
Sworn Statement in terms of section 129(3)(a) of the Companies Act No. 71 of 2008

I, the undersigned,

MARC FREW
(Identity number 8710285210080)

do hereby state as follows –

- 1 I am a director of The Red Brick Building Company Proprietary Limited (Registration number 2006/022374/07) ("**Company**") (appointed on 17 January 2017), a company with limited liability which has its registered address and principal place of business at 41 Richefond Circle, Umhlanga Ridge, KwaZulu Natal, 4319.
- 2 I am duly authorised to depose to this sworn statement on behalf of the Company.

PURPOSE OF THIS STATEMENT

- 3 The board of directors of the Company is made up by myself, Paul Munday and Bruce Winship ("**Board**"). On [11 April 2022], the Board resolved to place the Company into business rescue proceedings ("**Business Rescue**") in terms of section 129 of the Companies Act No. 71 of 2008 ("**Companies Act**").
- 4 This sworn statement (this "**Statement**") is made by me on behalf of the Company to support the commencement of Business Rescue in terms of Section 129 of the Companies Act. With this Statement, I intend to provide the relevant information that is required in order to demonstrate that the Company should be placed in Business Rescue.
- 5 The information contained in this Statement and the opinions expressed herein relate to the financial difficulties of the Company and how –
 - 5.1 the Company's business can be rescued and continue as a going concern as an alternative to liquidation; or



- 5.2 the Company can pay a higher dividend to its creditors than that which would become payable to creditors if the Company were to be liquidated.

FINANCIAL DISTRESS

- 6 The Company is 50% owned by Zelpy 2127 Proprietary Limited ("**Zelpy**") and 50% owned K2015231947 Proprietary Limited ("**K947**").
- 7 The Company commenced business on 19 July 2006 as a property development company. The Company's main objective was building and construction, property development, property investment and the rental of properties to third parties and deriving an income from those rentals.
- 8 In terms of the unsigned annual financial statements for the year ended 28 February 2021, the Company's financial position was as follows –
- 8.1 R1,065,629 in non-current assets and R82,561,760 in current assets totalling R83,627,389 in total assets; and
- 8.2 R92,016,517 in non-current liabilities and R17,627,468 in current liabilities totalling R109,643,985 in total liabilities.
- 9 It bears noting that the Company recorded a loss of R13,051,858 for the financial year ending 29 February 2020 but was able to recover the following financial year ending 28 February 2021, by recording a profit of R10,360,639.
- 10 Furthermore, the Company is indebted to Absa Bank Limited in the amount of R39 million and is further indebted to various other creditors in the amount of R5 million.
- 11 Given the number of creditors to the Company and its dwindling assets base, it is unclear how much longer the Company can remain afloat.
- 12 In spite of the above, there appears to be a reasonable prospect of rescuing the Company, as envisaged in terms of Section 129(1)(b) of the Act.



- 13 Insofar as legal proceedings are concerned, I am not aware of any legal proceedings that are pending as against the Company.
- 14 The Company is therefore financially distressed, within the meaning of Section 128 of Chapter 6 of the Act, in that, *inter alia* –
- 14.1 the company is factually insolvent on its balance sheet (in terms of section 128(1)(f)(ii) of the Act);
- 14.2 in its present circumstances, the Company is not able to raise sufficient working capital from third parties or from its shareholders, given the weakness of its balance sheet; and
- 14.3 by reason of all the foregoing circumstances it appears reasonably unlikely that the company will be able to pay all of its debts as they fall due for payment within the ensuing six months (in terms of section 128(1)(f)(i)).

REASONABLE PROSPECT OF RESCUE

- 15 Notwithstanding the above, the Board believes that there is a reasonable prospect of rescuing the business of the Company, if action is taken immediately and if the Company commences Business Rescue. If the Company is placed under supervision, initiatives can be taken by a business rescue practitioner, when duly appointed, to take the following steps –
- 15.1 imposing an immediate temporary moratorium on all payments to creditors in terms of section 133 of the Act;
- 15.2 negotiating the sale of the Company's business or part thereof as a going concern, or of its assets, or the shares held in the Company to potential purchasers, at a value higher than in a liquidation, and where certain employees of the company could retain their jobs;
- 15.3 considering the possible suspension or cancellation of the Company's obligations in terms of section 136(2) of the Act;



- 15.4 continuous engagement with stakeholders to retain value in the Company and its assets;
 - 15.5 a restructure of the debt of the Company with its creditors and possibly obtaining financing for the Company to continue its trading activities;
 - 15.6 completing the projects that are currently in;
 - 15.7 restructuring the affairs and shareholding of the Company in order to secure funding for the Company from shareholders; and
 - 15.8 engage in discussions with various parties regarding post commencement financing and related terms.
- 16 Accordingly, the Company maintains that even though it is financially distressed, there remains a reasonable prospect of rescuing the company. Accordingly, the Company falls to be placed in Business Rescue.



Marc Frew

I certify that this affidavit was signed and affirmed to before me at Cape Town on this the **11th day of April 2022** by the deponent who acknowledged that they knew and understood the contents of this affidavit, had no objection to taking this affirmation, and considered this affirmation to be binding on their conscious.



COMMISSIONER OF OATHS

Name:
Address: **GARETH WILLIAMS**
Capacity: Commissioner of Oaths
Professional Accountant (SA)
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