

ESOR LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1994/000732/06)

JSE code: ESR

ISIN: ZAE000184669

("ESOR")

FILING FOR BUSINESS RESCUE

The board of directors of Esor Construction Proprietary Limited ("Esor Construction"), a major subsidiary of Esor Limited, is of the view that Esor Construction is, as contemplated in Chapter 6 of the Companies Act, 71 of 2008, as amended ("the Companies Act") currently financially distressed. The reason for this is due to:

- significant losses incurred on certain construction contracts by Esor Construction in current and prior financial years
- the large amount currently owed to creditors, which is approximately R130 million
- the challenging economic environment currently being experienced in the construction sector
- The inability of Esor Construction to obtain short and medium-term funding.

Various strategies were implemented to mitigate the negative effects of the above including:

- Expediting the completion of the legacy loss making contracts in order to minimize further losses and the consequential cash outflows;
- Disposal of idle and non-core assets following the strategic positioning of the company to focus on water, sanitation and developments;
- Refinancing of selected vehicles and equipment through vendor financing which has resulted in an inflow of R12.2 million in May 2018. The terms of financing are over an 18-month period. This resulted in a reduction in the overdraft facility of R5million;
- Renegotiating payment terms with major suppliers and subcontractors to more closely match the renegotiated outflows with the timing of anticipated future cash inflows;
- Ensuring that adequate security is provided to the primary bankers to cover the facilities that are made available in terms of the facilities arrangements;
- Ongoing support of guarantee providers to maintain adequate bonding facilities to facilitate successful implementation of contract awards;
- Negotiations to dispose of the certain development land.
- In an effort to realign the resources to workload, the group has started a Section 189 process of anticipated retrenchments that will see the reduction in headcount to align with workload as well as reducing costs by around R4 million a month. Total retrenchment costs for the period March 2018 to July 2018 amounted to R12,2 million;
- Renegotiating payment terms of the shareholders loan received from Geomer Investments (Pty) Ltd.

Despite the above, Esor Construction was advised on 7 August 2018 that a consortium of financiers with whom it had been negotiating with, were not prepared to make any funding available outside of a formal business rescue process.

The board of Esor Construction believes that a reasonable prospect to rescue it from its current financial difficulties exists. Accordingly, on 8 August 2018 Esor Construction board resolved that business rescue proceedings commence, and that Esor Construction be placed under supervision in terms of Section 129 of the Companies Act ("the Resolution").

The board believes that the implementation of business rescue proceedings will afford the executive directors of Esor Construction together with the appointed business rescue practitioner the opportunity to develop and implement a business rescue plan in a manner that will optimise the likelihood of Esor Construction continuing in existence as a going concern.

The Resolution was filed in accordance with Section 132(1)(a)(i) of the Companies Act with the Companies and Intellectual Property Commission ("CIPC") on 13 August 2018 with business rescue proceedings commencing on 13 August 2018.

Esor Construction awaits confirmation of filing from the CIPC, following which Esor Construction will begin the process of giving notice of the Resolution, in the prescribed manner, to all affected persons ("Notice") in terms of Section 129(3)(a) of the Companies Act.

Shareholders are further advised that Mr Hans (JF) Klopper and Mr Dawie (LDR) van der Merwe of BDO Business Restructuring (Pty) Limited have been nominated as the Company's business rescue practitioners in accordance with Sections 129(4) (a) and 129(4) (b) of the Companies Act.

Germiston
13 August 2018

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Vunani Corporate Finance