



Consolidated Steel Industries (Pty) Ltd
(Reg. 2006/031549/07)

Draft Business Rescue Plan

18 August 2020

Contents

1 INTERPRETATION AND PRELIMINARY	3
2 STATEMENT ON CONFLICT OF INTEREST	9
3 RIGHTS OF AFFECTED PERSONS	10
4 STRUCTURE OF THE PLAN	10
5 PART A - BACKGROUND.....	12
6 PART B - PROPOSALS	53
7 PART C - ASSUMPTIONS AND CONDITIONS	60
8 CERTIFICATE	65

1 INTERPRETATION AND PRELIMINARY

The headings of the paragraphs 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 Business Rescue Plan nor any paragraph hereof. Unless a contrary intention clearly appears:

- 1.1 Words importing –
 - 1.1.1 any reference to one gender shall include the other gender and the neuter;
 - 1.1.2 the singular includes the plural and vice versa; and
 - 1.1.3 persons include natural persons, created entities (corporate and unincorporated and the State) and vice versa.
- 1.2 When any number of days is prescribed in this 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.
- 1.3 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.
- 1.4 Whilst every effort has been made to present an accurate and complete overview of the affairs of the Company the BRPs have not independently verified all the information contained herein. Neither the BRPs, their advisors, 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.

- 1.5 The following terms and/or expressions shall have the meanings assigned to them hereunder and cognate expressions shall have corresponding meanings –
- 1.5.1 “Act” or “Companies Act” means the Companies Act, No. 71 of 2008, as amended;
- 1.5.2 “Admitted Claims” means creditors’ claims admitted by the BRPs in the rescue;
- 1.5.3 “Adoption Date” means the date upon which the Business Rescue Plan is approved in accordance with section 152(2), read with section 152(3)(b) and section 152(3)(c)(ii)(aa), of the Companies Act;
- 1.5.4 “Advisors” means the advisors to the BRPs;
- 1.5.5 “Affected Person” or “Affected Persons” shall bear the meaning ascribed thereto in section 128(1)(a) of the Companies Act and in relation to the Company means shareholders, Creditors, employees of the Company and the registered trade unions representing employees of the Company;
- 1.5.6 “BRPs” or “Business Rescue Practitioners” means the business rescue practitioners appointed in terms of section 129(3)(b) of the Companies Act, being Sello Mkhondo and Ian Bryce Fleming;
- 1.5.7 “Business” means the business of the Company from time to time including, but not limited to, the manufacturing of steel products and the holding of companies in industrial supplies and specialised services;
- 1.5.8 “Business Day” means any day other than a Saturday, Sunday or official public holiday in South Africa;
- 1.5.9 “Business Rescue” means proceedings to facilitate the rehabilitation of the Company, which is financially distressed, as more fully defined in section 128(1)(b) of the Companies Act;

- 1.5.10 “Business Rescue Costs” means the remuneration and expenses of the BRPs and other claims arising out of the costs of the Business Rescue;
- 1.5.11 “Business Rescue Plan / BR Plan / Plan” means this document together with all of its annexures, as amended from time to time, and prepared in accordance with section 150 of the Companies Act;
- 1.5.12 “CIPC” means the Companies and Intellectual Property Commission, established in terms of section 185 of the Companies Act;
- 1.5.13 “CGIC” means Credit Guarantee Insurance Corporation of Africa Ltd;
- 1.5.14 “Claims” means any claim against the Company, the cause of action in respect of which arose:
- 1.5.14.1 prior to or on the Commencement Date, or
 - 1.5.14.2 during Business Rescue,
- and which have been admitted by the BRPs in the Business Rescue Plan;
- “Commencement Date” means 13 July 2020, being the date upon which Business Rescue commenced in accordance with section 129(1), read with section 132(1)(a)(i), of the Companies Act;
- 1.5.15 “Company” means Consolidated Steel Industries (Pty) Ltd (Reg No. 2006/031549/07), a company incorporated in accordance with the company laws of South Africa;
- 1.5.16 “Concurrent Creditors” means all unsecured Creditors as at the commencement of Business Rescue and all unsecured post-commencement Creditors whose claims have not been recognized by the BRPs as post-commencement finance or costs of Business Rescue in terms of section 135 of the Act;
- 1.5.17 “Consolidated Steel Industries (Pty) Ltd” means Consolidated Steel Industries (Pty) Ltd (Reg No. 2006/031549/07);

- 1.5.18 “Creditors” means all persons, including legal entities and natural persons, having Claims. For the purposes of this Business Rescue Plan, this includes Historic Creditors and Ring-Fenced Creditors;
- 1.5.19 “Creditors’ Committee” means the committee (if applicable), as prescribed by section 145(3) of the Companies Act;
- 1.5.20 “CSI” means Consolidated Steel Industries (Pty) Ltd;
- 1.5.21 “Disputed Claims” means any and all Claims which may have been lodged by Creditors with the BRPs during the Business Rescue and whose Claims have been rejected either in whole or in part by the BRPs and which dispute shall be determined in favour of or against such Creditors in terms of the dispute mechanism contained in paragraph 10.7 (Dispute Resolution);
- 1.5.22 “Distribution” means the respective distributions to be made to Creditors;
- 1.5.23 “Employees” means all persons employed by the Company as at the Commencement Date and remain employed at the Adoption Date;
- 1.5.24 “Employees’ Committee” means the committee, in terms of section 144(3)(c) of the Companies Act that is used for the purposes of consulting with the Employees in terms of section 189(3), read together with section 189A, of the LRA;
- 1.5.25 “Final Claims Date” means the final date for the filing of Claims, being 18 August 2020. Claims may still be accepted by the BRPs at their discretion after this date;
- 1.5.26 “Financially Distressed” shall bear the meaning ascribed thereto in section 128(1)(f) of the Companies Act;
- 1.5.27 “Group” means the Company and its subsidiary companies;

- 1.5.28 “Historic Creditors” means all trade creditors in the age category of 120 days and older at the Commencement Date, as well as all other creditors 120 days and older, as outlined in **Annexure “B”**;
- 1.5.29 “Insolvency Act” means the Insolvency Act No. 24 of 1936, as amended;
- 1.5.30 “LRA” means the Labour Relations Act, No. 66 of 1995, as amended;
- 1.5.31 “Management” means the senior management of the Company being Andrew Winter (Chief Executive Officer); Gert Dercksen (MD GRS); Tyrone Roothman (MD Stalcor); Chris Ransome (CSI Chairman);
- 1.5.32 "Members" means shareholders, directors and management of the Company;
- 1.5.33 “Notice of Meeting” means the notice of meeting to all Affected Persons as contemplated in terms of section 151(2) of the Companies Act;
- 1.5.34 “PCF” means post-commencement finance as contemplated in section 135 of the Companies Act;
- 1.5.35 “Publication Date” means the date on which this Business Rescue Plan is published to Affected Persons in terms of section 150(5) of the Companies Act, being **18 August 2020**;
- 1.5.36 “Rand” or “R” or “ZAR” means the lawful currency of South Africa;
- 1.5.37 “Ring-Fenced Creditors” means i) all trade creditors and ii) all other types of creditors who fell within the current, 30, 60, and 90- day ageing categories at Commencement Date, as outlined in **Annexure “B”**;
- 1.5.38 “SARS” means the South African Revenue Service;
- 1.5.39 “Secured Creditors” means those Creditors who hold security over assets of the Company for their claims against the Company;
- 1.5.40 “South Africa” means the Republic of South Africa;

- 1.5.41 “Substantial Implementation Date” means the date upon which the BRPs file with the CIPC a notice that all of those events contemplated in the Business Rescue Plan as approved by creditors have been achieved and have occurred and whereupon Business Rescue will terminate;
- 1.5.42 “Tax/Taxation” means:
- 1.5.42.1 levies payable to government authorities;
 - 1.5.42.2 normal taxation;
 - 1.5.42.3 capital gains tax;
 - 1.5.42.4 value-added tax;
 - 1.5.42.5 any taxation arising from new assessments of taxation and/or the reopening of any income tax assessments of the Company for any period prior to the Commencement Date;
 - 1.5.42.6 donations tax;
 - 1.5.42.7 customs duty;
 - 1.5.42.8 securities transfer tax;
 - 1.5.42.9 all Pay-As-You-Earn taxation (PAYE) not paid over;
 - 1.5.42.10 all other forms of taxation, other than deferred tax; and
 - 1.5.42.11 any penalties or interest on any of the foregoing;
- 1.5.43 “VAT” means the value-added tax levied in terms of the South African Value-Added Tax Act, No. 89 of 1991 as amended.
- 1.6 Any reference to any statute, regulation or other legislation in this Business Rescue Plan shall be a reference to that statute, regulation or other legislation as at the Publication Date, and as amended or substituted from time to time.

- 1.7 If any provision in a definition in this Business Rescue Plan is a substantive provision conferring a right or imposing an obligation on any person or entity then, notwithstanding that it is only in a definition, effect shall be given to that provision as if it were a substantive provision in the body of this Business Rescue Plan.
- 1.8 Where any term is defined in this Business Rescue Plan within a particular paragraph other than this paragraph, that term shall bear the meaning ascribed to it in that paragraph wherever it is used in this Business Rescue Plan.
- 1.9 Where any number of days is to be calculated from a particular day, such number shall be calculated as excluding such particular day and commencing on the next day. If the last day of such number so calculated falls on a day which is not a Business Day, the last day shall be deemed to be the next succeeding day which is a Business Day.
- 1.10 Any reference to days (other than a reference to Business Days), months or years shall be a reference to calendar days, months or years, as the case may be.
- 1.11 Words or terms that are capitalised and not otherwise defined in the narrative of this Business Rescue Plan (excluding capitalised words or terms used for the purpose of tables) shall bear the meaning assigned to them in the Companies Act.

2 STATEMENT ON CONFLICT OF INTEREST

Neither the BRPs nor any professional engaged in any way with the business rescue has any other relationship with the Company such as would lead a reasonable and informed third party to conclude that the integrity, impartiality or objectivity of that person is compromised by that relationship and is not related to a person who has a relationship contemplated in the above statement.

