

**ESOR LIMITED**

(Incorporated in the Republic of South Africa)  
 (Registration number 1994/000732/06)  
 JSE code: ESR  
 ISIN: ZAE000184669  
 ("Esor")

**Voluntary suspension of Esor Limited - Update on Business Rescue Proceedings in respect of Esor Construction (Pty) Ltd**

Shareholders are required to be updated on a quarterly basis on the status of Esor Limited which shares were suspended on 17 August 2018.

Esor Limited's major subsidiary Esor Construction (Pty) Ltd ("**Esor Construction**" or "**the Company**") was placed into business rescue on 13 August 2018 after a meeting of Directors of Esor Construction where it was unanimously resolved that the company be voluntarily placed into business rescue as envisaged in section 129 of the Act.

**1. Esor Construction**

The Company's main business is that of construction and the relevant facts upon which the resolution was founded are:

- 1.1. Significant losses incurred on certain construction contracts by the Company in the current and prior financial years;
- 1.2. According to the Company's latest Management accounts, read with its Annual Financial Statements for the year ended on 28 February 2018, the Company is indebted to its creditors in the aggregate estimated amount of circa R130 million.
- 1.3. The current challenging economic environment within the construction sector, particularly in respect of the inability of the government and municipalities to execute and award contracts and the significant delays experienced in receiving payments due in respect of contract receivables relating to these entities;
- 1.4. The inability of the Company to obtain further short to medium term funding.

**2. Commencement of Business Rescue Proceeding and important dates:**

Board of directors of Esor Construction passed resolution for Business Rescue	Friday, 10 August 2018
File notice of resolution with CIPC	Monday, 13 August 2018
Publish notice to affected parties	Friday, 17 August 2018
Company nominates a business rescue practitioner (" <b>BRP</b> ")	Tuesday, 14 August 2018
CIPC confirms the appointment of BRP	Tuesday, 14 August 2018
File notice to CIPC on BRP appointment	Tuesday, 14 August 2018
Publish notice to affected parties of BRP	Friday, 17 August 2018
First meeting of creditors	Friday, 24 August 2018
First meeting of employees	Friday, 24 August 2018
Special meeting of creditors	Wednesday, 17 October

	2018
Extension of date for publication of business rescue plan	Tuesday, 12 February 2019

**2.1. Initial Actions during Business Rescue:**

- 2.1. Very soon after their appointment the BRP's engaged with the Guarantors, the Shareholders and Absa Bank and focused their attention on stabilising The Company and in consultation with Affected Persons considering and identifying all possibilities to restructure the affairs of The Company.
- 2.2. Thereafter, the BRPs have also engaged with the Shareholders, on the requirements of resuscitating The Company or its business. The BRPs have critically assessed all the options available in order to restructure either The Company or its business.
- 2.3. The terms of a number of existing agreements were suspended by the BRPs during Proceedings and this ultimately led to the terminations of the follow projects:
- 2.3.1 Claremont Clinic,
  - 2.3.2 AE du Toit Building at University Pretoria,
  - 2.3.3 De Kraal Sports facility' and
  - 2.3.4 Lateral support work at Kriel

**3. BRP Role, Duties and Powers**

- 3.1. The BRP will assume responsibility for the affairs of the Company on the date of his appointment by the Company.
- 3.2. As an independent party the BRP will facilitate the proceedings in respect of the company and act in the utmost of good faith and conduct his duties with the necessary diligence and care.
- 3.3. As an independent party the appointment as BRP to the Company is not a contract of employment and should not be construed as such.
- 3.4. In terms of Section 140 of the Act the BRP has inter alia the following duties and powers:
- 3.4.1. has full management control of the Company in substitution for its boards and pre-existing management;
  - 3.4.2. may delegate any power or function to a person who was part of the board or pre-existing management of the Company;
  - 3.4.3. may:
    - 3.4.3.1. remove from office any person who forms part of the pre-existing management of the Company; or

3.4.3.2. appoint a person as part of the management of the Company, whether to fill a vacancy or not, subject to Section 140 (2); and

3.4.3.3. is responsible to:

- 3.4.3.3.1. develop a business rescue plan to be considered by affected persons, in accordance with Part D of Chapter 6 of the Act; and

- 3.4.3.3.2. implement any business rescue plan that has been adopted in accordance with the Act.

