

NAUTIC[®]

Nautic Africa

BUSINESS RESCUE PLAN

in respect of

Nautic Africa

(Registration Number 2009/007037 /07)

(Issued on 14 May 2018)

OPIS
advisory

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- Annexure E – Tamrose Letter Agreement
- Annexure F – Barak Guarantee Release Letter
- Annexure G – BR Practitioner Remuneration Agreement

1. IMPORTANT NOTICE AND ACTION TO BE TAKEN

- 1.1 This document is important and is being sent to all known Affected Persons of Nautic Africa Proprietary Limited in accordance with the provisions of the Companies Act 71 of 2008 ("the Act").
- 1.2 The document contains the Business Rescue Plan, prepared in accordance with the requirements of Chapter 6 of the Act, in particular Section 150(2) of the Act.
- 1.3 Your rights as a Creditor of the Company will be affected in the manner outlined herein and you are entitled to be present or represented, and vote, at a meeting of creditors to be convened in terms of Section 151 of the Act, for the purposes of considering the Business Rescue Plan.
- 1.4 If any Affected Person is in doubt as to what action should be taken arising from the contents of this Business Rescue Plan, such Affected Person or Affected Persons are advised to consult an independent attorney, accountant or other professional advisor in addition to any consultation with or direction received from the Business Rescue Practitioner.

2. INTERPRETATION AND PRELIMINARY

The headings of the clauses in this Business Rescue Plan are for the purpose of convenience and reference only and shall not be used in the interpretation of nor modify nor amplify the terms of this plan nor any clause hereof. Unless a contrary intention clearly appears:

- 2.1 words importing:
- 2.1.1 any one gender includes the other gender;
- 2.1.2 the singular includes the plural and *vice versa*; and

2.1.3 persons include natural persons, created entities (corporate and unincorporate and the State) and *vice versa*.

2.2 In this plan, the following words shall have the meanings ascribed to them and cognate expressions shall have a similar meaning:

“Acquittance” means a document executed by a Creditor in terms of which that Creditor notifies the BR Practitioner that it will not, to the extent of the amount stated in that document, look to the Company for any distribution or other benefit under this Agreement;

“Act” means the Companies Act 71 of 2008 (as amended);

“Affected Persons” shall bear the meaning ascribed thereto in Section 128(1)(a) of the Act and in relation to the Company means shareholders, creditors and employees of the Company;

“Amphion Street” means the industrial property situated at 11 Amphion Street, Paarden Eiland, Cape Town, with Erf number 17574;

“AMS” means African Marine Solutions Limited with registration number 1823241 as a BVI registered business company, incorporated according to the laws of the British Virgin Islands;

“Anchor Boat” means Anchor Boat Shop Proprietary Limited with registration number 2013/155801/7, incorporated as a private Company in accordance with the laws of South Africa;

- “Aquashield”** means Aquashield Oil and Marine Services Limited with registration number RC809651, registered as a private company incorporated in accordance with the laws of Nigeria;
- “Barak”** means Barak Fund Management Limited with registration number 83597 C1/GBL, as a Mauritian registered private company, incorporated in accordance with the laws of Mauritius;
- “BR”** means the business rescue proceedings in respect of the Company set out in Chapter 6 of the Act, commencing and terminating in accordance with section 132 of the Act;
- “BR Adoption Date”** means the date on which this plan is finally adopted in accordance with section 152 of the Act;
- “BR Claims”** means the secured, statutory, preferent or concurrent claims of creditors of the Company at the BR Commencement Date, the cause of action in respect of which arose prior to or on the BR Commencement Date, including claims, actual and contingent, prospective, conditional and unconditional, liquidated or unliquidated, assessed or unassessed, whether or not due for payment or performance, including for the avoidance of any doubt all claims arising out of any agreements entered into by the Company prior to the BR Commencement Date, all such claims to be determined, calculated and

admitted as secured, statutory preferent or concurrent in accordance with the same ranking as envisaged by the Insolvency Act, and attached to them upon the issue of a winding-up order against the Company, whether or not such claims are proved;

“BR Commencement Date”

means 9 February 2018, being the date on which the BR commenced in terms of section 132 (1)(b) of the Act;

“BR Commencement Date Creditors”

means creditors with BR Claims against the Company as at the BR Commencement Date, and which BR Claims are accepted by the BR Practitioner as valid and enforceable against the Company as at the BR Commencement Date, as listed in **Annexure A**, including Disputed Creditors;

“BR Plan”

means this document together with all its annexures, prepared and published by the BR Practitioner for consideration and possible adoption by Creditors in accordance with Part D of Chapter 6 of the Act;

“BR Practitioner” or “BRP”

means Siphon Sono appointed by the Company in accordance with the provisions of section 129 (3)(b);

“Business Day”

means any day which is not a Saturday, Sunday or public holiday in the Republic of South Africa;

“CIPC”

means the Companies and Intellectual Property Commission of South Africa, established by section 185 of the Act;

“the Company” or “Nautic Africa”	means Nautic Africa Proprietary Limited with registration number 2009/007037/07, incorporated as a private Company in accordance with the laws of South Africa, herein duly represented by the BR Practitioner;
“CPI”	means consumer price index as determined by Statistics South Africa;
“Contingent Claims”	means, as the context may require, a Creditor whose claim may or may not become due and payable during the BR depending on the happening of a future event or determination of the claim;
“Creditors”	means, collectively, BR Commencement Date Creditors and Post-BR Commencement Creditors;
“Disputed Creditors”	means those Creditors whose BR Claims are disputed by the Company and/or the BR;
“Employees”	means all employees of the Company that were in its employ as at the BR Commencement Date, and who will be in its employ as at the Implementation Date;
“Implementation Date”	means the date on which the BR Practitioner files a notice with CIPC of the substantial implementation of this Plan as set out in section 152 (8) of the Act;
“Insolvency Act”	means the Insolvency Act 24 of 1936 (as amended);
“Month”	means –

in reference to a number of months, from a specific date, a period commencing on that date to the immediately preceding day on the same date of any subsequent month; and

in any other context, a month of the calendar, that is, one of the 12 months of the calendar,

and "**Months**" and "**Monthly**" has a corresponding meaning;

"Moratorium"

means the automatic and general moratorium in terms of Section 133(1) of the Act on legal proceedings or executions against the Company, its property and its assets and on the exercise of the rights of Creditors of the Company whilst the Company is under BR;

"NSA"

means Nautic South Africa Proprietary Limited with registration number 2011/121207/07, incorporated as a private company in accordance with the laws of South Africa;

"PCF"

means post commencement finance;

"PIH"

means Paramount Industrial Holdings Proprietary Limited with registration number 2011/010625/07, as a South African registered private company, incorporated according to the laws of South Africa;

"PMH"

means Paramount Maritime Holdings Proprietary Limited with registration number 2014/099862/07, incorporated as a private

company in accordance with the laws of South Africa;

**“Post-BR
Commencement
Claims”**

means the secured, statutory preferent or unsecured claims of creditors of the Company, the cause of action in respect of which arose after the BR Commencement Date, including claims, actual and contingent, prospective, conditional and unconditional, liquidated or unliquidated, assessed or unassessed, whether or not due for payment or performance, including for the avoidance of any doubt all claims arising out of any agreements entered into by the Company after the BR Commencement Date, all such claims to be determined, calculated and admitted as secured, statutory preferent or unsecured in accordance with the same ranking as envisaged by the Insolvency Act, and attached to them upon the issue of a winding-up order against the Company, whether or not such claims are proved;

**“Post-BR
Commencement
Creditors”**

means creditors of the Company with Post-BR Commencement Claims which lodged Post-BR Commencement Claims against the Company in writing during the Post-BR Commencement Period with the BR Practitioner in accordance with the Act, and which Claims are accepted in writing by the BR Practitioner as valid and enforceable against the Company;