3 RIGHTS OF AFFECTED PERSONS

- 3.1 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. The voting interest accepted by the BRPs for the purposes of voting does not in any way, manner or form concede and/or accept the actual indebtedness claimed by the Affected Person.
- 3.2 If any Affected Person is in doubt as to what action should be taken arising from the contents of this Business Rescue Plan, which does not constitute legal advice, such Affected Person or Affected Persons are strongly advised to consult an independent attorney, accountant or another professional advisor in addition to any consultation with or direction received from the BRPs.
- 3.3 Where a Creditor with credit guarantee insurance cover as of the Commencement Date has claimed from CGIC, the insurer effectively steps into the shoes of the Creditor. For the purposes of this Business Rescue, CGIC is therefore considered to be the party who is entitled to vote that Creditor's voting interest on the Business Rescue Plan and any other decisions required in terms of the Act. Any creditors who do not have credit insurance cover from CGIC, will be entitled to vote in any matters concerning the business rescue as included in Chapter 6 of the Act.
- 3.4 When a claim has been paid out by the insurer, the insurer has subrogated rights over the claim thus CGIC will vote on behalf of the creditor.
- 3.5 When a claim has not been paid out by the insurer, but the insurer has received a power of attorney, the insurer will vote on behalf of the creditor.

4 STRUCTURE OF THE PLAN

- 4.1 The Plan is formulated on information obtained from books and records from the Company, the Directors, Management and interviews with relevant persons and it should be noted that:
- 4.1.1 There may be certain issues, including claims by or against the Company, that require additional investigation for an absolute determination to be formed. Where appropriate we have highlighted these issues throughout the body of the Plan and to the extent necessary, have considered the possible impact of them when making our recommendation to Creditors.
- 4.1.2 The statements and opinions given in the Plan are given in good faith and in the belief that such statements and opinions are not false or misleading. Except where otherwise stated we reserve the right to alter any conclusions reached on the basis of any changes in, or additional to, information which may become available to us between the date of this plan and the date of any subsequent meetings or reports.
- 4.1.3 Neither the BRPs, nor its Advisors, nor any member, director, employee or consultants thereof undertakes responsibility in any way whatsoever to any person in respect of any errors in this report arising from incorrect information provided to us.
- 4.1.4 Any projections and forecasts included in the Plan are by their very nature forward-looking and the BRPs make no warranty, implied or otherwise, as to their likely outcome.
- 4.1.5 In considering the options available to Creditors/Affected Persons and formulating their recommendations, the BRPs have made the necessary forecasts with respect to asset realisations and the quantum of total Creditors. These forecasts and estimates may change as asset realisations progress and claims are received by Creditors. Whilst the forecasts and

estimates are the results of the BRPs best assessment in the circumstances, it should be noted that the ultimate deficiency and thus the distribution or outcome for Creditors could differ from the information provided in the Plan.

4.1.6 For the purposes of section 150(2) of the Companies Act, this Business Rescue Plan is divided into 3 parts as follows –

4.1.7 PART A - BACKGROUND

4.1.8 Part A sets out the background to the Company and the factors that resulted in the Company being Financially Distressed and being placed under Business Rescue.

4.1.9 PART B - PROPOSALS

4.1.10 Part B describes the proposed turnaround and restructuring plan and includes, inter alia, the benefits, for Affected Persons, in adopting the Business Rescue Plan as opposed to the Company being placed into liquidation.

4.1.11 PART C – ASSUMPTIONS AND CONDITIONS

4.1.12 Part C sets out, inter alia, what conditions need to be fulfilled in order for the Business Rescue Plan to achieve the desired outcome, and to be implemented.

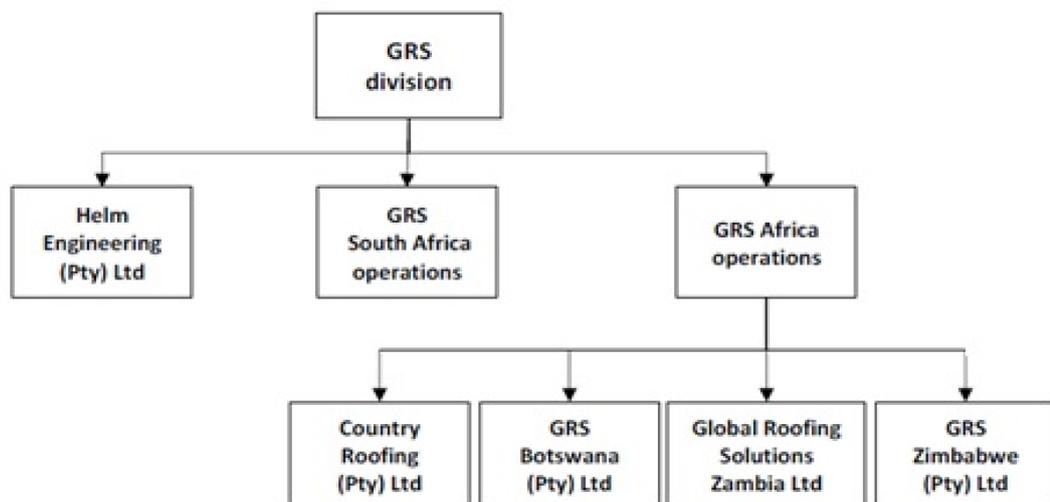
5 PART A - BACKGROUND

Summary

- 5.1 CSI is a market leading industrial conglomerate that comprises two principal business units, namely:
 - 5.1.1 Global Roofing Solutions (“GRS”), one of the largest metal roofing and roofing accessory manufacturers in South Africa, servicing the construction and roofing industries in Sub-Saharan Africa; and
 - 5.1.2 Stalcor, one of the top 3 distributors of stainless steel and aluminium products in South Africa, servicing customers in the fabrication sector and steel merchants.
- 5.2 The purpose of CSI was to combine the project-based businesses (GRS) and the trading businesses (Stalcor) to promote synergies and create balanced revenue and cash flow streams for the group.
- 5.3 The CSI businesses are pedigreed, having:
 - 5.3.1 Highly established brands in the construction and steel fabrication industries;
 - 5.3.2 A trading history spanning over 50 years;
 - 5.3.3 A highly sought-after African footprint;
 - 5.3.4 An innovative and skilled management team;
 - 5.3.5 A stable and skilled work force with a vast and diverse amount of industrial know how;
 - 5.3.6 An African footprint with operations that are driven by strong local management teams who have partnered with developers, construction companies and contractors;
 - 5.3.7 Notably, CSI’s African footprint would be difficult and costly to replicate and creates a competitive advantage for the Company.

GRS Division

- 5.4 GRS is principally a project-based business servicing the metal roofing and roofing accessories market in the Sub-Saharan region. The primary products of the division include roofing profiles, steel roofing tiles, flooring profiles and roof sheeting products.
- 5.5 The business has operations in South Africa and in 4 African countries outside of South Africa, namely Namibia, Zambia, Zimbabwe and Botswana. The GRS division includes the business of Helm which manufactures fire and smoke ventilation systems and RVI that designs and installs fire and smoke ventilation systems.
- 5.6 The structure of the GRS division is as follows:



- 5.7 Operations outside South Africa are undertaken in separate companies whilst the South African operations are conducted through a branch network in all the major centres which act as regional distribution hubs.

Operational review - GRS

- 5.8 GRS is one of the largest metal roofing and roofing accessory manufacturers in South Africa, with highly regarded brands across their product offerings. Primary

products include roofing profiles, steel roofing tiles, flooring profiles and roof sheeting products. Through its division Helm Engineering, GRS also offers products in ventilation and guttering, all of which form a key part of the construction sector.

- 5.9 GRS operates a fleet of mobile rolling plants. A mobile mill is a purpose built and fully contained factory-on-wheels, fitted with a motorised coiler capable of handling 10 (Ten) ton coils with a high daily rolling capacity. The mobile mills allow for on-site profiling of flat coil for customers and have expanded GRS' reach to customers.

GRS South Africa operations

- 5.10 GRS South Africa represents GRS' operations in the Western Cape, KwaZulu Natal, Free State, Mpumalanga, Limpopo and Gauteng provinces. Notably, almost one fifth of the sales made by these operations are to approved South African roofing installers operating locally and across border.
- 5.11 GRS operates under the Brownbuilt and HH Robertson (HHR) brands. Brownbuilt was established in 1964 and pioneered the manufacture of concealed-fix roofing profiles in South Africa, which has given a practical alternative to traditional pierced fix technology. Through the Brownbuilt brand, GRS also introduced the first mobile rolling plant in South Africa. These mobile plants enable efficiency in the logistical chain involved in roofing material, particularly large span roofs. GRS has 17 such mobile rolling plants.
- 5.12 Through HHR, which has been a manufacturer of steel products for the roofing industry in South Africa since 1958, GRS has advanced innovation, product range and quality in the sector. HHR holds the patent for the world-renowned Inverted Box Rib (IBR) roof sheeting profile.

GRS Africa operations

5.13 GRS Africa has a fully-fledged operational presence and capacity in Namibia, Botswana, Zambia and Zimbabwe, with mobile milling capacity in other African countries. These African operations offer the full range of GRS products.

Benefits of the African footprint

- 5.14.1 Strong local management, well known to GRS;
 - 5.14.2 Partnering with South African developers, construction companies and contractors;
 - 5.14.3 Announcing its presence by establishing GRS factories and warehousing in those respective countries;
 - 5.14.4 Transacting principally in South African Rand (ZAR) as opposed to the exposure and risk posed by foreign exchange rate fluctuations;
 - 5.14.5 Strong and determined support structures from GRS South African operations and management team; and
 - 5.14.6 A decisive and entrepreneurial approach to conducting business in Africa.
- 5.15 GRS expansion into Africa was funded through cash generated by GRS' South African operations with direct and indirect GRS sales into Africa now comprising less than 10% of total GRS sales:
- 5.15.1 Direct supply to contracting companies;
 - 5.15.2 Supply to South African contractors for African projects;
 - 5.15.3 Erecting of roofs (Botswana only);
 - 5.15.4 Supply to retailers; and
 - 5.15.5 Supply to steel merchants in the market.

Helm Engineering

5.16 Helm was established in 1989 and manufactures and sells a broad spectrum of fire and smoke ventilation systems, louvers, flashings and industrial rainwater guttering systems in galvanized, aluminium, stainless steel and pre-painted material. This dynamic product offering has resulted in Helm being a leading business in its field that is involved in various major building projects on the African sub-continent.

