
SUPPORTING AFFIDAVIT IN TERMS OF SECTION 129 (3) (a)

I the undersigned;

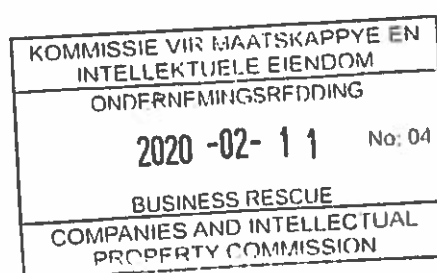
DEVAN KRÜGER

With Identity Number: 7909065161080

hereby declare under oath as follow;

1.

- 1.1 I am a major male Director of Clotan Steel Proprietary Limited, a private company with limited liability, duly incorporated in terms of the governing laws of the Republic of South Africa, under registration number 2013/208068/07, with principle place of business and registered address at 130 Hertz Boulevard, NW7, Vanderbijlpark.
- 1.2 The facts contained herein fall within my personal knowledge and are to the best of my knowledge both true and correct unless stated otherwise in this affidavit.
- 1.3 By virtue of my status as a director of Clotan Steel Proprietary Limited, I am duly authorised to depose to this affidavit.
- 1.4 I make this sworn statement in support of Clotan Steel Proprietary Limited (herein after also referred to as the "Company") decision to initiate business rescue proceedings as contemplated by Section 129 of the Companies Act 71 of 2008.



[A] BRIEF COMPANY BACKGROUND

2.

- 2.1 The Company was established in 1983.
- 2.2 The Company is a family owned business with a single shareholder.
- 2.3 The Company manufactures steel roof sheeting and ancillary products for the building and construction industry.

[B] FINANCIAL STRAIN

3.

- 3.1 The Company is currently financially distressed in that it appears reasonably unlikely that the Company will be able to pay all of its debts as they fall due and payable within the immediately ensuing six months. Some reasons for occurrence of this situation are as follows:
 - a) The Company has suffered financial losses since 2017 in consecutive financial years which has been exacerbated by the investment in a fellow group subsidiary, Clotan Building Systems, since 2015. This investment is in excess of R60 000 000 over the past 5 years.
 - b) Insufficient volumes processed through the Company as result of declining market conditions since 2012.
 - c) South African government not extending import duty and tariff protection to downstream industries.
 - d) The inability for the Company to agree with credit insurers to provide market related credit cover facilities to enable ongoing trading on normal commercial terms.

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM	
ONDERNEMINGSREDDING	
2020 -02- 11	No: 04
BUSINESS RESCUE	
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION	



- e) Change in pricing model of ArcelorMittal South Africa in 2017 whereby it unilaterally abolished volumetric discounts resulting in substantial financial losses for the Company.
- f) Failure by the South African government to timeously implement the Renewal Energy Independent Power Program which stalled the production and sale of related products for which substantial investment had been made during the past five years.
- g) Increasing trend of sub-standard and cheap material imports from South-East Asia and China.

[C] PROSPECT OF BUSINESS RESCUE

4.

4.1 There appears to be a reasonable prospect of rescuing the Company due to the following reasons:

- a) The Company has a tangible net asset value therefore it is not technically insolvent. The Company's financial issues are related largely to its cash flow pressures.
- b) Management's financial forecast for the 2020 financial year shows a marginal loss subject to a temporary reduction in management remuneration and a standstill agreement being concluded with trade creditors and credit insurers. This agreement is in the process of being negotiated.
- c) Whilst there is a possibility to trade out of the current financial position, management considers a merger to be more prudent. The Company has

KOMMISSIE VIR MAATSKAPPE EN INTELLEKTUELE EIENDOM
ONDERNEMINGSREDDING
2020 -02- 11 No: 04
BUSINESS RESCUE
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION

Page 3



SUPPORTING AFFIDAVIT IN TERMS OF SECTION 129 (3) (a)

signed a term-sheet with Macsteel Service Centers South Africa with a view to concluding a merger, subject to various conditions, including regulatory approval, final due diligence and respective board approvals.

- d) A number of other independent investors have also expressed interest in a merger or acquisition of the Company.
- e) A merger will have positive effects on the Company as well as its merging party which may include improved efficiencies, scale benefits and cost rationalization.
- f) The Company's holding company is considering the disposal of its interest in Clotan Building Systems which could raise additional capital needed to recapitalize the Company.
- g) The Company's holding company has given notice to close down its Namibian operations, Clotan Steel Namibia, with effect from end February 2020. Realising assets and debtors could result in positive cash flow of between R2 000 000 and R5 000 000 which will be available to the Company.

4.2 The Business rescue process will allow for:

- i) The temporary assistance with the supervision of the Company and management of its affairs by a business rescue practitioner.
- ii) The development and implementation, if approved, of a business rescue plan in terms of which the trading ability of the Company is restored; by restructuring the Company's affairs, business, liabilities and equity, in a manner that maximizes the likelihood of the Company being restored to prosperity, and / or result in a better return for the stakeholders than would result from any potential liquidation of the Company.