**“Post-BR
Commencement**

means the period from the day immediately succeeding the BR Commencement Date up

“Period”	to and including the Implementation Date;
“Preferent Creditor”	means, as the context may require, a BR-Commencement Date Creditor or a Post-BR Commencement Creditor whose BR Claim or Post-BR Commencement Claim respectively, would rank in whole or in part as a statutory preferent claim in insolvency proceedings or a winding-up in terms of the Insolvency Act;
“Prime Rate”	means the nominal annual (compounded monthly in arrears) rate of interest from time to time publicly quoted as such by Standard Bank Limited, calculated on a 365-day factor irrespective of whether or not the year is a leap year;
“Prism”	means Prism Income SP with incorporation number 113574 C2/GBL, a private company with limited liability duly incorporated in accordance with the laws of Mauritius;
“SARS”	means the South African Revenue Services;
“SBSA or Standard Bank”	Means the Standard Bank of South Africa Limited with registration number M2005/034639/21, a registered bank licensed by The South African Reserve Bank, incorporated according to the laws of South Africa;
“Section Street”	means the industrial property situated at 55 Section Road, Paarden Eiland, Cape Town, with erf number 1730884;
“Secured Creditors”	means, as the context may require, a BR-Commencement Date Creditor or a Post-BR

Commencement Creditor whose BR Claim or Post-BR Commencement Claim respectively would rank in whole or in part as a secured claim as defined in section 2 of the Insolvency Act;

"Seine Marine"

means Seine Marine Limited with registration number RC862411, registered as a private company under the laws of Nigeria;

"Shareholders"

means the shareholders of the Company at the BR Commencement Date as listed by name and percentage of Shares held in the Company;

"Shares"

means the entire issued share capital of the Company;

"Southern Power"

means Southern Power Products Proprietary Limited with registration number 1997/000664/07, incorporated as a private company in accordance with the laws of South Africa;

"Skybound"

means Skybound Capital Limited with incorporation number 49313 C1/GBL, a private company with limited liability duly incorporated in accordance with the laws of Mauritius;

"Table Bay Harbour"

means Portion of erf 148405 and erf 16831 in extend 9 216.7 square metres with a building thereon at Marine Drive in Cape Town;

"Tamrose"

means Tamrose Ventures Limited with

registration number RC 471499,
incorporated as a private company under
the laws of Nigeria;

“Unsecured Creditors” means a BR Commencement Date Creditor
or a Post-BR Commencement Creditor, as
the context may require, which is not a
Secured Creditor or Preferent Creditor;

“VAT” Means value-added tax in terms of the
Value-Added Tax Act 89 of 1991;

“Veecraft” means Veecraft Proprietary Limited with
registration number 2007/004274/07,
incorporated as a private company in
accordance with the laws of South Africa;

“Zomay” means Zomay Marine and Logistics Limited
with incorporation number RC 678795,
incorporated as a private company under the
laws of Nigeria;

2.3 Any reference to:

2.3.1 a **“clause”** shall, subject to any contrary indication, be construed as
a reference to a clause in this plan;

2.3.2 **“law”** shall be construed as any law (including common or customary
law), or statute, constitution, degree, judgment, treaty, regulation,
directive by-law, order or any other legislative measure of any
government, supranational, local government, statutory or regulatory
body or court;

2.3.3 a **“person”** shall be construed as a reference to any person, firm,
company, corporation, government, state or agency of a state or any
association or partnership (whether or not having separate legal

personality, of two or more of the foregoing).

- 2.4 If any provision in a definition is a substantive provision conferring rights or imposing obligations on any party, notwithstanding that it is only in the definition clause, effect shall be given to it as if it were a substantive provision of this BR Plan.
- 2.5 Unless the context dictates otherwise, an expression which denotes any gender includes both the others; and to a natural person includes an artificial person and to the singular includes the plural, and vice versa in each case.
- 2.6 The annexures to this BR Plan form an integral part hereof and words and expressions defined in this plan shall bear, unless the context otherwise requires, the same meaning in such annexures.
- 2.7 When any number of days is prescribed in this BR Plan same shall be reckoned exclusively of the first and inclusively of the last day unless the last day falls on a day which is not a Business Day, in which the last day shall be the next succeeding Business Day.
- 2.8 In the event that the day for payment of any amount due in terms of this arrangement shall fall on a day that is not a Business Day, the relevant date shall be the immediately succeeding Business Day.
- 2.9 Where any term is defined within the context of any particular clause in this BR Plan, the term so defined, unless it is clear from the clause in question that the term so defined has limited application to the relevant clause, shall bear the same meaning as ascribed to it for all purposes in terms of this Plan, notwithstanding that the term has not been defined in the definitions clause.
- 2.10 Any reference in this BR Plan to an enactment is reference to that enactment as at the BR Commencement Date and as amended or re-enacted from time to time.

- 2.11 Words and expressions defined in the Act which are not defined in this Plan shall have the same meanings in this Plan as those ascribed to them in the Act.
- 2.12 Save where the contrary is indicated, any reference to this BR Plan shall be construed as a reference to this BR Plan as it may have been, or may from time to time be, amended, varied, novated or supplemented in terms of the Act.
- 2.13 Whilst every effort has been made to present an accurate and complete overview of the affairs of the Company the BR Practitioner has not independently verified all of the information contained herein. None of the BR Practitioner, the Company nor their respective affiliates, employees, officers, directors or agents make any representations or warranties (express or implied) as to the accuracy or completeness of the information contained in this BR Plan or any statements, estimates or projections contained herein. Consequently, none of those parties will have any liability for the recipient's use of the information contained herein. This BR Plan will include certain statements, estimates and projections.

3. STRUCTURE OF THE BUSINESS RESCUE PLAN

For the purposes of section 150(2) of the Act, this BR Plan is divided into 3 (three) parts as follows:

3.1 PART A - BACKGROUND

This part sets out the background to the Company and the factors that resulted in the Company being financially distressed and being placed under supervision and in business rescue.

3.2 PART B - TERMS OF THE BUSINESS RESCUE PLAN

This part describes the terms of the BR Plan and includes, *inter alia*, the benefits, for Affected Persons, of adopting the BR Plan as opposed to the Company being placed into liquidation.

3.3 PART C – ASSUMPTIONS AND CONDITIONS

This part sets out, *inter alia*, what conditions need to be fulfilled in order for the BR Plan to become effective, and to be implemented.

PART A – BACKGROUND
Clauses 4 to 10

4. CORPORATE INFORMATION

4.1 SHARE CAPITAL OF THE COMPANY

4.1.1 The authorised share capital of the Company comprises of 1 000 ordinary par value shares of R1.00 each;

4.1.2 The issued share capital of the Company comprises of 200 ordinary par value shares of R1.00 each; and

4.1.3 PMH is the sole shareholder of the Company.

4.2 DIRECTORS, OFFICE BEARERS, AND MATERIAL THIRD PARTIES

4.2.1 As at the Publication Date, the Directors of the Company were:

Name of Director	Designation	Active/ Resigned	Date Appointed/ Resigned
Alison Crooks	Non-executive	Active	31/08/2015
Robert Kihn	Non-executive	Active	23/04/2013
John Craig	Non-executive	Active	23/04/2013
James Fisher	Executive	Active	06/04/2009
Greg Wessels	Executive	Resigned	29/01/2018

- 4.2.2 Financial year end: 30 June
- 4.2.3 Registered address: 3 Hermes Street
Paarden Eiland
Cape Town, 7405
- 4.2.4 Business address: 3 Hermes Street
Paarden Eiland
Cape Town, 7405
- 4.2.5 Postal Address: Suite 33 Private Bag X 16
Constantia
Cape Town, 7848
- 4.2.6 Auditors Braude Gordon and Company
200 Main Road
Claremont
Cape Town, 7708