RVI Engineering

5.17 RVI specializes in the design and installation of engineered ventilation systems, Architectural Façade Solutions and Smoke and Heat Ventilation Systems. It is supported by Helm Engineering, a Division of Global Roofing Solutions, who produces and supply all Heat and Smoke Ventilation Systems. The following points describe the three main areas of involvement:

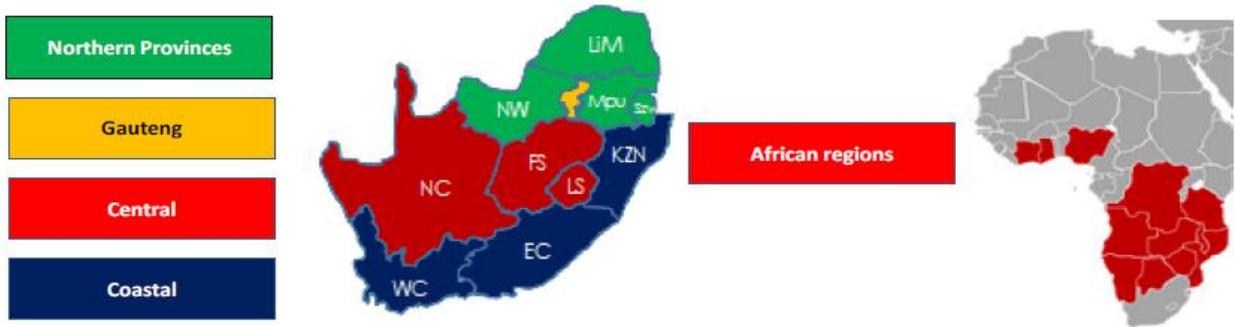
5.17.1 Engineered (non-moving parts) ventilation systems, which handle all heat-load levels from hot-spot furnace areas to general on-site workshops. RVI's customers have a few choices between a range of louvers and roof mounted ventilators, capable of dealing with various heat parameters.

5.17.2 Architectural (external aesthetics) thermal and light control facade solutions, which directly impact on the energy requirements of a building. RVI is a supplier of choice for external sun-shading systems and internal automated blind solutions. RVI's in-house design, installation and commissioning capabilities allow RVI to offer bespoke solutions to leading architects and engineers.

5.17.3 Smoke and heat exhaust ventilation/smoke clearance systems (powered and natural) which are constantly subjected to R&D scrutiny and aimed at developing cost-effective solutions to smoke control problems. All RVI smoke and heat exhaust ventilation products are subjected to rigorous testing and are code compliant.

Footprint and Facilities

5.18 GRS' operational footprint is predicated upon its strategy of servicing South Africa and Africa through a regional based methodology approach. The diagram below depicts the footprint and categorization:



5.18.1 The majority of GRS' manufacturing is done from the Isando facility situated in the Gauteng province.

5.18.2 During January 2016, GRS entered into a lease agreement with Growthpoint Properties for the listed real estate company's largest industrial property. The current facility is 51,000 square metres.

5.18.3 Currently housed in this facility is:

5.18.3.1 CSI head office including CSI shared services including administration, human resources, IT and credit;

5.18.3.2 GRS and Stalcor head offices;

5.18.3.3 Branch offices for GRS and Stalcor respectively;

5.18.3.4 A fully equipped GRS and Helm factory currently comprising of approximately 25,000 square metres; and

5.18.3.5 The Stalcor warehouse of approximately 20,000 square metres.

5.18.4 The factory currently houses the major manufacturing profiling machinery for GRS, arranged in production lines based on the different product types. The factory is split into 9 production lines. Stock in the form of steel and

aluminium coils and sheets is received at the facility's warehouse sections, with approximately 2 months' production in stock being stored on the premises.

Stalcor division

- 5.19 Stalcor is a metals trading business, processing and distributing stainless steel, aluminium and carbon steel products sourced both locally and abroad. The division has enjoyed this market position over 44 years acting as a significant distributor for major steel manufacturers, including Columbus Stainless (stainless steel) and Hulamin (aluminium).

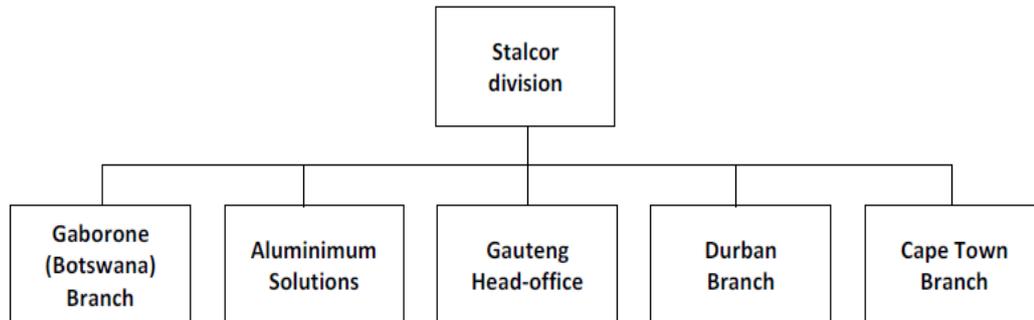
Division description

- 5.20 Stainless steel, aluminium and carbon steel products are sourced both locally and abroad. The processing of steel is centred around recently installed coil slitting and cut-to-length capabilities. The division's principal competitors are MacSteel VRN and EuroSteel. Stalcor has a national branch network located in Johannesburg, Durban, Cape Town and Port Elizabeth. The division contributed around 45% to turnover for the year ended 30 June 2019.
- 5.21 The division's principal 'peer' competitors are MacSteel VRN and EuroSteel. Stalcor has a national branch network located in Johannesburg, Durban, Cape Town and Port Elizabeth. The division contributed around 45 % to the CSI turnover for the year ended 30 June 2019.
- 5.22 Currently, Stalcor accounts for approximately 30% of all sales of stainless steel made by Columbus Stainless and approximately 40% of Hulamin's aluminium sales to their respective Southern African distributor networks.

Divisional Structure/Operational Footprint

5.23 The diagram below depicts the organisational structure of the division.

5.24 The structure of the Stalcor division is depicted below:



5.25 The division’s head office utilises 15,000 square metres of the 51,000 warehousing and distribution facility in Isando Gauteng, with a total stockholding capacity of approximately R140 million. Customers are serviced through service delivery centres in Cape Town, Durban, Port Elizabeth and Gaborone (Botswana). This extended branch network collectively provides the business with an additional 12,000 square metres of warehousing space bringing the total collective operational capacity to 27,000 square metres under roofing.

5.26 Each service centre owns and manages its own delivery fleet ensuring a just-in-time service. Stalcor’s collective delivery capacity exceeds 130 tons per day collectively. The table below gives a summary of the manufacturing floor space across all regions of operations together with the delivery fleet across all regions.

Region	Floor space (in m ²)	Delivery fleet (all regions)
Isando (GP)	15,000	2x 14 ton vehicles
Epping (WC)	4,500	7x 8 ton vehicles
Mount Edgecombe (KZN)	4,000	4x 6 ton vehicles
Port Elizabeth (EC)	1,500	10x 4t vehicles
Gaborone (Botswana)	1,000	5x 1 ton vehicle

Products

5.27 Stalcor’s products are in the form of coils, plates, sheets, profiles, pipes and tubes.

5.28 Key product lines include:

5.28.1 Stainless steel flat products;

5.28.2 Sheet, coil and plate of multiple lengths, widths and alloys. The dominant producer in South Africa is Columbus Stainless which produces 80 - 90% of products consumed in South Africa. This amounts to 65,000 - 70,000 tons per annum, of which 40,000 tons is sold directly to high volume customers such as the automotive industry.

5.28.3 The remaining 25,000 - 30,000 tons of production from Columbus Stainless is sold to its 3 main line distributors, namely Stalcor, Macsteel and EuroSteel. Stalcor accounts for 25 - 30% of such sales.

Stainless steel long products

5.29 These comprise round and square tube, solid bar, flat, round, hex and square welded pipe and fittings and angles. None of these products are manufactured locally (apart from tubing). Stalcor achieves the product diversification of long products by importing from multiple mills in Asia and Europe.

5.30 Stalcor purchases 1,500 - 2,000 tons of stainless steel long products annually from various international suppliers, representing a +/- 26% market share in South Africa. Competition in this product line comes from several competitors, namely Macsteel, Eurosteel, Steelmor, NDE and Natal Stainless Steel.

Aluminium products

5.31 Hulamin Aluminium is the main supplier of flat and long products to the local market. Stalcor is Hulamin's biggest distributor across both long and flat products in South Africa, purchasing and selling approximately 2,500 tons of aluminium flat products per annum. As is the case with stainless steel products, there are instances of import from Asian suppliers of products to meet local demand.

5.32 Stalcor are stockists and suppliers of a wide range of:

- 5.32.1 Stainless steel in a variety of duplex, austenitic and ferritic grades of coil, sheet, long products, plate, tubes and pipes;
- 5.32.2 Aluminium in various alloys in coil, sheets, plate, tread plate, architectural products (architectural products discontinued in 2020) and customer-bespoke extruded products; and
- 5.32.3 Hot and cold rolled, galvanized and pre-painted, sheets, coil and plate in commercial, certified and wear resistant qualities.

Sales Resources

- 5.33 The division employs a total of 48 sales representatives.

Reasons for distress

- 5.34 The BRPs have been advised by management that financial distress came about as a result of the following:
 - 5.34.1 Tiso Blackstar (“the Shareholder”) acquired the Stalcor and Global Roofing Solutions (“GRS”) businesses in 2007 and 2008, respectively;
 - 5.34.2 At this time, both Stalcor and GRS conducted their respective businesses in separate corporate entities;
 - 5.34.3 These businesses both achieved their respective earnings peaks in late 2010 just after the conclusion of the FIFA World cup.
 - 5.34.4 At or near the beginning of 2011, Stalcor was experiencing difficulties in that:
 - 5.34.4.1 Its cash flow was hampered by significant legacy debt owing to, inter alia, ArcelorMittal South Africa and Highveld Steel, which obligations arose from purchases made by Baldwins Steel, the

carbon steel trading division of Stalcor (previously KMG Steel), which division was later sold by Blackstar to Robor;

5.34.4.2 Many of the top employees had left to join competitors.

5.34.5 In March of 2011, Chris Ransome (“CR”) was engaged by the Shareholder to implement a turnaround strategy.

5.34.6 In October of 2011, CR was appointed as the Chairman of Stalcor.

5.34.7 Between 2011 and 2016 Stalcor embarked on an aggressive growth plan and, within 4 years, it trebled its monthly sales revenues to approximately R100 million per month. This was done by *inter alia*:

5.34.7.1 Improving the stock composition by restocking with two-thirds fast moving stock and one-third slower moving stock;

5.34.7.2 Employing a well-qualified and highly experienced stainless steel and aluminium sales team;

5.34.7.3 Procuring working capital funding facilities from Sasfin Bank.

5.34.8 At the same time as Stalcor began to embark on its aggressive growth plan, GRS, while making a profit, was experiencing market share losses and decreasing sales volumes;

5.34.9 During FY2013, CR was appointed as chairman of GRS and immediately set about re-establishing GRS as the market leader in premium steel roof sheeting products;

