR
Beka-Schreder
Bo's plant and tool hire
Busu Trading
Chapman Brothers
Clive Moore Precision Engineering
Diveworx
Dynamic Express Services
Energo plant & tool hire
Engeli Enterprise Development

EP Electrical Distributors
Greyvensteins
Industrial Welding Supplies & Plant Hire
Macsteel Services Centres S.A.
Nedbank Corporate Card
Nedbank Current Account Overdraft
Nedbank Instalment Sale Agreement
Nelson Mandela Bay Municipality
Neptune Engineering
Pax Stationers
Premier Pipe Supply
Robust Engineering and Maintenance
SARS - Income Tax, PAYE, SDL, UIF, VAT
Subtech South Africa
Supa Quick (William Moffett)
Turner Morris
Volkswagen Financial Services
Wesbank Fleet
Zenzele Valves Manufacturing

Should there be any further questions, comments or concerns; please do not hesitate to contact the practitioners – the details of whom reflect below.

Kind Regards

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