5. COMPANY BACKGROUND

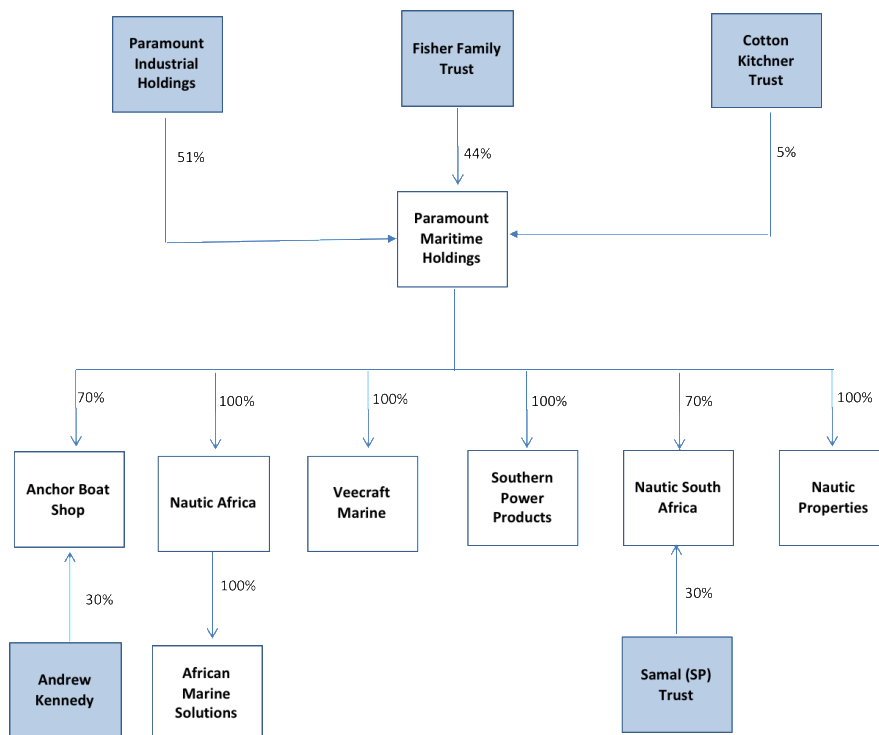
5.1 HISTORY, STATE OF AFFAIRS AND PROSPECTS OF THE COMPANY

- 5.1.1 Nautic Africa was founded by Mr. James Fisher in 2009 and established its manufacturing facilities in Simonstown Naval Base in the same year.
- 5.1.2 The Company moved its operations to the Cape Town port in 2012, and in the same year PIH acquired a 51% equity interest in the Company.
- 5.1.3 The Company acquired Veecraft and Anchor Boat in 2014, and in 2015 it acquired Southern Power.
- 5.1.4 The Company financed the acquisition of an old industrial property situated at 11 Amphion Street in October 2014 and repurposed the property to a state of the art ship-building yard. This property was previously registered under Nautic Properties but was transferred to

Nautic Africa in December 2016.

5.1.5 The Company also operates from the Table Bay Harbour, where it sub-lets space from NSA. There is no formal lease agreement between NSA and the Company.

5.1.6 The Nautic group of companies was restructured on 1 July 2017 by interposing a dedicated investment holding company, PMH, between the then shareholders and Nautic Africa. All subsidiaries of Nautic Africa, other than AMS, were distributed to its shareholders by means of a dividend in specie, and those assets then swapped for shares in PMH. The restructuring gave way to the following group ownership structure:



5.1.7 Nautic Africa is a leading shipbuilder and maritime services provider operating in Cape Town, South Africa and in other African countries. It uses its relationships, technology and skills to put its vessels at the forefront of modern shipbuilding. Nautic Africa’s people include naval

architects, mechanical engineers and industrial designers who facilitate the construction and repair of ships and boats including: ferries, warships, high-speed craft, fishing boats, rescue boats, yachts and power boats.

- 5.1.8 Nautic Africa specialises in the design and construction of customised ships for various industries including Defense, Oil and Gas, Fisheries, Coast Guards, Police Services, Port Authorities and other commercial sectors requiring specialised quality vessels. The Company also provides support services to vessels in the African Continent using relationships, technology and skills to put Nautic vessels and clients' vessels at the forefront of modern shipbuilding.
- 5.1.9 Areas of the company's competency include Marine Engineering, Naval Architecture, Project Management, Fabricating and Welding, Logistical Support and Maritime Training.
- 5.1.10 Nautic and its sister companies provide a wide range of products and services to its maritime customers, including a complete range of fast and efficient multi-functional vessels designed to cater to the unique needs of its particular customers, boat engines and other maritime accessories.
- 5.1.11 The Company is in financial distress, with the remaining cash inflows on the contracts in progress amounting to R45.7 million. The Company currently does not have funding to execute these contracts and the bulk of its work force has been on short-time for over two months. The Company requires funding to procure materials so that the employees can resume work on the projects, and enable the Company to generate revenue.
- 5.1.12 The Company is in contract negotiations with three customers for projects with a combined value of R495.3 million. In addition, the Company has submitted proposals with an estimated combined value of R3.1 billion. Although the value of submitted proposals is

significant, there is no way of knowing what proportion of the submitted proposals will convert to actual contracts.

5.2 FACTORS THAT LED TO FINANCIAL DISTRESS

5.2.1 The sharp decline in oil prices of 47% in 2015 and 27% in 2016 have negatively affected the Company, as its traditional market has largely been dominated by companies that service the petroleum majors that operate in West Africa. The oil price decline, coupled with the shortage of US Dollars in Nigeria, are the primary causes of various events of default that the Company experienced from its West African customers.

5.2.2 Seina Marine, a large customer that had purchased two customised vessels (vessels P280 & 281) for a purchase consideration of USD 7 million each, was affected by the macro economic environment described above, and was not able to meet milestone payments as they fell due, and in the third quarter of 2015 was in default of approximately USD3.6 million between the two vessels. The default continued despite a number of payment extensions that were granted by the Company to Seina Marine. Instead of immediately terminating the sale agreement, the Company swapped Seina Marine's vessels, in November 2015, which were at an advanced stage of completion, with two vessels of Aquashield (vessels 286 & 287) that were at an earlier stage of completion, in an effort to accommodate Siena Marine whilst simultaneously addressing the delays in advancing Aquashield's projects to acceptable progress.

5.2.3 Although the two sets of vessels were substantially similar, vessels 286/287 were of lower specification and the Company had to remove some of the optional extras included in vessels 280/281 not required by Aquashield, and charge Aquashield a discounted price for those optional extras that were not capable of removal. Vessels 280/281 were subsequently completed and delivered to Aquashield, although delivered much later than what was envisaged in the sale agreement.

- 5.2.4 The Company continued to build the vessels 286/287 but no payments were forthcoming from Seina Marine. The Company eventually cancelled the agreement on 15 December 2016, and on 23 December 2016 it sold these two vessels to Tamrose for USD3.4 million each.
- 5.2.5 Seina Marine disputed the validity of the cancellation and referred the matter to arbitration. The arbitration was concluded in August 2017, with the arbitrator finding in favour of Seina Marine and declaring that the Company was not entitled to cancel the agreements. Although the Company was entitled to re-sell the vessels when Seina Marine had defaulted, the agreement did not provide any details on the consequences of the re-sale decision. According to the arbitrator's interpretation, at the time of swapping the vessels (re-sale decision), the Company was required to reverse invoices that were raised in respect of vessels 280/281 and raise new invoices based on the stage of completion of vessels 286/287, and then raise additional invoices as additional work was done on vessels 286/287. Notwithstanding that substantial work was done on vessels 286/287 as at the date of cancellation, failure to issue invoices as per the arbitrator's interpretation meant that Seina Marine was not in arrears after the vessels were swapped and therefore the Company was not entitled to cancel the agreement.
- 5.2.6 Following the arbitration award against the Company, the Company and Seina Marine entered into a settlement agreement in terms of which they agreed to cancel the agreement in respect of vessel 286 and allocate all payments made to vessel 287, and any remaining credit allocated to the purchase price of two new similar vessels to be purchased by Seina Marine in the future, at a purchase price calculated from the original purchase price but indexed to the South African CPI from the date of the original purchase. The credit available to Seina Marine for the two future builds is USD3.4 million, against the calculated selling price of approximately USD8.9 million per

vessel.

- 5.2.7 Following conclusion of the settlement agreement, vessels 286/287 were completed and delivered to Tamrose and Seina Marine, respectively. The Company remained obliged to build a replacement vessel for Tamrose, as Tamrose had paid an amount of R2.5 million for the second vessel that could not be delivered. As the vessels sold to Tamrose were sold at substantially reduced prices, the Company has not been able to build and deliver the second vessel to Tamrose. The Company was therefore in breach of this agreement. The financial consequences of the arbitration and resultant breach of the Tamrose sale agreement, with associated repayment and damages obligations contributed to the decision to place the Company into Business Rescue on 9 February 2018.
- 5.2.8 In addition to the effects of the litigation with Seina Marine, the Company's financial condition has also been negatively affected by delays in closing new contracts. This is corroborated by the significantly low projected inflows from projects under construction, as well as the 39% drop in revenue from R293.5 million in 2016 to R180.4 million in 2017. Inability to fund the procurement of material and overheads is expected to exacerbate the revenue drop in 2018, as currently there is virtually no production.
- 5.2.9 Although the Company decided to diversify its market by making inroads into the defence sector, the long lead times associated with sales transactions of this nature have resulted in no firm contracts to date.
- 5.2.10 The acquisition of various operating subsidiaries at a cost of approximately R50 million between July 2014 and April 2015 seems to have been unfortunately timed in hindsight, as the pressure caused by macro-economic factors in Nigeria shortly thereafter forced Nautic Africa to rely on customer advances to fund shortfalls caused by delays in customer payments. The subsequent distribution of these

subsidiaries in July 2017 resulted in a negative charge R34 million on Nautic Africa's balance sheet.