5.34.10 With Stalcor experiencing rapid increased growth, it eventually reached a point where its balance sheet could no longer attract any further working capital funding;

5.34.11 During 2014, Stalcor underwent a merger and was combined with GRS, effectively establishing CSI;

- 5.34.12 CSI, subsequent to the merger, could now, as a much larger entity, justify higher working capital facilities that could be used to continue funding Stalcor;
- 5.34.13 The Shareholder, through its Times Media business, had aspirations of becoming a pan-African business and promoted the establishment of an 'African Footprint' by CSI (particularly the GRS Division) at a cost of approximately R150 million;
- 5.34.14 By 2016, business conducted outside of South Africa was generating roughly 30% of GRS's monthly revenues through direct and indirect sales activities;
- 5.34.15 The 'Africa Footprint' initiative resonated with CSI/GRS suppliers as it created/enhanced a route to market for them into Sub-Saharan Africa;
- 5.34.16 Diversification into Africa was effectively funded through an agreed extension of payment terms by GRS's suppliers;
- 5.34.17 At or around the middle of 2016, CSI changed bankers, choosing to bank with Absa, as the Sasfin facility had grown to over R300 million, which facility was proving difficult as a result of Sasfin's prudential limits with the SARB;
- 5.34.18 During the latter part of 2016, CSI consolidated its property requirements in Johannesburg, Cape Town and Durban in order to house the, now larger, merged business under one roof rather than having separate business units;
- 5.34.19 The property consolidation process cost the business, directly and indirectly, approximately R60 million and was funded internally;
- 5.34.20 At or near the beginning of 2017, GRS had grown its sales revenues by circa 250%;
- 5.34.21 During the early part of FY2017, the Shareholder gave instructions to the Board to embark on a sale process for which PSG Capital was engaged to run this process, involving the sale of CSI;

- 5.34.22 The Shareholder publicly announced its motive for the sale as being its intention to dispose of its non-core steel interests;
- 5.34.23 The Shareholder's value expectations, in terms of enterprise value, did not resonate with the market resulting in the Shareholder subsequently withdrawing CSI from the open market;
- 5.34.24 The Shareholder continued to withdraw R2 million per month in capital from CSI up until around May 2017 after which this ceased following Absa's request;
- 5.34.25 At or near the middle of 2017, CSI was becoming increasingly unable to take full advantage of early settlement discounts;
- 5.34.26 At or near the end of 2017, CSI Management, with the consent of the Shareholder, recommenced searching for an investor or trade sale which continued until January 2020;
- 5.34.27 The 2017 year-end closure revealed a slightly larger than normal liquidity gap of circa R80 million due to sales slowdowns experienced in December 2017 and January 2018. Slowdowns over this period is typical throughout the steel sector. This liquidity gap was restored in the first half of 2018;
- 5.34.28 Around August 2018, ArcelorMittal South Africa ("AMSA") withdrew the 3% volume rebate that it previously had provided to CSI which had the effect of eroding the gross profit margins in the downstream steel sector;
- 5.34.29 At or near the same time period, certain major steel mills began to enforce minimum order quantities which had the result of effectively compelling CSI to carry a larger inventory placing pressure on working capital leading to a greater number of creditors days;
- 5.34.30 During 2018, the Shareholder was approached by MacSteel who expressed their intention to purchase CSI. The acquisition failed due to anticipated Competition Commission related concerns as combined businesses would be

market-dominant in certain sub-sectors of the industry, specifically stainless steel;

- 5.34.31 At or around November 2018, after the sale to MacSteel had fallen through, the Shareholder sold its entire equity stake in CSI to management at the time. Prior to the sale, CSI management commenced on a roadshow to visit all of the Company's major stakeholders in order to procure their support for the transaction, which they received.
- 5.34.32 Circa early-2019, the December/January year-end holiday closure liquidity gap had grown to around R100 million. This liquidity deficit was restored by April 2019, where after Absa withdrew R45 million of its R160 million inventory financing facility from CSI. The withdrawal was due to CSI no longer having a shareholder of reference;
- 5.34.33 CGIC registered a R600 million General Notarial Bond over movable assets of CSI (including inventories and fixed assets) in order to support its continued credit risk exposure to CSI;
- 5.34.34 The Shareholder required of CSI to procure settlement of its vendor-financing obligations. The CSI Management vigorously pursued potential suitors, which included, but were not limited to AMSA, Allied Steelrode, Steeldale/Kutana Steel, Nodus Capital, AddCapital and others, to no avail;
- 5.34.35 CSI achieved its sales, profit, inventory and cash targets for its 2019 fiscal year-end as it had promised to all of its major stakeholders;
- 5.34.36 In September 2019, management forecast a year-end liquidity gap of approximately R150 million and as a result approached Traxys for a R247 million trade finance facility which they believed would be concluded by mid- to late December 2019;
- 5.34.37 By 20 December 2019, although the Traxys deal had not been finalised, the principle negotiations had been concluded;

- 5.34.38 The Traxys 'inventory sale and buy-back' deal was fully implemented with a receipt of funds on 8 February 2020. The proceeds were used to pay CSI creditors, Tiso Blackstar as well as to settle the Absa inventory funding facility;
- 5.34.39 The consummation of the Traxys deal was announced (in writing) to all CSI Stakeholders (suppliers, customers, employees, landlords, bankers, credit insurers) in late February 2020;
- 5.34.40 In terms of the contract CSI was obligated to repurchase the stock sold to Traxys over a 5-month period ending 31 May 2020, at a value including transaction costs of R269 million, on 60-day repayment terms;
- 5.34.41 Working closely with CGIC (the underwriters of the Traxys deal), management at the time put forward a Business Re-Engineering and Cost Reduction Plan ("BRECR") for CGIC's approval in February 2020, which was accepted;
- 5.34.42 CGIC made it clear to Management that CGIC were effectively the Company's sole equity providers and that CSI Management was to report to CGIC on a weekly basis while all major decisions were to be made in conjunction with them;
- 5.34.43 CSI's sales revenues for the first quarter of FY2020 were on budget until mid-March 2020 thereafter declining as a result of the onset of the Covid-19 pandemic and the announcement of the National State of Disaster and the lock-down that followed;
- 5.34.44 On 23 March 2020, CSI issued a letter to all CSI Stakeholders indicating that its board considered the Company to be financially distressed and that it would be rectifying this through the implementation of its BRECR plan;
- 5.34.45 The State of Disaster and National Lockdown resulted in circa R90 million in lost revenue for March 2020 which meant that CSI would not have sufficient cash flow to meet its Traxys repurchase obligation;

- 5.34.46 The National Lockdown commenced on 27 March 2020 where after CSI issued another letter to all CSI Stakeholders on 31 March 2020 declaring ‘force majeure’ until the lifting of the State of Disaster;
- 5.34.47 CSI reopened for business on 1 May 2020 to a muted market recording approximately R75 million or 30% of sales revenue for the month. At this point all CSI Stakeholders were notified in writing of this unsustainably low revenue base;
- 5.34.48 Procurement of stock for resale during Lockdown levels 5 and 4 was approved on an order by order basis by CGIC where CSI paid the suppliers cash to secure the delivery of an equivalent value of goods. This arrangement has continued since the commencement of the Lockdown in late March 2020;
- 5.34.49 At or around the last week of May 2020, the Shareholder cancelled the management buy-out sale, and effectively took over the entire equity of CSI whilst simultaneously effecting changes to the CSI board and leadership. A written notice with regard to this was circulated to all CSI Stakeholders in the first week of June 2020;
- 5.34.50 The June 2020 sales revenues improved to approximately R125 million or 55% of the pre-Covid-19 normal, however this was insufficient to generate adequate cash to settle the existing arrear supplier creditors;
- 5.34.51 At or around the end of June 2020, CGIC perfected its general notarial bond securing its claim over, *inter alia*, the CSI inventories and fixed assets. The impact of this, as outlined in CSI’s accounting records, is a reduction in the assets of the Company along with a simultaneous reduction in the liabilities. In order to enable CSI to continue trading, CGIC has allowed CSI continued use of the perfected general notarial bond assets;
- 5.34.52 On 7 July 2020 after having consulted with CGIC, the CSI board resolved to place CSI into Business Rescue which came into effect on 13 July 2020;

Shareholder loans

- 5.35 Shareholder loans are interest free, unsecured and subordinated in favour of the Company's creditors. The shareholder loan arises from the vendor financed sales of CSI to management and repayments commenced in 2013 at approximately R400,000 per month which in later years escalated to R2 million per month. The subordinated shareholder loan stands at R217 million.

Trading update

- 5.36 The following is a trading update for the month of July 2020:

Revenue (Incl. In Group)	Actual	Budget	Variance
Global Roofing Solutions	71,837	65,003	6,834
Stalcor	52,430	63,017	(10,587)
Consolidated Steel Industries	124,267	128,020	(3,753)

Gross Margin (Incl. In Group)	Actual	Budget	Variance
Global Roofing Solutions	18.8%	20.6%	(1.8%)
Stalcor	10.54%	10.6%	(0.06%)
Consolidated Steel Industries	15.3%	20.4%	(5.1%)

Gross Margin (Excl. In Group)	Actual	Budget	Variance
Global Roofing Solutions	20.8%	20.6%	0.2%

- 5.36.1 The month of July 2020 was a mixed level of activity with GRS exceeding sales forecast, however Stalcor fell short of the month's budget. This resulted in a 97% achievement of the CSI sales forecast. The level of activity post Covid-19 has resulted in a combined 60% achievement of pre-lockdown volumes. This level of economic activity further solidifies the decision to restructure and re-engineer the business to reflect expected economic activity post recovery.
- 5.36.2 For GRS, an increased level of activity was experienced in the project roofing market as project construction sites are trying to catch up on the delayed completion schedules. The merchant and hardware market environment required recouping of low stock levels and an improvement in the informal market sector. The sustainability of this sector is expected to normalize as the country moves towards Level 2 of lockdown.
- 5.36.3 Input steel from the major local mills was however limited due to constrained capacity which has not as yet been brought back on line post Covid-19 Lockdown. The demand on the roofing side is expected to continue at the 60% - 70% of normalized volumes into Q3 as the market plays catch up.
- 5.36.4 Margins did however fall slightly short of expectations but this was largely due to the mix being more heavily weighted towards the informal sector as construction projects recover, as well as inclusive of in-group trading. The margins achieved attributable to 3rd party sales of 20.8% slightly exceeded budget.
- 5.36.5 For Stalcor, after a drop in sales activity in the middle of the month, a late sales surge in the last week of the month brought on by the delivery of pipeline stock orders from the local mills assisted most of the Stalcor branches and group. Whilst margins remained in line with budget, the total sales fell short of budget (-16.8%).

