

28 March 2023

CIRCULAR 05

THIS DOCUMENT IS A CIRCULAR TO THE AFFECTED PERSONS RELATING TO THE BUSINESS RESCUE PROCESS OF **HANSENS ENGINEERING (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 practitioners wish to advise all the affected parties the outcome of the 2nd meeting of creditors of **Hansens Engineering (Pty) Ltd** (Herein after referred to as “Hansens” or “The Business”) - held on 27th of March 2023.

Mr Masterton gave a brief introduction of the meeting and introduced the business rescue team he further welcomed all of the affected persons to the meeting.

FOLLOWING ON FROM THE MEETING OF 17 MARCH 2023:

The practitioners have since the abovementioned meeting, continued their investigations into the affairs of the business in terms of the Act¹. The results of these findings are as follows:

1. The business has projected forecasts for the next six months. These projections are at this stage, based on the information at hand, showing that the business will continue to operate on a month-on-month loss.
2. The business currently has a massive cashflow problem in that it has no available funds to pay for the likes of salaries, wages, municipal accounts, supplies/stock or security.
3. The above creates a major dilemma for the practitioners in that they need to be able to confidently state that there is a reasonable prospect of a successful rescue as defined in the Act.² Should the business continue to operate in this manner, the indebtedness will continue to grow.
 - a. This, simply, is not allowed in terms of the business rescue legislation as all debts post-BR are to be serviced in the ordinary course of business, which we currently are not able to do.

CONCLUSION:

At this time, based on the information available to the practitioner in terms of the investigations already done – it appears that there is no longer a reasonable prospect of a successful business rescue as defined by the Act. Therefore, in terms of the Act³ the practitioners have an obligation to file for the immediate liquidation of the business.

¹ Section 141 of the Companies Act 71 of 2008.

² Section 128(b) Companies Act.

³ Section 141(2)(a).

Mr Masterton did however confirm that the filing procedure for a liquidation process is not something that occurs overnight, and it will take some time to get all information together. Should, between the date and time of this meeting, and the proposed filing for liquidation, any information come to light that may alter the proposed outcome and inform the reasonable prospect requirement, this will be considered by the practitioners, and a further creditors meeting called for so that open communication may be had between the practitioners and the affected persons.

QUESTIONS / COMMENTS

1. A question was raised regarding the continued supply of one of the business' customers. In that a supplier was working closely with Hansens and another entity.
 - a. Mr Masterton confirmed that he could not answer on behalf of the other entity and could only speak on behalf of Hansens. In terms of Hansens, it was confirmed that all work, that was currently underway at the business at the time when rescue commenced, was completed. Further supply would not be requested in that the practitioners could not guarantee that payment would be made for this.
2. It was confirmed by some affected persons that this did indeed come as a shock and that it was not expected that the meeting would be for the purpose of notifying the creditors of an impending liquidation. This will, as mentioned, have a knock-on effect and other affected persons – who are not direct clients of Hansens – will also need to be updated on the matter so that alternative arrangements can be made.
 - a. Mr Masterton again confirmed that it is an unfortunate series of events that has led to this conclusion. Again, it is stated for the record that the decision reached is based on information at hand currently and is of course subject to change. The practitioners did approach the bank in an attempt to secure some post-commencement finance to assist with the cashflow constraints. The bank however confirmed that they are not in a position to assist the business any further than they already have.
 - b. Mr Masterton did confirm that should any other affected person be, or know of someone who would be, willing to assist the business with post-commencement finance, this could further inform the reasonable prospect requirement and the rescue could potentially continue. However, at this stage, the practitioners cannot allow the business to continue trading knowing that it is unable to pay staff and other creditors.
3. A question was raised regarding certain hygiene equipment that is on site and being used on a rental basis. The question was regarding the collection thereof and the billing and payments.
 - a. Mr Masterton confirmed that the matter will be handed to a liquidator who would be in a better position to deal with assets belonging to creditors.
4. It was asked whether the current debtors book of the business would not be sufficient to service the continued operations of the business? Not indefinitely, but at minimum for the next few weeks until an alternative may be found.
 - a. Unfortunately, as mentioned previously, the Bank has a cession over all book debt of the business and at this stage, the Bank is simply unable to continue to assist the business in that the exposure is already high and they cannot risk increasing this exposure without the necessary additional security.

Mr Masterton thanked all the affected persons for their attendance at the meeting. He noted that Mr Durandt (admin assistant) will circulate an outcome of this meeting to the affected persons by close of business on the 28th of March 2023.

Again, should there be any affected person who is in a position, or knows of someone who might be, to assist the business further – that they please communicate with the practitioners as soon as possible. If there are any further developments on the matter that would vary at all from the outcome as discussed today, the practitioners will call for another meeting to update the creditors.

Kind Regards

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