3.5. In terms of Section 141 of the Act the BRP must investigate the Company's affairs, business, property and financial situation to assess whether there is any reasonable prospect of the company being rescued as contemplated in the Act. The BRP has an obligation to report any contravention of any law, reckless trading, fraud, misappropriation of assets or any criminal activity and is further obliged to rectify any contravention including recovering misappropriated assets.

3.6. The BRP will have full executive power and authority to act for and on behalf of the company to manage the affairs and business of the company and act and transact as would be customary of a Board of Directors of the company.

3.7. The BRP will be responsible for all payments made from the bank account of the company or a further banking account/s to be opened by the BRP. The company banking accounts will be under the sole control of the BRP, and payments to third parties, if not made by the BRP himself, will only be made after the BRP has signed off presented payment schedules together with supporting documents. The BRP has the right to delegate these powers to any person was part of the Board of pre-existing Board of the Company.

3.8. Should the BRP conclude at any time that the company cannot be rescued or fail to have the business rescue plan as published by the BRP adopted by creditors, then the BRP have the right to place the company in liquidation and the directors will remain responsible for the affairs of the company.

#### **4. Remuneration of BRP**

4.1. Irrespective of the public interest score or whether the company is classified as large company or not in terms the provisions of the Act and its regulations the company agrees to pay the BRP with regard to the actual time spent in attending to his duties the statutory rate of R2, 000.00 (exclusive of VAT) per hour; and

4.2 a reimbursement to the BRP for the actual cost of any disbursements made and expense incurred on behalf of the company in the normal course of what is reasonably expected in execution of the BRP's functions during proceedings

#### **5. Creditors meeting - 17 October 2018**

The BRP's convened a meeting of the company's major creditors consisting of the bank and guarantors, together with certain of the company's largest trade creditors. This meeting was held on 17 October 2018.

At the meeting of 17 October, the BRP's presented to creditors a summary of their work done to date. It was explained to the creditors present that, pursuant to the calculations determining the outcome upon the immediate liquidation of the company, only the company's secured creditors and employees will receive payment.

The BRP furthermore demonstrated that a BR plan in terms of which the company's book debts are collected in an orderly fashion will, at best, and even in the event that a substantial portion of the debts due to the company are collected, will provide an outcome of between 15 - 25 cents in the Rand to creditors. The BRP's furthermore indicated that the present state of the company's contracts means that there are still many uncertainties as to what the final outcome in relation to such contracts will be and how it will impact on claims against the company by its guarantors.

It was also conveyed to the creditors present at the 17 October meeting that the BRP's are engaged in discussions with various parties with a view to proposing alternative restructuring options and which will be, if successful, be much more beneficial to creditors than the publication of the BR plan which contain many uncertainties and no meaningful restructuring of the company's affairs.

The creditors present at the meeting represented the voting interest of more than 60% of the voting interest of the entire body of creditors.

Upon conclusion and having discussed and debated the issues raised during the meeting it was proposed by the creditors and unanimously agreed by all creditors present, that the BRP's will be afforded until 12 February 2019 to publish a BR plan.

#### **6. Business Rescue Practitioner's statement**

The joint BRP's are still of the view that there is a reasonable prospect to develop and implement a business rescue plan for The Company that will ensure that it, upon acceptance of the business rescue plan, will continue in existence on a solvent basis, but this will require a reorganization of the financial affairs of The Company and a consequential arrangement between The Company and its Creditors regarding its liabilities.

#### **7. Reinstatement of securities**

The reinstatement of Esor shares is currently linked to the approval of the business rescue plan that is due to be published and voted on by 12 February 2019.

Germiston  
14 November 2018

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