- 5.36.6 In Durban and Johannesburg there remains significant pressure on sales margins, as a result of aggressive pricing by our primary competitors. The Cape Town and Port Elizabeth markets managed to exceed forecasted margins on sales, as a result of receiving stock that was purchased at March and April prices and selling based on the current replacement cost.
- 5.36.7 Insufficient stock mix contributed to the variance in actual vs budget sales which is being aggressively worked on in order to rebalance. The key focus for Stalcor is the restoration of consistency, reliability and availability for its customer stock and service demands.

Reasonable prospect

- 5.37 The aim of business rescue in terms of the Act is to restore the Company to solvency and allow it to continue to trade through the development and implementation of a Business Rescue Plan or, if it is not possible, to at least provide a better return to creditors and shareholders than would be the case in a liquidation scenario (S128 (b)(iii)). The “reasonable prospect” assertion in the Company’s case is based on first scenarios, namely: The implementation of a Business Rescue Plan to restructure the Company and return it to a solvent going concern:
- 5.37.1 In order to achieve this restructuring via the business rescue process the Company will be subjected to several turnaround interventions, including:
- 5.37.1.1 Cost cutting
 - 5.37.1.2 Gross profit/margin maximisation
 - 5.37.1.3 Operational separation and restructuring
 - 5.37.1.4 Potential division/asset sales
 - 5.37.1.5 Recovery of creditors funds

Cost cutting

- 5.37.2 Cost-cutting across all areas of the business has begun with the reduction in staff costs via a temporary short time program until the completion of the section 189 process.
- 5.37.3 Negotiations with landlords with the intention of achieving sustainable rental arrangements going forward, potentially on variable cost models (linked to sales/GP).
- 5.37.4 The restructuring and reduction of asset finance commitments.
- 5.37.5 The sale of non-core assets that are no longer required for a slimmed down operation. This may include but will not necessarily be limited to mobile mills;
- 5.37.6 Reviewing and reducing all other fixed and variable monthly costs so as to more closely match gross profit with costs.
- 5.37.7 A reduction over time in shared costs via a restructuring process.

Gross profit/margin maximisation

- 5.37.8 Engagement with key suppliers in the interest of optimizing purchasing and payment terms for discounts and thus margin maximisation.

Operational separation and restructuring

- 5.37.9 It is the belief of both the BRPs and the senior management that the 2 main business units namely GRS and Stalcor need to be restructured into 2 standalone businesses.
- 5.37.10 Each individual business will then be able to control their own costs as we decentralise the shared services functions back to a business unit level.
- 5.37.11 Premises sizes will need to be reduced to fit with the business needs and capacity.

- 5.37.12 Property leases will be renegotiated where possible in order to achieve a substantial reduction in the fixed monthly rental expense. This will ensure that the resized CSI rental costs are better aligned with near-term anticipated monthly income.
- 5.37.13 The benefit of this action will be 2 fully independent profitable trading entities that will be able to independently attract new capital or suitors when the need arises.
- 5.37.14 Each division will have its own banking facilities and balance sheet and will be treated as a standalone business.
- 5.37.15 The remaining shared services will reside in CSI head office.
- 5.37.16 These services will be limited to oversight functions and other specialist services that are not required at a divisional level on a full-time basis.
- 5.37.17 The above restructuring will enable us to properly evaluate the branch and African network which should be more profitable without the large head office overhead.
- 5.37.18 Where it is found that the branch or African subsidiary is not profitable or required for long term growth, we will look to restructure or dispose of the relevant asset.
- 5.37.19 A staff restructuring process will be undertaken across all of the business units and head office.
- 5.37.20 This restructuring process will be based on the near-term operational requirements of the business.
- 5.37.21 Staff reductions were identified as a priority prior to the business being placed into rescue and the practitioners believe that the consultation process entered into prior to business rescue needs to continue but needs to cover a larger portion of the current work force. The BRPs believe that this is an

urgent requirement as the Company is in danger of running out of available cash to pay wages and other costs.

- 5.37.22 In order to proactively limit the deterioration of the Company's liquidity profile, and to furthermore limit the impact of any potential forced staff retrenchments pursuant to a S189 LRA process, the short time arrangements that were in place at the time of entering into business rescue were bolstered for August 2020 and staff were invited to apply for voluntary separation packages.
- 5.37.23 In addition to the aforementioned, future contractual cost increases will need to be renegotiated in order to contain future cost creep.
- 5.37.24 Reducing all other fixed and administrative costs will be prioritised. All monthly costs will be reviewed to minimise the head office "monitoring costs" that the branches and trading entities are required to contribute towards. This will allow the Company to move forward on a more sustainable basis.
- 5.37.25 All non-revenue generating assets will be disposed of. A proper analysis of assets versus near-term business requirements will be performed in order to establish which assets can be disposed of.
- 5.37.26 The remaining assets and asset finance agreements will be serviced on a monthly basis.

Potential division/asset sales

- 5.37.27 Having implemented the measures set out above, it is the practitioners' belief that the 2 core divisions of CSI will be able to trade profitably at the lower levels of economic activity predicted in the near term.
- 5.37.28 To maximise potential returns for creditors, the BRPs will explore opportunities for sales of divisions, and will consider market opportunities that may help consolidate the industry and reduce costs.

5.37.29 Deloitte Capital have been appointed by the BRPs to put the various business units, including the African subsidiaries, to the market for potential sale.

Recovery of creditors' funds

5.37.30 It is envisioned that a portion of the Company's trade debt will be compromised.

5.37.31 Ring-Fenced Creditors who are trade creditors will not be compromised and paid as per the projections subject to cash flow availability.

5.37.32 The above payments will exclude the amount owed to Traxys as CGIC has agreed to convert this claim (that they own) into PCF.

5.37.33 Ring-Fenced Creditors who are not trade creditors will be paid over a 6-month period starting at the end September 2020, subject to the availability of the forecast free cash flow.

5.37.34 Historic Creditors will be subject to a compromise.

5.37.35 Subordinated shareholder loans will not receive a dividend in terms of the plan.

5.37.36 The result of this compromise will be that Historic Creditors will, immediately upon approval of the Business Rescue Plan, be able to call on their insurer for the recovery of the outstanding amounts as per their policy terms and conditions.

5.37.37 Creditors' post-Commencement Date outstanding amounts will be serviced in terms of the catch-up program as provided for in the Business Rescue Plan and will not be subject to any form of compromise on the principal amount.

5.37.38 These amounts will be paid over a three-month period starting at the end of September 2020, subject to the availability of the forecast free cash flow.

5.37.39 The claims of all Concurrent Creditors shall not accrue interest as from the Commencement Date.

- 5.37.40 No interest will be charged or accrue on outstanding creditor claims amounts from the Commencement Date.
- 5.37.41 No interest will be charged or accrue on shareholder loans or similar instruments outstanding from the Commencement Date.
- 5.37.42 Shareholders loans will continue to remain as subordinated and will not be affected by any sale agreement or change in shareholders' interests.
- 5.37.43 The Company will not pay or recognise any default fees or other interest charges on outstanding debt other than bank interest charged by a commercial bank or finance house which was part of their pre-rescue loan or finance agreement and this will be done at the pre-rescue commercially agreed rate only.
- 5.37.44 All penalty interest or late charges will be excluded and not recognised.
- 5.37.45 This arrangement to pay all Current trade debt in the current, 30, 60 and 90-day periods at the Commencement Date will be contingent upon the adoption of the Business Rescue Plan.
- 5.37.46 It is agreed that insured creditors are responsible for their own first losses as was their agreed commercial risk that they accepted as exposure when they chose to trade with the CSI on credit.
- 5.37.47 Creditors will not attempt to clawback any losses from future trade with CSI nor will they prohibit CSI from purchasing future stock from them on commercially fair terms and conditions.
- 5.37.48 It is considered fair for suppliers to ask for full cover for future purchases if they so require; this may be accomplished via *inter alia* trade finance or bank guarantees or a combination of the aforementioned.

- 5.37.49 Suppliers also warrant that no deposits or payments in any form whatsoever for post rescue payments other than those agreed to in the plan may be applied to any amount outstanding prior to the Commencement Date.
- 5.37.50 All new trading with Stalcor and GRS will be conducted on the following basis:
- 5.37.50.1 New trading accounts will be opened.
 - 5.37.50.2 New trade finance where required can be applied for from CGIC subject to CGIC's normal terms and conditions.
 - 5.37.50.3 Settlement discounts will apply as per normal commercial trading terms on these new accounts.
 - 5.37.50.4 No setoff of trade discounts will be allowed to cover any past losses arising from any pre-rescue debts whatsoever.
 - 5.37.50.5 The Company is allowed to continue trading under normal credit terms with the creditor post the compromise or on a COD basis if required.
 - 5.37.50.6 In the event that a compromised supplier refuses to sell to CGI or Stalcor or GRS under a COD basis or with 100% trade cover on terms and conditions that are on offer to competitors, this behaviour will be deemed to be anti-competitive and the Company reserves its right to take legal action and report such action to the Competition Commission.
 - 5.37.50.7 To fund this litigation and recover the cost to enforce such corrective action and damages claims, and also not to burden other historic creditors in their recovery process, the Company will set off these costs against historic creditor claims by the affected supplier only.

- 5.37.50.8 This will have the effect of firstly reducing these claims to cover all legal and related damages costs and claims, and then recovering any other costs and trade losses via normal legal channels.
- 5.37.50.9 All creditors will be bound by the above on approval of the Business Rescue Plan.
- 5.37.50.10 Asset finance agreements will be paid on a monthly basis once the Business Rescue Plan has been approved.
- 5.37.50.11 All arrears on finance agreements that came about post-rescue will be considered to be PCF.
- 5.37.50.12 All arrears on finance agreements will be caught up subject to an agreed plan with the BRPs and the affected holders of these finance agreements.
- 5.37.50.13 This agreed catch-up payment plan will be subject to the availability of forecast free cash flow.
- 5.37.50.14 All current monthly payments due on finance agreements will be met and it is the BRPs' intention to continue these agreements on the existing terms and conditions as stipulated in the original agreements, save for instances where the Company elects to return and/or sell relevant assets.

Free cash flow provisions

- 5.38 The financial projections have been prepared based on the assumption that there will be sufficient forecast free cash flows to give effect to any proposed repayments. In the event that there are insufficient free cash flows, payments to

Creditors will be partially or wholly suspended until sufficient cash flow is achieved, excluding all trading obligations. Payments suspended in this manner will be subject to an accelerated payment plan once there is sufficient forecast free cash flow.

