

29 May 2023

CIRCULAR 12

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 4TH MEETING OF CREDITORS

The business rescue practitioners wish to advise all the affected parties the outcome of the 4th meeting of creditors of **Surface Preparations Equipment and Coatings (Pty) Ltd** (Herein after referred to as "SPEC" or "The Business") - held on 26th of May 2023.

Mr Pattinson gave a brief introduction, discussed the agenda and welcomed the affected persons to the meeting.

UPDATE ON THE BUSINESS RESCUE PROCESS TO DATE:

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

1. The business currently only has two projects:
 - i. Ogunjini – is an ongoing project which has already been awarded to the business with a total value of around R44mil.
 - ii. Port Alfred – A project with a value of around R6.5mil which will be for a period of only about 3 months. This project has as of the date of the meeting, been awarded but awaiting final signature of contracts.
 - a. The projects are both profitable projects, however, there is concern about SPEC's ability to complete these projects due to the current cash flow constraints that the business is experiencing.
2. The practitioners again 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 has allowed the business to continue trading.
3. SARS:
 - a. A formal suspension of debt application has been submitted to SARS in terms of section 164 of the Tax Administration Act 28 of 2011 which has been approved.

- b. SARS was supposed to have a committee meeting regarding the suspension of debt obligation pending the outcome of the audit that was mentioned during the previous creditors meeting. The committee was supposed to sit on the 25th of May 2023, and we were hoping to give an update during this meeting – however, unfortunately, the committee was unable to reach a quorum and as a result, the meeting was postponed and will sit again sometime in the week of 29 May to 2 June 2023.
- c. At the time of drafting this meeting outcome, a temporary tax clearance certificate has been issued and the suspension of debt obligation has been approved pending the outcome of the audit.

4. Properties:¹

- a. As previously mentioned, the business has various debts due to it by connected entities. The practitioners have issued letters of demands to the various directors of these connected entities for the return of these funds and subsequently, the assets (immovable property) which stand security for the indebtedness of the business are hereby being offered up to the business for sale, so that these loans may be repaid.
 - i. It is worth noting that the immovable property forms part of the security that Nedbank holds, and the sale of these immovable properties will be subject to approval by Nedbank and the income generated from the sale of these immovable properties will firstly be used to settle the indebtedness to Nedbank. – Full details of the process and procedures will be set out in the proposed business rescue plan.
- b. A total of 6 properties have been made available to the practitioners to sell, in order to recover the debts due to SPEC. Which in turn will be used to settle the debts owed by SPEC.
 - i. One of the properties – the one from which SPEC currently operates – is in the process of a resizing and all documentation has been submitted to the various governmental departments and we do not foresee any undue delays in the sale of this property, as the ongoing process does not impede the ability of the sale to go through and therefore the marketing on this property, along with all others, has actively commenced.
- c. The last valuation that was done on these 6 properties gave an estimated value of around R27mil. We must accept however that due to the expedited nature in which the disposal of these assets will take place, that we could expect to lose around 30% thereof. Giving an estimated R18.9mil worth of income.
 - i. There is approximately R4.5mil worth of bonds on these properties leaving roughly R14.4m as free residue.
- d. Further to the above, there are moveable assets which are also secured (by Wesbank, VW, BMW and AVIS) which will also be sold – subject to confirmations – and it is expected that a further R3.1mil could be generated from these sales. Bringing the total available to a very rough estimate of R17.5mil

¹ Please note, the estimated property values, sales values, potential dividends and available balances are simply projections based on the information presented to the practitioners. Actual values received may differ.

wherefrom the secured debts will be settled first, which at the current figures received, amounts to approximately R11.2mil.

- i. The business is also in possession of other moveable assets which are not secured under any finance agreements and the total moveable asset value of the business is estimated at R6mil. The business further, after the calling up of loan accounts due by connected entities has received a commitment from a connected entity for the surrender of all that entity's moveable assets which are currently worth approximately R1.4mil.
 - ii. Should the business be able to complete the ongoing projects as well, it is forecast that the business will generate around R680 000 and R3.6mil for the respective projects.
5. The company has reduced their overall monthly expenditure by over R250 000/month because of no longer paying for unnecessary instalment financing agreements and other cost saving measures. – As some vehicles have been sold/surrendered as they were no longer required by the business and other expenses that are no longer necessary have been cut.
 - a. 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.

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.
 - 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 business will continue with the projects that it currently has. 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.
3. 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.
4. A final demand for proof of claims will accompany this circular – whereby a formal and final request will be made for those creditors or affected persons, who have not submitted claims, to do so in order to be evaluated and considered in terms of the proposed rescue plan.

5. The practitioners have commenced with the formal preparation of the plan. All of the above information was given, subject to the publication of the proposed business rescue plan and the successful adoption of same. No further assets will be sold per the above schedule/suggestions, until such a time as a business rescue plan is adopted.

REQUEST FOR AN EXTENSION, AND REASONS:

1. The proposed date for the publication of the business rescue plan was discussed in the meeting. The practitioners did not ask for any additional extensions and the plan will be prepared and published by no later than the 15th of June 2023 – we would however like to publish a plan prior to this and thus the urgent call for final proof of claims.

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:

1. Ordinarily, a list of the claims received would be included in this document hereunder. However, accompanying this circular is the final demand for proof of claims document which contains further details of claims received.

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

Quinton Pattinson
patp@businessrescue360.co.za
082 749 6462

Jaco Durandt
jacod@businessrescue360.co.za
076 773 4595