5.3 HISTORICAL FINANCIAL INFORMATION

5.3.1 The Company's historic financial position is set out below:

	February 2018	June 2017	June 2016	June 2015
	Unaudited	Unaudited	Audited	Audited
	R'000	R'000	R'000	R'000
Assets				
Non-Current Assets				
Property, Plant & Equipment	108 142	112 417	18 914	21 915
Intangible Assets	1 049	1 648	2 548	55
Investment in Subsidiaries	1	52 065	52 066	53 564
Loans to related parties	18 511	18 965	89 406	60 481
Deferred taxation	7 488	7 488	7 488	7 837
	135 191	192 583	170 422	143 852
Current assets				
Trade and other receivables	21 137	70 418	71 615	140 624
Inventories	20 627	19 666	19 772	13 154
Cash and cash equivalents	3 316	811	5 099	28 164
	45 080	90 895	96 486	183 407
	180 271	283 478	266 908	327 259
Equity and liabilities				
Equity				
Share capital	-	-	-	-
Retained income	(34 809)	38 937	82 774	79 317
	(34 809)	38 937	82 774	79 317
Non-Current Liabilities				
Loans from shareholders	-	11 558	8 500	-

Borrowings	63 577	67 666	3 170	-
	63 577	79 224	11 670	-
Current Liabilities				
Provisions	2 375	835	4 810	1 026
Trade and other payables	79 470	59 599	50 410	73 565
Related party borrowings	30 795	16 350	866	805
Taxation liability	-	-	199	-
Loans from shareholders	-	5 681	3 621	-
Current portion of long term liabilities	1 892	1 892	1 892	-
Income received in advance	11 490	48 009	79 164	148 389
Financial liabilities	-	8 978	31 772	24 157
Bank overdraft	25 481	23 973	-	-
	151 503	165 317	172 464	247 942
Total Equity and Liabilities	180 271	283 478	266 908	327 259

Explanatory notes.

- 5.3.1.1 Property plant and equipment increased by R93.5 million between FY2016 and FY2017 largely due to the acquisition of Amphion Street from Nautic Properties.
- 5.3.1.2 Trade and other receivables have declined considerably and in February 2018 were only R21.1 million, in line with the significant drop in revenues.
- 5.3.1.3 Income received in advance has dropped significantly over the years, as a result of the sharp decline in projects under construction.
- 5.3.1.4 The reduction in investments in 2018 is the result of the restructuring referred to in 5.1.6.

5.3.2 The Company's historical financial performance is set out below:

	8	12	12	12
	Months	Months	Months	Months
	February	June	June	June
	2018	2017	2016	2015
	Unaudited	Unaudited	Audited	Audited
	R'000	R'000	R'000	R'000
Revenue	83 807	180 480	293 542	352 291
Cost of sales	(71 691)	(138 458)	(206 130)	(245 512)
Other income	2 458	9 150	5 931	14 976
Gross profit	14 574	51 172	93 343	121 755
Operating expenses	(34 498)	(87 334)	(79 350)	(54 802)
Operating Profit	(19 924)	(36 162)	13 993	66 953
Finance Income	1 929	4 672	10 214	6 101
Finance costs	(6 836)	(12 323)	(4 954)	(1 611)
Profit/Loss before taxation	(24 831)	(43 813)	19 253	71 443
Taxation	(188)	(25)	(3 796)	(18 684)
Profit/Loss (Year)	(25 019)	(43 838)	15 457	52 759

Commentary.

- 5.3.2.1 The macro-economic conditions in West Africa affected the level of new business in FY2017, resulting in significant revenue decrease.
- 5.3.2.2 The spike in operating expenses in FY2016 was largely the result of foreign exchange losses of R15.2 million and write off of sundry assets not capitalized amounting to R13.5 million.
- 5.3.2.3 The significant increase in finance costs in FY2017 is largely the result of the increase in debt (SBSA term loan).

6. STEPS TAKEN SINCE THE APPOINTMENT OF THE BR PRACTITIONER

6.1 ADMINISTRATIVE MATTERS

6.1.1 Business Rescue Timeline

EVENT	DATE
Directors' resolution passed to commence Proceedings	08/02/2018
Resolution of directors filed with CIPC	09/02/2018
Notice of appointment of BR Practitioner filed with CIPC	15/02/2018
Notice of commencement of Proceedings published	16/02/2018
Notice of appointment of BR Practitioner published	16/02/2018
First meeting of creditors held	01/03/2018
First meeting of employee representatives held	01/03/2018
Last date to publish the BR Plan	23/03/2018
Extended last date to publish the BR Plan	13/04/2018
Extended last date to publish the BR Plan	26/04/2018
Extended last date to publish the BR Plan	14/05/2018
Meeting to consider the Plan to be held on	28/05/2018

6.1.2 Management Control

In terms of section 140(1)(a) of the Act, the BR Practitioner took over full management control of the Company in substitution for its board and pre-existing management, but as he was entitled to do, the BR Practitioner delegated certain functions to pre-existing senior management of the Company. The BR Practitioner has paid particular attention to the functions entailing the administration of the affairs of the Company and to protect its assets, to ascertain the viability of the different divisions of the Company and to ascertain whether the Company could be rescued or whether it was necessary to dispose of certain of the Company's assets to achieve a better dividend for Creditors in Business Rescue as compared to the dividend that would accrue to Creditors and Employees in a liquidation

7. TAX AFFAIRS

- 7.1 The Company has submitted all tax returns it is required to submit and SARS has submitted its Commencement Date claim based on returns it has received and assessed. SARS's Commencement Date BR Claim amounted to R928 111.
- 7.2 The VAT account at BR Commencement Date reflected a credit balance due to the Company, amounting to R115 426. Following a review of additional documentation submitted to SARS's VAT auditors, SARS disallowed a VAT input in respect of an invoice be valid, which the Company has objected to. As a result of the disallowed VAT input, the VAT credit reduced to R72 705, which SARS has offset against the PAYE account by means of the unilateral debt equalisation mechanism.
- 7.3 The income tax account reflects a credit balance of R267 483 and SARS has requested additional information in order to finalise the assessment, which information has been furnished by the Company.

8. DISPUTED CLAIMS AND CONTINGENT CLAIMS

- 8.1 TAMROSE
- 8.1.1 Following the Company's inability to deliver a replacement vessel to Tamrose, a dispute ensued between the Company and Tamrose on how to compensate Tamrose for the Company's default.
- 8.1.2 On or about 19 January 2018, Tamrose delivered a notice to refer the dispute to arbitration and asserted a claim of approximately USD8.9 million, made up of a capital claim sum of USD 2.5 million and damages of USD 6.4 million.
- 8.1.3 The Company, having secured Senior Counsel's opinion, on the other hand disputes the quantum of Tamrose's damages claim and is of the

view that the damages, to the extent proved by Tamrose, are contractually limited to the difference between the purchase price of the vessel and the amounts previously paid by Tamrose. On this version the total damages would not exceed USD 900 000.

8.2 CONTINGENT AND GUARANTEE CLAIMS

Name	Amount	Description of Claim
Tamrose	R13.8m	Maximum damages agreed per letter agreement, to be adjudicated by senior counsel per procedure outlined in Annexure E .
Prism	R12.8m	This claim relates to a guarantee of AMS's indebtedness to Prism up to a maximum of USD 1.5 million. Neither Prism nor Skybound have lodged a claim. As AMS is owed R12.8 million by the Company, it has defaulted in paying Prism. Accordingly, any dividends due to AMS in this BR Plan will be paid to Prism, in full and final settlement of the guarantee claim.
Barak	-	The Company bound itself as guarantor of AMS's indebtedness to Barak. Barak has agreed to release the Company from the guarantee (see Annexure F).
Standard Bank	R11.8m	Omnibus guarantees pertaining to overdraft facilities of fellow subsidiaries. The fellow subsidiaries are also guarantors of the Company's overdraft facility.