Recoveries

- 5.39 Recovery from the sale or part sale of any of the assets of the business or the entire trading entity out of CSI will be distributed under the following ranking:
- 5.39.1 Firstly, to PCF funders who have provided funding to the business from the Commencement Date;
 - 5.39.2 Secondly to secured creditors holding perfected General Notarial Bonds over the trading stock and debtors book or other recognised security;
 - 5.39.3 Thirdly to all other unsecured creditors;
 - 5.39.4 Until such time as these asset sales can take place at a commercially viable level that is acceptable to both the BRPs and the majority of creditors voting by value by proxy, the BRPs will from time to time and subject to availability use the free cash flow generated from operations to start the repayment process to creditors in the above order;
 - 5.39.5 If the BRPs consider it necessary to retain such cash or raise additional funding for the acquisition of new assets, this can be approved via a vote of the majority of creditors by value at the time of voting in person or by proxy;
 - 5.39.6 The above arrangement will exclude secured asset finance agreements that will be paid in the normal course of business and will not be subject to a compromise;

Asset sales to raise funds to repay creditors

- 5.39.7 The trading entities of CSI, those being GRS and Stalcor, will be put up for sale and if sold the net proceeds, after transaction costs, will be distributed to creditors as per their ranking.
- 5.39.8 The ranking shall be firstly secured PCF creditors and secured pre-commencement creditors, then unsecured PCF creditors and finally unsecured pre-commencement creditors.
- 5.39.9 The result of the above arrangement is that once all assets or trading entities are sold, CSI will be left with the remaining unpaid creditor claims that have not been settled through the disposal of the assets of the trading entities. At this point the BRPs will request the remaining creditors to write off their remaining balance(s) outstanding and will terminate the business rescue process.
- 5.39.10 This final amount to be written off will be known as the compromise amount and can only be determined with any certainty when the trading entities or assets have been sold to recover funds.
- 5.39.11 The existing shareholders loans and shareholding will most likely be unaffected by this process and the control of the Company will be returned to them.
- 5.39.12 During the business rescue process the BRPs will not allow for any change of ownership to be effected unless by the written approval of the BRPs and the majority of pre-rescue creditors by value and (only if the disposal affects the rights of shareholders) then the majority of holders of shareholders rights at the time of the request.
- 5.39.13 In the event that there is an offer to purchase the shares of CSI (which is acceptable to creditors and the shareholders), then any income remaining

after the settlement of all creditors will be retained for the benefit of the existing shareholders.

5.39.14 No dividends or drawing down of shareholders loans will be allowed to be paid to the ordinary shareholders until all creditors and PCF funders have recovered their funds and the remaining creditors have been compromised (as per the approved rescue plan); and

5.39.15 Shareholders loans have been subordinated to creditors and, in accordance with section 145(4)(b) of the Act, are valued at liquidation value for the purpose of voting during the business rescue process. The liquidation value of the subordinated shareholder loan has been determined by the BRPs to be zero.

Benefits of the plan to the Affected Persons

5.39.16 Creditors will claim a smaller portion of their current CSI trade finance exposure from CGIC. The benefit of this will be two-fold:

5.39.16.1 Their claim ratio will remain low with the possibility of avoiding higher debtor insurance costs in future;

5.39.16.2 Their first loss or excess will be calculated on a smaller portion of their exposure to CSI as the balance will be dealt with in terms of the compromise proposed in this Plan and the balance will be paid in the normal course of business.

5.39.17 The benefit for CGIC is that they will not be faced with a complete loss event, as only a portion of the credit exposure will fall into the compromised amount.

- 5.39.18 Creditors and CGIC will in addition to the above benefits also be provided with the opportunity to recover some of their losses via the sale of the assets or trading entities through the business rescue process.
- 5.39.19 Additional value will be added to these trading entities through ongoing improving trading conditions post Covid-19 and including the benefits of the restructuring in business rescue.
- 5.39.20 By creditors allowing the business more time to trade and display its ability to achieve its trade targets, the value of the underlying trading entities is expected to increase over time.
- 5.39.21 The BRPs, in line with standard corporate finance practice, accept that a profitable trading history post-Business Rescue in line with (or in excess of) forecasts will boost the valuation and potential realisation from any sale of the trading entities allowing for a better recovery for creditors.
- 5.39.22 The delayed sale of the trading entities will not only benefit creditors through an anticipated higher recovery dividend but will also allow them to share in the trading profits during the turnaround period (**Annexure "C"**).
- 5.39.23 The forecast has been prepared from a realistic business rescue standpoint (given robust turnaround interventions) and may improve further based on the trading conditions. If this is the case, then creditors will benefit from both the current improved cash flow and the increased value of the trading entities to be sold.
- 5.39.24 Trade creditors and service providers will enjoy an ongoing mutually beneficial trading relationship with a restructured and solvent Company.
- 5.39.25 Any retrenched staff will benefit as the Company will continue trading and will be able to pay out their agreed retrenchment packages (which would not be the case in a liquidation (**Annexure "A"**)).

- 5.39.26 The Company will continue trading and retain some of the workforce. In a liquidation scenario all employees would lose their jobs (**Annexure "A"**); and
- 5.39.27 For all employees there is a reasonable prospect of the trading entities surviving henceforth, therefore the possibility exists that there may be future employment opportunities, as the Company and the economy recover post-Covid-19.

Liquidation valuation

- 5.40 An estimated liquidation calculation is attached as **Annexure "A"**.

List of Material Assets

- 5.41 The list of material assets is attached as **Annexure "D"**.

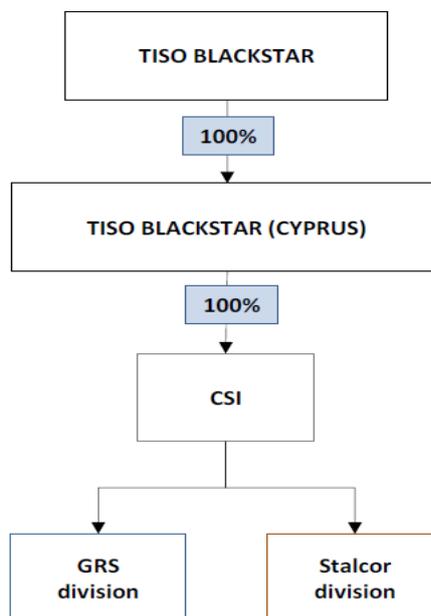
List of Creditors

- 5.42 The list of creditors as at 13 July 2020 is attached as **Annexure "B"**.

Group Structure and Shareholding

- 5.43 The Company is wholly owned by Tiso Blackstar. Tiso Blackstar entered into a sale of shares and claims agreement in May 2020 which entailed the sale of its shares

as well as its shareholder loans to Afmetco, the holding company of Eurosteel. Whilst the sale of claims is unconditional, the sale of shares was subject to several conditions precedent. The key condition precedent which has not been achieved is Competition Commission approval for the sale transaction and hence the sale of shares transaction was not fully implemented as at commencement of business rescue.



BRPs' remuneration

- 5.44 In terms of section 143 of the Companies Act, the BRPs are entitled to charge hourly fees based on the size of the Company in terms of its Public Interest score and at the tariff prescribed by the Minister from time to time. The Company is classed as a "Large Company" and as such the tariff is R2,000 per hour with a maximum of R25,000 per day, all inclusive of VAT. The Companies Act allows for the BRPs to propose a contingency fee to the Company based on the attainment of any particular event or result, including the adoption of a Business Rescue Plan.

- 5.45 The current tariff of business rescue practitioner fees was laid down in 2008 when the new Companies Act was drafted which came into effect in May 2011. The fees have not been amended since. A liquidator will charge up to 10% plus VAT on the sale proceeds of the assets over and above the costs of liquidation (advertising, marketing and auctioneers costs) and, having to dispose of the assets in a forced sale, will typically realise substantially lower proceeds. On this basis, the BRPs are confident in stating that the dividends to creditors resulting from liquidation will be significantly lower than those in business rescue.
- 5.46 The BRPs have proposed the following contingency fees:
- 5.46.1 On approval of the Business Rescue Plan, the BRPs' fees will be increased to R3,500 per hour (excl VAT), applied retrospectively to all fees charged by the BRPs since commencement of Business Rescue.
- 5.46.2 A fee of 5% (excl VAT) on the difference between the dividend payable (and actually paid) to creditors in business rescue versus liquidation; this difference having been reduced by all business rescue costs charged by the BRPs and their restructuring support team (Deloitte Restructuring) and Deloitte Capital for the marketing and potential sale of the business units.
- 5.47 The Creditors will be asked to approve the above hourly rates and contingency fee in a section 143 meeting to be held at the same time as the section 152 meeting to vote on the Business Rescue Plan.

Post-commencement finance (PCF)

- 5.48 As at the date of publication of this Business Rescue Plan, PCF has been provided by CGIC. Furthermore, Absa's Fleet and Managed Maintenance agreements are deemed to be PCF on the basis of this being a critical supplier.

Steps taken since the appointment of the BRPs

- 5.49 The BRPs and their support team understand and work according to the philosophy that everything is inherently urgent in a business rescue. This accords with Chapter 6 of the Companies Act which has tight timelines for conducting of creditor meetings, publication of the business rescue plan, and voting on the plan, all in the interest of giving the company in question the best possible chance of turnaround.
- 5.50 Key to the turnaround strategy has been to immediately and drastically reduce the cost base of the company to fit in with what we believe to be a sustainable post Covid-19-19 gross profit in the short term. The thinking is that as soon as the cost base has been reduced (and GP improved) to the extent that the company can run at cash breakeven or marginal profitability in the short term, then the rebuilding of the company can commence under business rescue.
- 5.51 Between the time of going into business rescue and publishing the business rescue plan, we believe that we have achieved the position of cash flow breakeven/marginal profitability as envisaged above.
- 5.52 Since commencement of the business rescue on 13 July 2020, the BRPs and their support team have taken the following steps to give effect to the above:

Payroll

- 5.52.1 Immediate reduction of payroll cost using short time. Staff were placed on further reduced short time (from 4 days per week to 2,5 days per week) with effect from 3 August 2020. Implementing short time whilst the S189 retrenchment is in process, was critical in order to improve liquidity and stabilise the company in the short term, as the company had risked a liquidity event (running out of cash) by early September 2020.

