

22 May 2023

CIRCULAR 05

THIS DOCUMENT IS A CIRCULAR TO THE AFFECTED PERSONS RELATING TO THE BUSINESS RESCUE PROCESS OF **AFRICAN CAPITAL PROPERTY PORTFOLIO (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 African Capital Property Portfolio (Pty) Ltd (Herein after referred to as "The Business") - held on 19th of May 2023.

Mr Masterton gave a brief introduction of the Business Rescue team and welcomed all of the affected persons to the meeting and briefly outlined the agenda of the meeting.

UPDATE ON THE BUSINESS RESCUE PROCESS TO DATE AND PLAN GOING FORWARD:

1. Potential sale of the property
 - 1.1. One of the options being evaluated is the sale of the commercial property belonging to the business. The practitioners are actively engaging with relevant stakeholders to find a buyer out of hand for the premises, alternatively the option of an auction is also being considered.
 - 1.2. This is an ongoing process and updates will be given as soon as more information becomes available on this.
2. Practitioners in JHB visiting premises currently:
 - 2.1. During the travel to JGB the practitioners visited the building. During the visit the practitioners were able to also:
 - 2.1.1. Meet the current tenants of the building; and
 - 2.1.2. Meet with the African Capital attorney of record.
3. The practitioners still would like to:
 - 3.1. Meet with the balance of the staff of the business and address any of the staff related matters which require attention; and
 - 3.2. Meet with the relevant service providers from Cape Town for which a meeting has been arranged for Tuesday (23 May 2023).
4. Regarding the property, the practitioners were able to ascertain the following during their visit to the Randburg based property:
 - 4.1. The building needs maintenance if it would want to potentially promote for new tenants to move in, including but not limited to:

- 4.1.1. Lifts not stable and not being used, there is a sign that notifies people to not use the lift as it is not in action.
- 4.1.2. The building has a generator that requires a service.
- 4.1.3. There are also minor maintenance issues and upkeep that needs to be done for the potential of promoting for additional tenants.

What comes next?

- 5. COC Litigation – the “Certificate of Compliance” is being investigated and there is a process that is ongoing. Further investigations into this process is required and this will take some time, the practitioners will provide an update as soon as is reasonably possible.
- 6. Annual financial statements of the business. The last set of signed financial statements is for the 2019 financial year and therefore the business needs to get the 2020, 2021, 2022 and 2023 financial information up to date and to make these submissions so that the practitioners are able to get a correct and formal claim from SARS.
- 7. Proof of claim received for a deposit held by the business – this is also ongoing as the practitioners continue to scrutinise all information received and all proof of claims need to be confirmed against the records of the business.

IMPORTANT DATES:

Board Resolution Submitted : 31 March 2023, (133 Protection date)

Practitioners Appointed : 12 April 2023

1st Meeting of Creditors : 21 April 2023

2nd Meeting of Creditors : 19 May 2023

EXTENSION:

- 1. Why an extension?
 - 1.1. The practitioners will require time to get the annual financial statements up to date and to submit same and get an accurate claim from SARS.
 - 1.2. The practitioners need to have discussions with the bank regarding the property and their indebtedness in terms thereof and the best potential avenues for the sale of the property and settling their debts – be this in the form of an auction or by private sale, these discussions need to take place.
 - 1.3. All litigation and potential litigation matters need to be concluded or addressed, including:

1.3.1.COC Certificate: time is required to conclude the investigation into the COC matter as it is not possible to sell a property without this certificate. Therefore, it is imperative to resolve this matter prior to the possibility of publishing a business rescue plan.

2. Based on the discussions had in this meeting, it is proposed that another meeting similar to this one is held on the 23rd of June 2023 so that the practitioners can provide further feedback to the creditors. It is recorded as same, and a meeting invite for that meeting of the 23rd of June 2023 will accompany this circular.

PROOF OF CLAIMS:

1. The practitioner 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:

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.

CCI SA (Durban)

D360 Johannesburg

KNS Electrical & Data Solutions

Standard Bank Commercial Property Finance

Z Sisulu Trust

QUESTIONS / COMMENTS:

1. A question was posed regarding whether or not other options were being considered for the business? Specifically, has a decision been made to simply sell the asset and to pay creditors based on that, or is it possible to secure further tenants for the building? What other options were considered?
 - a. Ideally the practitioners would have liked to lease the building out and this is still an ongoing process and attempts are being made to fill the vacancies. Of course, if it is possible to fully tenant the building, the business would not be in the financially distressed position in which it currently finds itself. The practitioners have engaged with agents who are attempting to fill these vacancies because even if the decision is made to sell/auction the building, a better offer may be received if the building already has tenants. So yes, the practitioners are considering other options within reason.
2. A question was posed regarding the timing of the process – it is understood that another meeting will take place on the 23rd of June 2023 for the reasons already stated, what can be expected thereafter?

- a. Of course, in business rescue, time is of the essence and the practitioners are working diligently to bring the process to conclusion as soon as possible but without compromising the integrity of the process. The practitioners will investigate that which must be investigated and will submit that which must be submitted and will continue to engage with the estate agents and potential auctioneers/buyers in a dual process as the process doesn't allow enough time to consider each option in isolation.
3. It was asked that some light be shed on the COC litigation matter and a progress update thereon.
 - a. As Mr. Masterton had confirmed earlier in the meeting, this was an ongoing matter and something that was recently brought to the attention of the practitioners and a full investigation still needs to take place. It simply isn't possible to give an update currently.
 4. A question was asked as to whether or not the business currently is turning over enough to "break even".
 - a. Currently, the business is not at a break even point. The expenses outweigh the income. A full list of expenses has been provided to the practitioners and the payments of unnecessary expenses is being addressed urgently – focus is being given to basic services so that the building remains in a state suitable for tenant occupation.
 - b. A follow up was asked regarding the current shortfall – it was confirmed that operationally the business is covering the majority of its obligations. With further cost cutting, it will soon be possible to cover all of the operational obligations however, the business is not currently able to service the bond costs relating to the asset.
 5. Does the business require PCF?
 - a. In terms of business rescue, most businesses require PCF and this one is no different. If the consideration is being given to the potential for tenancing the building, some money will need to be spent on upgrading the business to make it more "attractive" to potential tenants.
 - b. A follow up question was asked, as previous work has been done and the request was regarding where such additional funding might come from - it was confirmed that once the practitioners have the relevant information and projections can be done, it might be possible to approach investors or financiers to provide this type of funding.

Kind Regards

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

David Masterton
davidm@businessrescue360.co.za
082 569 3813

Jaco Durandt (assistant)
jacod@businessrescue360.co.za
076 773 4595