9. TRADING FOLLOWING BR COMMENCEMENT DATE

9.1 CASH ADMINISTRATION

In order to minimise the operating expenses of the Company, the BR Practitioner continues to:

- monitor the cash flow and financial position;
- control payments; and
- enforce general controls.

9.2 EMPLOYEE MATTERS

9.2.1 The BR Practitioner, in conjunction with management, conducted a staff review to determine whether the staff complement is adequate but not excessive, taking into account the Company's current and future operational requirements.

9.2.2 The staff review has indicated that a certain level of retrenchments may be required, although the review exercise is not complete and thus at this stage it is not possible to provide details on the likely number of staff that may be affected. Further a total of 79 weekly paid employees are on short-time, being paid for three days out of five days per week due to the shortage of materials required for the projects under construction. Should the Company not conclude the majority of the contracts under negotiation, large scale retrenchments might become necessary.

9.2.3 A first meeting with the Employee representatives was convened on 1 March 2018. At this meeting the business rescue process was explained, and possible outcomes available to staff were presented. Assistance was also given to staff by providing answers to their various queries.

9.3 CREDITORS

9.3.1 At the BR Commencement Date the Company's known Creditors are set out in **Annexure A** hereto, and in aggregate amounted to R200.4 million, made up of the following:

	R'000s
Secured Creditors	65 735
Preferred claims of employees	5 726
Preferred Claim of SARS	928
Preferred Claims covered by GNB	25 239
Unsecured Creditors	102 778
	<u>200 407</u>

9.3.2 Contingent and guarantee claims at BR Commencement Date, amounted to R75.1 million as reflected in **Annexure A**.

9.3.3 At the date of publication of the BR Plan, the Company's Post Commencement Creditors amounted to R8.3 million as set out in **Annexure C**.

9.4 BUSINESS RESCUE INITIATIVES

9.4.1 Engagement with Creditors.

9.4.1.1 The BR Practitioner has held several meetings with SBSA, the Company's major lender, with a view to raise PCF and to secure SBSA'S support for the business rescue in general. The BR Practitioner has received good cooperation from SBSA, who also serve on the Creditors' Committee.

9.4.1.2 The BR Practitioner has also engaged extensively with Tamrose to explore alternatives to accommodate the Company during the recovery period. The BR Practitioner has similarly received good cooperation from Tamrose.

9.4.2 Post Commencement Finance.

9.4.2.1 Sale of non-core assets of PMH.

The BR Practitioner has been in discussions with the shareholders and directors of PMH, to raise PCF from the sale of the following non-core assets:

Description	Expected Proceeds
Southern Power	8 375
Section Street (net of bond)	9 935
Austral Marine	1
	18 381

Although the original intention of PMH was to inject the proceeds of the PCF in the Company, it has now been agreed in principle between PMH and SBSA that the proceeds will be applied to reduce SBSA's overdraft in Nautic Africa, subject to the buyers being able to take over the overdraft facilities in the various entities that are the subject of sale.

9.4.2.2 Shareholder Funding.

The BR Practitioner has approached PIH, the controlling shareholder of PMH to inject working capital financing of R30 million in the Company. The terms of PCF from PIH will be summarised in a PCF agreement to be concluded on or before 28 May 2018.

9.4.2.3 Indirect PCF from service providers.

The Company has since the BR Commencement Date continued to receive various services from various suppliers, for which the Company has not been able to pay. Such services will be classified as

costs of business rescue and will enjoy preference of payment ahead of all BR Commencement Date Unsecured Creditors (Refer to **Annexure C**)

10. MATERIAL ASSETS.

10.1 The material assets of the Company at BR Commencement Date comprised:

Description	Book Value R' 000s
Property, plant and equipment	108 142
Inventories	20 627
Trade and other receivables	21 137
Loans to related parties	18 511
Total	168 417

Movable assets and work in progress have been valued by Peter Havenga and copies of the valuation reports are available on request as the reports are too bulky to include in this BR Plan. The fixed property was last valued in July 2016 by Dhivian Rajagopaul of RHDR Properties at a market value of R96 million.

10.2 At BR Commencement Date the assets of the Company were subject to the following security arrangements:

10.2.1 A cession of book debts of the Company in favour of Macsteel;

10.2.2 A cession of book debts of the Company in favour of Nedbank;

10.2.3 A continuing covering mortgage bond of up to R65 million, over Amphion Street in favour of SBSA;

10.2.4 A general notarial bond in favour of Nedbank over all the movable

assets of the Company for R5 million;

10.2.5 A general notarial bond in favour of SBSA over the movable assets of the Company for R27 million.

PART B – TERMS OF THE BUSINESS RESCUE PLAN
Clauses 11 to 24

11. CREDITORS VOTING INTEREST

- 11.1 A creditor has a voting interest equal to the value of the amount owed to that Creditor by the Company on the date of publication of the BR Plan;
- 11.2 A Creditor who would have a subordinated claim in liquidation has a voting interest, as independently appraised and valued at the request of the BR Practitioner, equal to the amount, if any, that the Creditor could reasonably expect to receive in a liquidation of the Company.
- 11.3 A Creditor who has a Disputed Claim or a Contingent Claim, will only be allowed to vote to the extent of the undisputed or non-contingent portion of their claim. For the avoidance of doubt, this will not affect the final distribution to such Creditors as the quantum of their Claims will be finalised mutually between the parties or through the dispute resolution mechanism as set out in clause 29.
- 11.4 In terms of Section 145(4)(b) of the Companies Act, a Secured Creditor who would be subordinated in liquidation has a voting interest, as independently and expertly appraised and valued at the request of the BR Practitioner, equal to the amount, if any, that the creditor could reasonably expect to receive in such a liquidation of the Company.
- 11.5 All liquid proven Claims, including contingent and suretyship or guarantee Claims will be allowed to vote if the claim has been allowed

and approved by the BR Practitioner. The decision of the BR Practitioner in this regard will, subject to any manifest error, be final and binding on the Creditor(s) concerned.

- 11.6 If the value of a Claim of a BR Commencement Date Creditor has changed since the date of commencement of business rescue proceedings, the amount of the claim as at the date of publication of this plan will be accepted.

12. FEE AGREEMENT

- 12.1 The BR Practitioner's remuneration is at the hourly tariff for a large company based on the Company's public interest score at the BR Commencement Date. The public interest score calculated in terms of Regulation 26(2) of the Act as at the BR Commencement Date is 568 points.
- 12.2 A company is regarded as a large company if its public interest score is over 500.
- 12.3 To date, the BR Practitioner has charged out his time at the prescribed tariff rates set out in regulation 128 of the Act.
- 12.4 As Regulation 26(2) came into operation in April 2011, and has remained unchanged, the current tariffs have thus not been adjusted for inflation and are therefore no longer appropriate in 2018. Had the tariffs been adjusted for inflation at approximately 8% per annum, the hourly tariff for large companies would be R3 007, up from R1 754.
- 12.5 In terms of section 143(2) of the Act, the BR Practitioner hereby proposes an agreement for further remuneration (Refer to **Annexure G**), additional to the prescribed tariff, resulting in an increase in the hourly charge out rate of the BR Practitioner' to R2 800 per hour (excluding VAT), retrospectively from the date of his appointment.

The adjustment to the BR Practitioner's hourly rate, which will be based on the difference between the proposed charge out rate and the tariff rate, will only be payable on Substantial Implementation Date.

13. STATEMENT ABOUT WHETHER THE BUSINESS RESCUE PLAN INCLUDES A PROPOSAL MADE INFORMALLY BY A CREDITOR

This BR Plan does not include any proposals made by any Creditor of the Company.

14. OBLIGATION TO INVESTIGATE THE AFFAIRS OF THE COMPANY IN TERMS OF SECTION 141 OF THE ACT

14.1 In terms of Section 141(1) of the Act, the BR Practitioner is required to investigate the affairs, business, property, and financial situation, and after doing so, consider whether there is any reasonable prospect of the Company being rescued.