- 5.52.2 Immediate reduction of payroll cost by way of a voluntary retrenchment programme. At the beginning of August 2020, all staff were offered a voluntary retrenchment option, which would allow them to cease work with immediate effect or during the month of August, and to be paid only for hours worked during the month of August 2020. The take up of the voluntary retrenchment option was substantial (133 people) and served to reduce the monthly payroll by some R3,3 million, effective prior to publication of the business rescue plan.
- 5.52.3 The reduction in August payroll costs as a result of the above measures is expected to be in the region of R6 million, which has reduced the likelihood of the company experiencing a liquidity event (or running out of cash) in September 2020.

Gross profit margin

- 5.52.4 Discussions have been held with most key suppliers around granting early settlement discounts to the company post commencement of business rescue. These suppliers have generally agreed to grant us their standard settlement discounts for cash, 30-day or 60-day settlement. This is likely to have a marked positive effect on the company's cash flows and profitability in the short- to medium term, as the company has not enjoyed settlement discounts since 2017/2018.

Lease costs

- 5.52.5 All but one property leases were suspended following commencement of business rescue. Rentals in terms of these lease agreements were not paid at the end of July. The business rescue practitioners are yet to renegotiate new lease terms with the landlords. For the purposes of the business rescue plan, the lease costs have been budgeted at R2 million per month, which is a substantial reduction from the R4,8 million per month that the company was paying before business rescue. The reduction is premised on the estimation

that the restructured company is likely to require only 40% of the factory space that it currently occupies.

- 5.52.6 The BRPs acknowledge that budgeting for any form of reduced rental may be considered premature by the landlords. This forecasting is not intended to be presumptive on the part of the BRPs, instead rentals have simply been stated based on what we currently understand the factory space requirement to be for the company's divisions in the near term. We understand and accept that a comprehensive negotiation process is most likely required in the interest of attempting to reach solutions that are feasible for both parties.

Transport and fleet costs

- 5.52.7 Assets have been identified for sale/return where these assets are not critical to the operations of the business in the near term.
- 5.52.8 Further analysis is likely to be performed following publication of the business rescue plan. This analysis is likely to include detailed analysis of fuel expenditure.
- 5.52.9 The above interventions are likely to have an immediate impact on finance costs, lease costs and transport costs.
- 5.52.10 The possibility of sale of high value assets on the foreign market is being explored. If considered feasible, realisations are only likely to take place in the medium term (9-12 months).

Marketing of divisions for sale

- 5.52.11 The BRPs employed the services of Deloitte Capital to give effect to the potential marketing and sale of the CSI divisions.
- 5.52.12 The short-, medium-, and long-term cash flow forecasts were prepared in extensive daily collaboration between the BRPs and their support team,

management and Deloitte Capital, with the cash flow forecasts being crucial to the valuation of the business units in light of potential sales of these units.

5.52.13 The publication of the Information Memorandum for the sale of the divisions by Deloitte Capital is scheduled to take place shortly after the publication of the business rescue plan.

5.52.14 Since commencement of business rescue, Deloitte Capital and the BRPs have procured significant interest in the purchase of the various business units and the African subsidiaries/associates.

Cash flow management and payment approval processes

5.52.15 Since commencement of business rescue, detailed short term cash flow forecasting has been prioritised, with daily meetings between the BRPs, the restructuring support team and management resulting in now robust short-term cash flow forecasts which have been used as the basis to model the medium- and long-term forecasts included in this plan.

5.52.16 The short-term cash flow forecasts, refined on a weekly basis, have been presented to CGIC in weekly update meetings.

5.52.17 The ongoing refinement of the cash flow forecasts and the robustness achieved since commencement of business rescue have given the BRPs confidence in the short-term feasibility of the company and its divisions, and confidence in the medium- to long-term financial projections included in this plan.

5.52.18 Rigid daily payment approval processes have been implemented by the business rescue support team, which give the BRPs confidence that payments have to date been effected rigidly in line with the policies that have been set out by the BRPs and their restructuring support team.

Procurement of post-commencement finance (PCF) to secure orders

- 5.52.19 On 17 August 2020 CGIC approved post-commencement finance with which CSI can secure critical forward orders from key suppliers in order to perpetuate trade.
- 5.52.20 The PCF amounts to R151 million in total, and comprises of:
- 5.52.21 R116 million due to CGIC in respect of the Traxys debt, for which they have agreed to allow delayed payment of the current, 30-, 60-day dues by CSI for which imminent payment was originally envisaged by the plan, and
- 5.52.22 Trade cover in the amount of R35 million to key suppliers who are insured by CGIC.

Import test plan approval

- 5.52.23 The BRPs have approved a plan to immediately commence imports on a test basis.
- 5.52.24 Based on current calculations and exchange rates, the imports are expected to yield a slightly improved GP% and somewhat-reduced lead times on orders.
- 5.52.25 Following receipt of the imported product, the import plan may be expanded based on the results of the trial and inter alia exchange rates and lead times.

Management Control

- 5.53 In terms of section 140(1)(a) of the Companies Act, the BRPs took over management control of the Company and thereafter allowed the current management operational control.

Reporting to CIPC

- 5.54 The BRPs have complied with all statutory obligations under the Companies Act and will render monthly reports to the CIPC as contemplated in section 132(3) of the Companies Act.

Publication of Business Rescue Plan

- 5.55 In terms of section 150(5) of the Companies Act, the Business Rescue Plan is required to be published within 25 business days from the appointment of the BRP. The date for the publication for the plan is **18 August 2020** and the vote is expected to take place on **27 August 2020**.

Publication of Notice of Meeting and Business Rescue Plan

- 5.56 The publication of the Business Rescue Plan will take place in the following manner:
- 5.56.1 via email or fax to all known Creditors, to the extent that the email addresses or fax numbers are available;
 - 5.56.2 publication on the website of the Company (if available); and
 - 5.56.3 copies will be available at the registered office of the Company.

Labour

Employees' Meetings

- 5.57 A Section 189 process commenced prior to the start of business rescue; consultations are ongoing and the process will be completed once the Business Rescue plan has been voted on and approved.
- 5.58 The BRPs have been consulting with labour through a joint Section 189 and business rescue plan consultation process and have shared draft versions of the plan for discussion, as contemplated in section 144(3)(d) of the Act. The unions and non-unionised employees have been requested and encouraged to make submissions on the draft business rescue plan. Any further submissions by labour for amendment of this published plan will be given favourable consideration by the BRPs.
- 5.59 A further consultation in terms of section 189 is due to take place under the auspices of the CCMA on 19 August 2020. This Section 189 process will be completed once the Business Rescue Plan has been approved.
- 5.60 Any outcomes arising from the s189 consultation on 19 August 2020 or from bilateral negotiations with labour representatives will be reflected in amendments to this plan before it is voted on.
- 5.61 A Section 148 meeting of employees was held, which was attended by the various employee representatives, on 21 July 2020 at 14:00PM.

Section 189 update

- 5.62 This is an ongoing process and all parties are reviewing various options and proposals as we cannot pre-empt the final outcome of this process but we can only indicate that management and the BRP's are committed to finding a long term sustainable solution.

Creditors

Creditors' meetings

- 5.63 The first meeting of Creditors, as contemplated in section 145(1)(a) of the Act, was held on 21 July 2020 (“the First Meeting”). At the first meeting:
- 5.63.1 the business rescue process was explained, and possible outcomes were presented to the Creditors;
 - 5.63.2 assistance was given to the Creditors by providing answers to their various queries;
 - 5.63.3 the creditors were invited to form a committee in terms of Section 145(3) of the Act; and
 - 5.63.4 claims were received by the BRPs.

Creditors' Committee

- 5.64 No creditors' committee was formed at the First Meeting. Creditors are at liberty to advise the BRPs that a committee has been formed. The BRPs will then consult with the Creditors' Committee as and when requested.

Statement regarding any informal proposals by Creditors

- 5.65 No informal proposals have been received from any affected persons, other than those set out in the Plan.

6 PART B - PROPOSALS

Objective

- 6.1 The purpose of business rescue proceedings, as set out in section 128(1)(b)(iii) of the Companies Act, is to develop and implement a plan that:
 - 6.1.1 rescues the Company by restructuring its affairs, business, property, debt and other liabilities, in a manner that maximises the likelihood of the business continuing in existence on a solvent basis; or
 - 6.1.2 if the aforementioned is not possible then to ensure a better return for the Company's Creditors than would have resulted from the immediate liquidation of the Company.
- 6.2 This Business Rescue Plan should provide Affected Persons with information, so that they may:
 - 6.2.1 assess the likely outcome of the dividend yield calculation under Business Rescue, and
 - 6.2.2 be assured of the likelihood of obtaining a better outcome under Business Rescue for all Affected Persons, when compared to liquidation.

Moratorium

- 6.3 In terms of Section 133(1) of the Act, the commencement of Business Rescue places a moratorium on legal proceedings against the Company. This means that Creditors, even though their rights may be secured, will not be able to proceed in any forum against the Company for non-payment of debts, and/or any enforcement action/proceeding during Business Rescue. This moratorium is an essential statutory protection which gives the Company breathing space to restructure its affairs.
- 6.4 For the avoidance of doubt, this moratorium does not include the Directors and accordingly, the Creditors shall not be precluded from exercising their rights in the

event they elect to instigate civil and/or criminal action against past and/or current Directors for whatever reasons.

- 6.5 A moratorium intends to give the Company the best possible chance to implement the Business Rescue Plan.

List of assets

- 6.6 The assets of the Company are listed in **Annexure "D"**.

Discharge of debts and claims

- 6.7 The Practitioners draw the attention of the Creditors of the Company to the provisions of Section 154 of the Act. It provides that if a Business Rescue Plan which has been approved is implemented in accordance with its terms and conditions, a creditor:
- 6.7.1 who has acceded to 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 of it;
 - 6.7.2 is not entitled to enforce any debt owed by the Company immediately before the beginning of the business rescue process, except to the extent provided for in the Business Rescue Plan;
 - 6.7.3 It is intended that there will be a compromise of Claims by creditors in terms of this plan.

Existing contracts

- 6.8 The material obligations of the company in terms of several contracts were suspended shortly following the commencement of Business Rescue and relevant creditors/suppliers were notified accordingly. No contracts were cancelled.
- 6.9 The suspended contracts were primarily lease contracts in respect of premises. The landlords are being or will be engaged imminently with a view towards renegotiating the leases.