KOMMISSIE VIR MAATSKAPPE EN INTELLEKTUELE EIENDOM	
ONDERNEMINGSREDDING	
2020-02-11	No: 04
BUSINESS RESCUE	
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION	

Page 4

- iii) The Company's assets are of such a nature that the immediate liquidation of the Company would destroy great value. It would be to the benefit of all affected parties if these assets are placed in the control of a business rescue practitioner and dealt with in a business rescue process.
 - iv) As stated above, business rescue will accordingly provide a better return for all affected persons than what would be received in a liquidation.
 - v) Business rescue also allows for a temporary moratorium to protect the Company while a plan to restructure its affairs is devised in order to provide for a better return for creditors than liquidation.
- 4.3 It is accordingly the Director's submission and view that the business rescue of the Company, as foreshadowed above, would be in the best interest of the Company, its employees, its creditors and all other related stakeholders.
- 4.4 Based on the aforementioned, I, as Director of the Company, and as appears from the resolution and the CIPC Form 123.1, to which this statement is annexed, have determined that it would be in the best interests of the Company and its creditors to be placed under business rescue, with immediate effect.

[D] CURRENT FINANCIAL POSITION

5.

- 5.1 In addition, I also wish to provide a brief summary of financial position of company.

- a) Fixed Assets: R102 000 000 (Book Value)
- b) Stock: R60 000 000
- c) Receivables: R38 000 000
- d) Intercompany Receivables: R65 000 000

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM	
ONDERNEMINGSREDDING	
2020 -02- 1 1	No: 04
BUSINESS RESCUE	
COMPANIES AND INTELLECTUAL PROPERTY COMMISSION	

SUPPORTING AFFIDAVIT IN TERMS OF SECTION 129 (3) (a)

- e) Trade Creditors: R169 574 645
- f) Secured Creditors: R49 559 029
- g) Number of Employees: 220

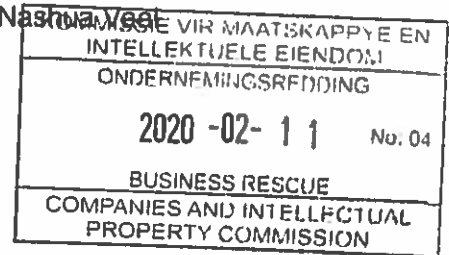
6.

To the best of my knowledge, I confirm that there are no active liquidation proceedings that have been initiated by or against the Company.

7.

As for as active litigation is concerned, I wish to confirm that the following legal matters are pending against or for the Company:

- 7.1 Plaintiff: Vaal Document Management (Pty) Ltd t/a Nashua Veet
Defendant: Clotan Steel (Pty) Ltd
Claim Amount: R776 251.77 (Ex Vat)
Case Number: 14/36023
Court: Johannesburg High Court



- 7.2 Clotan Steel, together with Consolidated Wire Industries (Pty) Ltd and South African Roll Company (Pty) Ltd instituted review proceedings against Eskom, Emfuleni, NERSA and the Premier (Gauteng) in the Gauteng Local Division of the High Court (Johannesburg) under case no 2018/29636 on 13 August 2018. The aforesaid application was consolidated with similar applications by launched by Cape Gate (Pty) Ltd and Emerald Safari Resort (Pty) Ltd respectively. All the cases have been consolidated under case no. 2018/27317 (Gauteng Local Division). The review application is pending.
- 7.3 Clotan Steel, together with 8 other applicants, launched review proceedings against NERSA and Emfuleni Local Municipality in the Gauteng Local Division of the high Court (Johannesburg) under case number 28827/2019 on 16

SUPPORTING AFFIDAVIT IN TERMS OF SECTION 129 (3) (a)

August 2019. The review application was successful. Emfuleni has since launched an application to rescind the order. Clotan Steel and the other applicants are opposing the application. The matter is pending.

8.

The Company will nominate Stefan Steyn and Tim Stokes for the appointment as joint business rescue practitioners.

9.

I hereby reserve my absolute right to amplify the entire affidavit or in part at my sole discretion for clarification purposes.

DATED AT LANDSBURG THIS 11th DAY OF FEBRUARY 2020.

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM	
ONDERNEMINGSREDDING	
2020-02-11	NO. 04
BUSINESS RESCUE COMPANIES AND INTELLECTUAL PROPERTY COMMISSION	



DEPONENT


DECLARATION

I HEREBY CERTIFY THAT THE DEPONENT KNOWS AND UNDERSTANDS THE CONTENTS OF THIS AFFIDAVIT WHICH WAS SIGNED AND SWORN BEFORE ME AT LANDSBURG ON ABOVEMENTIONED DATE, THE REGULATIONS CONTAINED IN GN NO. R1258 OF 21 JULY 1972, AS AMENDED AND THAT THE DEPONENT DECLARED THAT THE DEPONENT HAS NO OBJECTIONS TO THE TAKING OF THE PRESCRIBED OATH, THAT THE OATH BE BINDING ON THE DEPONENT'S CONSCIENCE AND THAT THE DEPONENT

Page



UNDERSTANDS THE INFORMATION CONTAINED IN THIS AFFIDAVIT AND
KNOWS THE CONTENTS THEREOF.



COMMISSIONER OF OATHS
RANK/TITLE:
FULL NAME/S:
PHYSICAL ADDRESS:

COMMISSIONER OF OATHS (RSA)
Don Jason Millar CA (SA)
Member number: 00063621
24 Hurlingham Road, Illovo
Johannesburg

KOMMISSIE VIR MAATSKAPPYE EN INTELLEKTUELE EIENDOM ONDERNEMINGSREDDING	
2020 -02- 11	No: 04
BUSINESS RESCUE COMPANIES AND INTELLECTUAL PROPERTY COMMISSION	