14.2 Section 141(2)(c) of the Act states that if, at any time during business rescue, the BR Practitioner concludes that there is evidence, in the dealings of the Company before Business Rescue began of –

"(i) voidable transactions, or a failure by the Company or any director to perform any material obligation relating to the Company, the practitioner must take any necessary steps to rectify the matter and may direct the management to take appropriate steps;

(ii) reckless trading, fraud or other contravention of any law relating to the Company, the practitioner must –

(aa) forward the evidence to the appropriate authority for further investigation and possible prosecution; and

(bb) direct the management to take any necessary steps to rectify the matter, including recovering any misappropriated assets of the Company.”

14.3 The BR Practitioner has undertaken the investigation envisaged in section 141(1) and has taken steps required in terms of section 141(2)(c) of the Act to ascertain whether there have been any voidable transactions or whether there has been any reckless trading, fraud or any other contravention of any laws relating to the Company.

14.4 The BR Practitioner has identified the following transactions that he considers to be voidable:

14.4.1 Distribution to shareholders.

At the time publishing the BR Plan, there was insufficient evidence, other than a round robin resolution of the directors, that a solvency and liquidity test was performed prior to passing the resolution to distribute the company's investments to its shareholders by way of a dividend in specie. The BR Practitioner has highlighted this transaction to the board of directors and requested them to show them that the transaction occurred in compliance with the provisions of the Act.

14.4.2 Instruction to a debtor of the Company to pay a related party liability.

On 29 January 2018, the Company instructed Zomay, a debtor of the Company, to pay an amount of USD 755 555 directly to Prism, a creditor of AMS, in 34 equal instalments. This instruction is considered a voidable transaction and management has been instructed to contact Zomay, and re-direct all remaining instalments to the Company.

15. VOTING BY PROXY

15.1 Voting by proxy will be allowed as long as the form of proxy attached to the Notice of the Meeting is lodged with the BR Practitioner in terms of section 152 of the Act. Creditors and Affected Persons are required to lodge their forms of proxy by no later than 10h00 on the day before the meeting.

15.2 All forms of proxy given on behalf of a company, a legal entity or a trust must be accompanied by a valid and duly authorised resolution supporting the appointment of the signatory to the proxy.

PART B – PROPOSAL
Clauses 16 to 25

16. OBJECTIVE

- 16.1 The purpose of business rescue, as set out in section 128(1)(b)(iii) of the Act, is to develop and implement a plan that either:
- 16.1.1 rescues the Company by restructuring its affairs, business, property, debt and other liabilities, and equity in a manner that maximises the likelihood of the Company continuing in existence on a solvent basis (“Primary Objective”); or
 - 16.1.2 if the aforementioned is not possible, results in a better return for the Company’s creditors or shareholders than would result from the immediate liquidation of the Company.
- 16.2 This proposal seeks to achieve the Primary Objective of business rescue.
- 16.3 The objective of this proposal is to provide creditors and employees with information, so that they may:
- 16.3.1 assess the likely outcome of the dividend yield calculation under business rescue; and
 - 16.3.2 be assured of the likelihood of obtaining a better outcome under business rescue for all Affected Persons, when compared to a liquidation.

17. CLAIM SETTLEMENT PROPOSALS

17.1 As the Company's confirmed order book is currently negligible, with most of the projected revenues largely based on projects under contract negotiations, whose outcome is currently uncertain, this BR Plan proposes the following:

17.1.1 That Amphion Street is sold, or a transaction is concluded relating Amphion Street to generate proceeds of between R90 million and R100 million (before commissions). Such sale or transaction must be signed and become unconditional in accordance with its terms within 45 days of the adoption of the BR Plan. An amount of R65 million from the proceeds of sale of this property will be paid to SBSA to settle the term loan and to reduce the overdraft.

17.1.2 That the balance remaining from the proceeds of sale of Amphion Street, after deducting commissions and paying SBSA as above, be paid to the rest of the BR Creditors in accordance with the order of distribution set out in clause 19.

17.1.3 That the proceeds from the sale of non-core assets that are currently owned by PMH and are in the process of sale are utilised to further reduce SBSA's overdraft in the Company, in exchange for SBSA agreeing to cancel cross guarantees provided to SBSA as security for the Company's overdraft. The remaining overdraft of SBSA will be secured by a cession of the Company's book debts.

17.1.4 To the extent that the funds available to pay Unsecured Creditors are not sufficient to yield a dividend of at least 25 cents to the Rand, it is proposed that the PCF from PIH be utilised to top the BR dividend to 25 cents to the Rand.

17.1.5 That in the event that the Company generates operating profit before tax in excess of R15 million for FY2019, an *agterskot* of 10 cents to the Rand be paid to Unsecured Creditors. The *agterskot* must be

determined and paid no later than 31 January 2020.

17.1.6 BR Claims that are denominated in foreign currencies will be paid in South African Rand, translated at the exchange rate applicable as the BR Commencement Date.

17.1.7 The above proposals are set out in **Annexure D**.

17.2 EXISTING AGREEMENTS AND CONVERSION OF CLAIMS TO EQUITY

17.2.1 Treatment of Existing Agreements:

17.2.1.1 The Company has entered into a number of continuing contracts in respect of which it continues to use financed assets or continues to receive a service as per the relevant contracts. All such contracts will continue in operation, unless terminated by the Company or cancelled by mutual agreement, and any arrears in respect of instalments will be paid from the PCF contemplated in this BR Plan.

17.2.1.2 Executory contracts, in respect of which services or products supplied by counter-parties are considered crucial for the operations of the Company, will continue in existence and any arrears will be brought up to date.

17.2.2 Conversion of Claims to Equity

This BR Plan does not propose that any Claims be converted to equity in the Company.

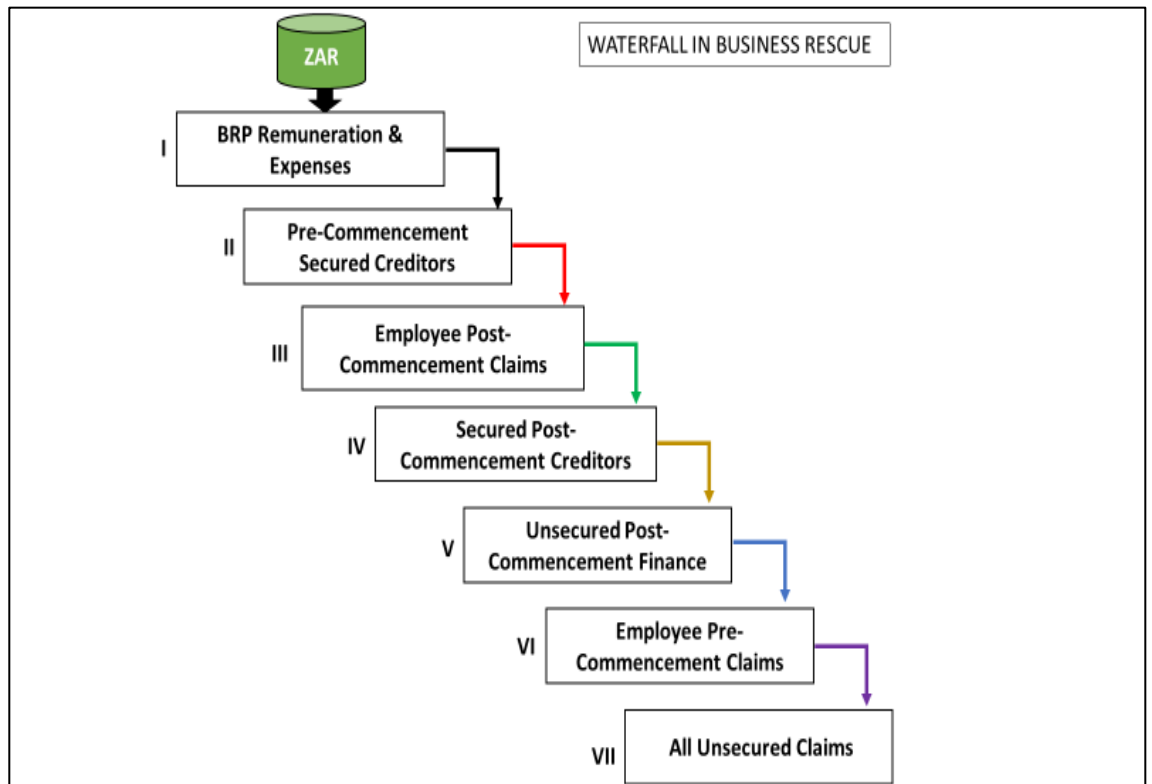
18. TIMELINE FOR DISTRIBUTING TO CREDITORS

Creditors that have lodged Claims after the BR Adoption Date, outside of the period stipulated in this BR Plan forfeit their right to participate in distributions that have been made prior to the lodgement of their Claims, but shall nevertheless be entitled to participate in any

distributions made subsequent to the lodgement of their Claims in accordance with the waterfall set out in clause 19 (*Order of Distribution – Payment Waterfall*).