Settlement of claims and post-commencement liabilities

- 6.10 Once the free residue has been quantified it will be utilised to settle claims as follows:
- 6.10.1 *Post commencement creditors* - It is anticipated that PCF funders would recover their funds prior to all other creditors receiving a recovery dividend. In terms of the Act, post-commencement creditors, after payment of the BRPs costs, are to be paid in full, out of trading profits, before the unsecured creditors. Secured post-commencement creditors will be paid out of the proceeds of secured assets.
- 6.10.2 *Secured creditors* - The list of secured creditors is provided in **Annexure "B"**. It is anticipated that the dividend for secured creditors will flow from 2 income streams namely trading profits, and net proceeds from the sale of the assets and/or the trading entities. The trading profits can be estimated as per the current projections (**Annexure "C"**). The BRPs and their corporate advisors are unable to give an estimate of the sales value of the trading entities. It is the opinion of the BRPs that the longer the Company is allowed to trade under this new restructured basis, the higher the sale proceeds will ultimately be. Accordingly, the anticipated disposal is likely to shift in time from a distressed

sale towards a fair value corporate disposal and should thus attract higher bids.

6.10.3 *Concurrent creditors* - It is anticipated that the possible dividend for concurrent creditors could flow from the net proceeds from the sale of the assets and/or the trading entities. Although the trading profits can be estimated as per the current projections (**Annexure "C"**), these would flow first to secured creditors. That being said, this will have the effect of reducing secured creditor claims and increasing the possibility of concurrent creditors receiving a dividend. The BRPs and their corporate advisors are unable to give an estimate of the sales value of the trading entities. It is the opinion of the BRPs that the longer the Company is allowed to trade under this new restructured basis, the higher the sale proceeds will ultimately be. Accordingly, the anticipated disposal is likely to shift in time from a distressed sale towards a fair value corporate disposal and should thus attract higher bids.

6.10.4 *Shareholder loans* - It is anticipated that, as the shareholders loan has been subordinated, shareholder loans will only receive a portion of the recovery dividend in the event that the sale of the trading entities results in all costs having been recovered and creditor claims having been paid in full. Otherwise the subordinated shareholders loan will not receive a dividend in terms of the plan.

Comparison of benefits creditors will receive if the plan is adopted, versus liquidation

6.11 The BRP's are of the opinion that the financial benefits of a restructured profitable trading entity that can be sold for the benefit of creditors as per their ranking will exceed the estimated recovery in liquidation.

- 6.12 The benefits of the plan being adopted versus a liquidation scenario are set out in **Annexure "B"**.

Effect that the plan will have on the holders of issued securities

- 6.13 There will be no effect on the shareholding of CSI during the business rescue process arising out of this plan. This may change in the event of a material transaction after adoption of the plan which affects the rights of shareholders.

Damages

- 6.14 The BRPs retain the right to suspend all payment obligations of CSI to any creditor in terms of any contract to , or apply to the High Court to cancel the Company's obligations in terms of any lease, rental contract or similar with a 1 months' notice period and return the asset to the lessor.
- 6.15 In respect of any creditors claims for losses or damages, whether contractual or delictual in nature, against the Company, and if such losses or damages claims be accepted by the BRPs or proved by way of the dispute mechanism or is fixed by court order or similar proceedings, such damages claims:
- 6.15.1 will be deemed to be limited to general damages suffered over the lesser of 2 months from the date on which the alleged damages claim arose or the balance of the contract duration. For purposes hereof, general damages are those which, on an objective basis, would be reasonably foreseeable at the time of entering into the relevant contract as a probable consequence of, and with a sufficiently close connection to, any breach by the Company of such

contract so as to be said to flow naturally and generally and not to be too remote;

6.15.2 will be deemed to exclude all consequential damages (including loss of profit) and indirect damages; and

6.15.3 if disputed, will be resolved in terms of the dispute mechanism, detailed in paragraph 7.13 hereunder.

Voidable transactions

6.16 The BRPs are in the process of investigating pre-rescue transactions which, if believed to be invalid or void, will be referred to court for further independent evaluation and adjudication.

Taxes as per section 22 of the VAT act

6.17 If the Company is required to implement a compromise with creditors, then:

6.17.1 The creditors whose claims are compromised in term of this Business Rescue Plan shall not be entitled to claim any claw-back claims for VAT from SARS as a result of any compromise;

6.17.2 SARS shall not be entitled to claim any amounts from the Company for recovery of input VAT arising out of any compromise in terms of this Business Rescue Plan;

6.17.3 To the extent that creditors are unable to claim VAT claw-backs from SARS, they may include the VAT portion of any bad debts as a deduction in their income tax calculations.

7 PART C - ASSUMPTIONS AND CONDITIONS

Circumstances in which the business rescue will end, and the termination of business rescue

- 7.1 The Business Rescue will end:
- 7.1.1 if the proposed Business Rescue Plan is rejected at the Section 151 meeting and the BRP or an Affected Person/s does not act to extend the business rescue proceedings in any manner contemplated by Section 153(1) of the Act;
or
 - 7.1.2 this Business Rescue Plan is adopted and implemented and the BRP has filed a notice of substantial implementation of the Business Rescue Plan with the CIPC; or
 - 7.1.3 a High Court orders the conversion of the Business Rescue into liquidation proceedings.

Any conditions that must be fulfilled before the plan can come into operation or before it can be fully implemented

- 7.2 None other than approval by the creditors in terms of the Act.

The effect that the Business Rescue Plan will have on the number of employees and their conditions of employment

- 7.3 A number of employees will be retrenched, over and above those who have applied for voluntary separation packages. This will be subject to the outcome of the Section 189 process which is still to be concluded.

Projected income statement and balance sheet for the period up to the settlement of all Claims based on the assumption that the plan is adopted

- 7.4 Please refer to **Annexure "C"**.

General

- 7.5 Binding Nature of Adopting the Business Rescue Plan - We draw the attention of the affected persons to the provisions of Section 152(4) of the Act. It provides that a Business Rescue Plan that has been adopted in accordance with the provisions of Section 152(2) of the Act is binding on the Company, and on each of the Creditors of the Company and every holder of the Company's securities, whether or not such a person:
- 7.5.1 was present at the meeting to determine the future of the Company in terms of Section 151 of the Act;
 - 7.5.2 voted in favour of the adoption of the Business Rescue Plan; or
 - 7.5.3 in the case of Creditors, had proven their claims against the Company.
- 7.6 Discharge of debts and claims – We draw the attention of affected persons to Section 154 of the Companies Act of 2008 wherein it provides that where a Business

Rescue Plan has been approved and is implemented in accordance with its terms and conditions, a creditor:

- 7.6.1 who has acceded to 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 of it;
- 7.6.2 is not entitled to enforce any debt owed by the Company immediately prior to the commencement of the business rescue process, except to the extent provided for in the Business Rescue Plan.
- 7.7 The BRPs shall have the right to amend the plan after it has been adopted in the following circumstances:
 - 7.7.1 If it comes to the BRPs attention that material information has been withheld, or if additional information comes to their attention;
 - 7.7.2 If it becomes apparent that this plan cannot be implemented without such amendment;
 - 7.7.3 If the BRPs consider it just and equitable to do so.
- 7.8 Notice of any such amendments to the plan will be furnished to affected persons.
- 7.9 Should the amendment require a material change to the plan which has an adverse effect on Creditors, the practitioner will convene a further meeting of Creditors and seek the approval of Creditors holding a majority of the voting interests to amend the plan.
- 7.10 By voting in favour of this plan, the Creditors agree to indemnify the BRP against any and all claims, howsoever arising, against them pursuant to the adoption and implementation of this BR Plan.

Security and Claims Review

- 7.11 The claims of Creditors reflected in this plan have been recorded according to the books of account of the Company. The BRPs do not accept the books of account of the Company as adequate proof that any claim is due, owing and payable. The fact that this plan has been furnished to any person by the BRPs must not be construed as an admission that the recipient is a legitimate creditor of the Company. Any creditor wishing to establish its claim must lodge a proof of its claim with the BRPs and which must be to the BRPs satisfaction, at or before the date on which this plan is voted on by the Creditors at a meeting convened in terms of section 151 of the Act.
- 7.12 Proof of claims forms were sent to all Creditors either before or at the First Meeting of Creditors.

Dispute Resolution

- 7.13 Save as provided for in section 133 of the Act, in respect of all or any disputes by the BRPs on Claims submitted by Creditors and PCF Creditors, which disputes include, but are not limited to, disputes on the existence or otherwise of Claims, on the quantum of the Claim, security claimed by a Creditor, the nature of the security, the extent and value of the security and the like of such dispute, as well as any counterclaim by the Company, can only be resolved in accordance with the dispute mechanism outlined below.
- 7.14 The dispute mechanism procedure will be as follows:
- 7.14.1 All Creditors who have received notification from the BRPs of a dispute, or whose claims are not recorded to their satisfaction in the plan, are within 15 days after the plan has been published to contact the BRPs and to meet with them during this period in an attempt to reach agreement on the dispute.

7.14.2 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 days, the Creditor will be afforded 7 days calculated from the date of expiry of the 15 days to nominate one of the Advocates from the list below 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 BRPs will do so on its behalf and this nomination will be binding on the Creditor. The list of these advocates are:

7.14.2.1 Adv. Jasper Daniels SC;

7.14.2.2 Adv. Barry Gilbert;

7.14.2.3 Adv. Greg Wickins SC.

7.14.3 The advocate 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 period as the expert in his sole discretion may determine. To the extent that any expert as nominated by the Creditor refuses to act or is not available to act, the Creditor, or if he refuses or does not do so within 3 days of being requested by the BRPs, the BRPs are then obliged to choose another advocate from the above list until one such advocate is available to act and is agreeable to act.

7.14.4 The expert will in his sole and absolute discretion determine:

7.14.4.1 the venue at which the dispute is to be resolved;

7.14.4.2 the rules, regulations and procedures that will govern the determination of the dispute;

7.14.4.3 the date for the determination of the dispute;

7.14.4.4 will give his award and determination within 5 days of the completion of the process as determined by him;

- 7.14.4.5 will as part of his award and determination determine who is liable for the costs of the determination such costs to include his costs, legal costs, venue costs, recording equipment, transcript of evidence and the like.
- 7.14.5 The Creditor agrees that save for any manifest error the determination of the expert will be final and binding on the Creditor, the Company and the BRP and will not be subject to any subsequent review or appeal.
- 7.14.6 The expert shall be entitled to make an award for costs in his discretion.
- 7.14.7 The Creditor, the Employee, the Company and the BRPs 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.

8 CERTIFICATE

We certify that the information provided in the plan appears to be correct and up to date and that the projections were made in good faith based on factual information and assumptions set out in the statement.

We hope that the above Business Rescue Plan will meet with your approval. Should you have any comments or questions, please do not hesitate to contact us.

Yours faithfully



Ian Fleming – Joint Business Rescue Practitioner

18 August 2020



Sello Mkhondo – Joint Business Rescue Practitioner

18 August 2020