19. ORDER OF DISTRIBUTION – PAYMENT WATERFALL

19.1 In terms of the Companies Act, Creditors are to be paid the amounts to be distributed in the following order of priority (to the extent that there are funds available to pay all categories of Creditors in terms of the waterfall below):



- 19.2 Based on the information the BR Practitioner has to date, the probable dividend which Creditors should receive, in their respective classes, as a result of the adoption of the BR Plan will be as follows:

Class	Dividend
Pre-Commencement Secured Creditors	100 cents
Employee Claims during business rescue	100 cents
Secured PCF Creditors	100 cents
Unsecured PCF Creditors	100 cents
Unsecured Pre-Commencement Creditors	25 - 35 cents

Amounts owing to PIH, PMH and certain of PMH's subsidiaries will not receive any dividend and will be subordinated until other BR Creditors receive the dividends proposed above, however, PMH and other subsidiaries who have advanced loans to the Company will be entitled to vote on their claims.

20. MORATORIUM

- 20.1 The intention of a moratorium is to give a company the best possible chance to implement the BR Plan so as to allow a company sufficient time to restructure its affairs and particularly its liabilities so as to enable it to return to a sustainably solvent position.
- 20.2 The commencement of business rescue proceedings places a moratorium on legal proceedings against a company. This means that creditors, even though their rights may be secured, will not be able to take action against a company for non-payment of debts during Business Rescue.
- 20.3 In the current circumstances, the moratorium in relation to the Company commenced on the BR Commencement Date and will remain in place until the BR Practitioner files a notice of substantial implementation of the BR Plan with the CIPC.

21. EFFECT ON CREDITORS

- 21.1 Any contracts considered to be onerous to the Company have been or will be renegotiated or cancelled either by (i) agreement between the parties thereto and the BR Practitioner or, (ii) failing agreement, the BR Practitioner will apply to court to cancel all the Company's obligations under such Contracts. In the event that the counterparties to the Contracts claim damages against the Company, litigation in respect of such damages Claims:
- 21.1.1 Must be brought against the Company before the date of Substantial Implementation, failing which, a Creditor in these circumstances will be precluded from bringing a claim for damages against the Company;
- 21.1.2 Shall be deemed to have been compromised in terms of this BR Plan and shall be regarded as Unsecured Claims for the purposes of the BR Plan. As such, the counterparties to Contracts who bring their damages claim timeously (i.e. before or during the Additional Claims Period) shall only be entitled to receive an amount as a Unsecured Creditor pursuant to the provisions of this BR Plan and if the Claim is not disputed. If such Claim is disputed the matter will be resolved in terms of the Dispute Resolution process set out herein; and
- 21.1.3 Any Creditor that has a Claim for damages will be obliged to limit their Claims to either the actual direct damages suffered or to limit its claim to a figure equivalent to a maximum of three (3) month's contractual payment whichever amount is the lower and no claims for contingent or indirect damages will be accepted by the BR Practitioner. Such damages claims will be treated as unsecured Claims for the purposes of the waterfall for payment referred to in clause 19.

22. EFFECT OF THE BR PLAN ON HOLDERS OF THE COMPANY'S ISSUED SECURITIES

The BR Plan will not have any effect on the holders of the Company's issued shares.

23. EFFECT OF THE BUSINESS RESCUE PLAN ON EMPLOYEES

23.1 Other than pursuant to a restructuring that may be required, necessitating retrenchments, this BR Plan does not contemplate any larger scale retrenchments.

23.2 However, should a necessity arise for the restructuring of the business (e.g. failure to conclude contracts in the short-term), resulting in potential retrenchments, a consultation process will be conducted in accordance with section 189 of the LRA.

24. BENEFITS OF ADOPTING THE BUSINESS RESCUE PLAN COMPARED TO LIQUIDATION

The benefits to Creditors of adopting the BR Plan compared to a liquidation are as follows –

24.1 DIVIDEND

24.1.1 The estimated BR Dividend payable if this BR Plan is implemented is significantly higher than the estimated Liquidation Dividend. The Liquidation Dividend for Unsecured Creditors is likely to be nil in the case of a forced sale liquidation realisation of assets. However, on a more orderly winding-up basis the liquidation dividend is likely to be a maximum of 17 cents to the Rand.

24.1.2 The BR Plan will be implemented in a far shorter time-frame than liquidation proceedings.

24.1.3 The anticipated time period estimated for completing the Business Rescue and making payment of dividends is approximately 4 months.

24.1.4 The average time it takes to conclude a liquidation process and pay liquidation dividends can be between 18 – 36 months, or longer depending on the complexity of the estate.

24.2 EMPLOYEES

24.2.1 Employees have continued to receive full salaries since the Commencement Date and will continue in their employment.

24.2.2 Employees that may be retrenched as part of Business Rescue would receive full retrenchment packages, which are considered to be remuneration and therefore payable as post-commencement finance in terms of section 135(1) of the Act. In liquidation the preferent portion of the severance package is capped at R32 000 per employee.

24.2.3 In liquidation all jobs will be lost immediately unless the liquidator agrees to continue trading against an indemnity.

24.2.4 Unlike in business rescue where retrenchment payments are not limited, in liquidation employees would be entitled to receive a maximum preferent amount of R32 000 per staff member to the extent that there are funds available. Such payments would only be made once the final liquidation and distribution account has been approved at the end of the liquidation process.

24.3 GENERAL BENEFITS OF BUSINESS RESCUE

24.3.1 The rescue of the Company will preserve the traditional business that the Company offers to its suppliers.

25. RISKS OF THE BUSINESS RESCUE PLAN

The amount which Creditors could receive in terms of the BR Plan could potentially be as predicted by the BR Practitioner, but may be adversely affected by, *inter alia*, the following factors:

- 25.1 deteriorating market conditions;
- 25.2 unforeseen litigation of any nature whatsoever, howsoever arising, from any cause of action whatsoever;
- 25.3 late claims and unforeseen damages claims arising from the cancellation of any contracts or agreements of any nature whatsoever, howsoever arising;
- 25.4 any changes in legislation that impacts business rescue;
- 25.5 any challenges to this BR Plan, the rejection thereof of any amendments thereto;
- 25.6 any regulatory challenges of any nature whatsoever, howsoever arising;
- 25.7 any unforeseen circumstances, outside of the control of the BR Practitioner of any nature whatsoever howsoever arising that impacts on Business Rescue; and
- 25.8 material discrepancies in the information made available to the BR Practitioner by the director and senior management.

PART C – ASSUMPTIONS AND CONDITIONS
Clauses 26 to 34

26. EFFECT OF THE BUSINESS RESCUE PLAN ON EMPLOYEES

Please refer to clause 23 (*Effect of the Business Rescue Plan on Employees*) in this regard.

27. TERMINATION OF BUSINESS RESCUE

The Business Rescue will end:

- 27.1 if the BR Plan is proposed and rejected and no Affected Person or Affected Persons act to extend the BR Plan in any manner contemplated by the Act; or
- 27.2 this BR Plan is adopted and implemented (with the conditions fulfilled) and the BR Practitioner has filed a notice of substantial implementation of the BR Plan with the CIPC; or
- 27.3 a court orders the conversion of the BR into liquidation proceedings.

28. SUBSTANTIAL IMPLEMENTATION

Substantial implementation will be deemed to have occurred soon after the BR Creditors have received the dividends proposed in this BR Plan, other than the agterskot, which will be paid after Substantial Implementation.

29. PROJECTED BALANCE SHEET AND PROJECTED STATEMENT OF INCOME AND EXPENSES PREPARED ON THE ASSUMPTION THAT THE BUSINESS RESCUE PLAN IS ADOPTED

29.1 The projected balance sheets of the Company for the ensuing 3 years, together with explanatory notes and key assumptions are set out below:

	June 2019 Projected R'000	June 2020 Projected R'000	June 2021 Projected R'000
Assets			
Non-Current Assets			
Property, Plant & Equipment	16 764	13 411	10 729
Loans to related parties	18 511	18 511	18 511
Deferred taxation	7 488	7 488	7 488
	42 763	39 410	36 728
Current assets			
Trade and other receivables	35 000	34 007	35 406
Inventories	28 000	27 000	28 000
Cash and cash equivalents	-	12 687	24 779
	63 000	73 694	88 185
Total assets	105 763	113 104	124 913
Equity and liabilities			
Equity			
Share capital	-	-	-
Retained income	28 884	47 109	66 147
	28 884	47 109	66 147

Loans from shareholders	30 000	25 000	20 000
Borrowings	5 983	3 783	1 583
	<u>35 983</u>	<u>28 783</u>	<u>21 583</u>

Current Liabilities

Provisions	4 000	4 000	4 000
Trade and other payables	19 114	18 344	18 000
Related party borrowings	5 780	5 780	5 780
Taxation liability	9 649	7 088	7 403
Bank overdraft	2 353	2 000	2 000
	<u>40 896</u>	<u>37 212</u>	<u>37 183</u>

Total Equity and Liabilities	<u>105 763</u>	<u>113 104</u>	<u>124 913</u>
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Key assumptions:

29.1.1 No significant changes are anticipated in the assets of the Company;

29.1.2 PCF of R30 million from PIH is repaid from FY2020 onwards; and

29.1.3 Current liabilities are assumed to remain at similar levels.

29.2 The projected statements of income and expenditure for the Company for the ensuing 3 years, together with explanatory notes and key assumptions are set out below:

	12 months June 2019	12 months June 2020	12 Months June 2021
	R'000	R'000	R'000
Revenue	308 231	289 518	302 182
Cost of sales	(234 255)	(223 098)	232 680
Gross profit	73 976	66 420	69 502
Operating expenses	(34 625)	(37 257)	(39 212)
Operating profit	39 351	29 163	30 290
Finance costs	(3 850)	(3 850)	(3 850)
Creditor compromise	41 050	-	-
Profit before taxation	76 551	25 313	26 440
Taxation	(9 649)	(7 088)	(7 403)
Profit for the year	66 902	18 225	19 037

Explanatory notes and key assumptions:

29.2.1 Revenue and advance payments are based on current and anticipated contracts up to mid-2019 and estimated thereafter, including a large expected defence contract that is under negotiation (in referenced in clause 5.1.12).

29.2.2 Average gross profit of 24% on prior and current contracts will remain constant;

29.2.3 Operating expenses increase in line with inflation;

29.2.4 FY2018 trading results are expected to result in a tax loss of approximately R62 million, which reduces taxable income in FY2019.

30. DISPUTE RESOLUTION

30.1 Save as provided for in section 133 of the Act, in respect of all or any disputes by the BR Practitioner on Claims submitted by Creditor(s) and Employees, which disputes include, but are not limited to, disputes on the existence or otherwise of Claim(s), on quantum of Claim, security claimed by a Creditor, the nature of the security, the extent and value of the security and the like ("the dispute") such dispute can only be resolved in accordance with the dispute mechanism outlined below.

30.2 The dispute mechanism procedure will be as follows:

30.2.1 All creditors who have received notification from the BR Practitioner of a dispute are within 15 days after the Additional Claims Period, to contact the BR Practitioner and to meet with him during this period in an attempt to reach agreement on the dispute.

30.2.2 If the Creditor does not avail itself of this 15-day opportunity or if after having availed itself and the dispute is not resolved within the 15 day period, the Creditor will be afforded 7 days (reckoned from the date of expiry of the 15 days) to nominate a retired judge as an expert (not as an arbitrator or mediator) to preside over and to resolve the dispute. Should the Creditor not make this nomination the BR Practitioner will do so on his/her/its behalf and this nomination will be binding on the Creditor(s).

30.3 The retired judge when nominated and who agrees to accept such appointment (hereinafter referred to as the "expert") will endeavour to complete his mandate within 30 days of his appointment or within such further time period as the expert in his sole discretion may determine. To the extent that any expert as nominated by the Creditor or Employee/s refuses to act or is not available to act, the Creditor, or if he refuses or does not do so within three days of being requested by the BR Practitioner to do so, the BR Practitioner on

his/her/its behalf is then obliged to choose another retired judge(s) from the above list until one such judge is available to act and is agreeable to act.

- 30.4 The expert will in his sole and absolute discretion determine:
 - 30.4.1 the venue at which the dispute is to be resolved;
 - 30.4.2 the rules, regulations and procedures that will govern the determination of the dispute;
 - 30.4.3 the date(s) for the determination of the dispute;
 - 30.4.4 will give his award / determination within 5 days of the completion of the process as determined by him; and
 - 30.4.5 will as part of his award / determination determine who is liable for the costs of the determination such costs to include his costs, legal costs, venue costs, recording equipment (if applicable), transcript of evidence (if applicable) and the like.
- 30.5 The Creditor/s agrees that, save for any manifest error the determination of the expert will be final and binding on the Creditor/s, the Company and the BR Practitioner and will not be subject to any subsequent review or appeal application / procedure / process.
- 30.6 The expert shall be entitled to make an award for costs in his discretion.
- 30.7 The Creditor, the Employee/s, the Company and the BR Practitioner agree to use their utmost endeavours to ensure that the entire dispute is determined by the expert within the 30-day period as set out above.

31. DISCHARGE OF DEBT AND CLAIMS

- 31.1 If the BR Plan is adopted and implemented in accordance with its terms and conditions, any Creditor who has acceded to be the discharge of the whole or part of a debt owing to that Creditor will lose the right to enforce the relevant debt or part thereof in accordance with Section 154(1) of the Act.
- 31.2 Accordingly, in terms of Section 154(2) of the Act, if a BR Plan has been approved and implemented, a Creditor will not be entitled to enforce any debt owed by the company immediately before the beginning of the BR process, except to the extent provided for this BR Plan.

32. EFFECT ON CLAIMS

After the adoption and implementation of the BR Plan, the Company will be discharged from its obligations in accordance with Section 154(1).

33. ABILITY TO AMEND BUSINESS RESCUE PLAN

- 33.1 Provided that any amendment will not be prejudicial to any of the Affected Persons, the BR Practitioner shall have the ability, in his sole and absolute discretion, to amend, modify or vary any provision of this BR Plan, provided that at all times the BR Practitioner acts reasonably. The Amendment will be deemed to take effect on the date of written notice of the amendment to all Affected Persons.
- 33.2 Should the BR Practitioner wish to effect an amendment to the plan that will be prejudicial to any of the Affected Persons, he will convene a further meeting of creditors and call for a vote to approve the amendment. A simple majority of votes cast by the holders of independent voting interests will be sufficient to approve the

amendment.

- 33.3 It is specifically recorded that the provisions of business rescue shall *mutatis mutandis* apply to the extension or reduction of any timeframes by the BR Practitioner.

34. SEVERABILITY

Any provision in this BR Plan which is or may become illegal, invalid or unenforceable shall be ineffective to the extent of such prohibition or unenforceability and shall be treated *pro non scripto* and severed from the balance of this BR Plan, without invalidating the remaining provisions of this BR Plan or affecting the validity or enforceability of such provision in any other jurisdiction.

35. CONCLUSION

- 35.1 For reasons set out above: the implementation of the BR Plan will result in Unsecured Creditors receiving a dividend of between 25 to 35 cents to the Rand, as opposed to a liquidation in terms whereof Unsecured Creditors will receive a dividend of between nil to 17 cents to the Rand.

36. BRP'S CERTIFICATE

I, the undersigned, Siphon Sono, hereby certify to the best of my knowledge and belief that:

- (a) any actual information provided herein appears to be accurate, complete and up to date;
- (b) the BR Practitioner has relied on financial information including opinions and reports furnished to him by management of the Company its Advisors, where applicable;

- (c) any projections provided are estimates made in good faith on the basis of factual information and assumptions as set out herein;

- (d) in preparing the BR Plan, the BR Practitioner has not undertaken an audit of the information provided to him by the senior management of the Company and by the Company's Auditors, although where practical, the BR Practitioner has endeavoured to satisfy himself of the accuracy of such information.

Sipho Sono, in his capacity as the duly appointed Business rescue practitioner (in terms of the Act)