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Proposed capitalisation of Pinnacle Point: Agreement with Absa: Hennie Pretorius – CEO, Pinnacle Point

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ALEC HOGG: Last night Absa's chief executive, Maria Ramos, spoke plainly when she told us her bank would only inject another R150m into Pinnacle Point if the troubled property developer was itself able to raise R100m in fresh capital elsewhere. I put this to Pinnacle's chief executive, Hennie Pretorius, who spoke with us earlier today, that it's also somewhat different to the story that's being propagated by his company.

HENNIE PRETORIUS: We have concluded an agreement with Absa, and it is correct. It is subject to conditions. We believe that we will be able to fulfil the conditions.

ALEC HOGG: But why did you say "irrevocable" support? It clearly isn't irrevocable.

HENNIE PRETORIUS: Well, it's irrevocable in that they can't withdraw it. We've got a signed agreement with them. If we complete the conditions precedent, then we have their support.

ALEC HOGG: All right, let's not play with words. That R100m in fresh capital - where are you going to get it from?

HENNIE PRETORIUS: The intention is to raise it on the Nigerian market, because bear in mind that Pinnacle is listed on both the South African stock exchange and the Nigerian stock exchange, and to date, due to the cautionary that was issued in March this year, we have been unable to place shares on the Nigerian stock exchange.

ALEC HOGG: How big is the creditors' book?

HENNIE PRETORIUS: At this stage, our arrear creditors are about R100m.

ALEC HOGG: And none of them has yet threatened to pull the plug?

HENNIE PRETORIUS: We have come to an arrangement with all our creditors, so I think they are comfortable with the arrangement that we've made with them, and all of them are prepared to support the group.

ALEC HOGG: Your financial results, which were for the year to end-February were a month late on the JSE - is there any particular reason for that? They were only released at the end of June.

HENNIE PRETORIUS: [Sigh] Not really. The main reason why they were late was basically we wanted to get to a fairly advanced stage with Absa, and nothing really particular.

ALEC HOGG: You are not trying to convince Deloitte to change their qualified audit as a going concern?

HENNIE PRETORIUS: No.

ALEC HOGG: Just explain - you're a lawyer, but I know you know sufficient about accounting. When I read a qualified audit from an auditing firm about a going concern, to me it suggests that the auditors say "this company ain't going to be trading in future" - what does it read to you?

HENNIE PRETORIUS: No. You must bear in mind that, first of all, they only reviewed the financial status. And secondly, what they are saying is that "we have a concern that the company may not be a going concern". They are not saying it won't trade, they are just expressing a concern. And the major concern was the liquidity problems that the group was suffering. Hence when Absa came and Absa said fine, they are prepared to do all of this, I have no doubt that that qualification will be lifted.

ALEC HOGG: Absa, provided everything else goes right, would convert R70m of its debt into equity.

HENNIE PRETORIUS: Correct.

ALEC HOGG: Do you have an understanding at what level it would be comfortable to convert that at?

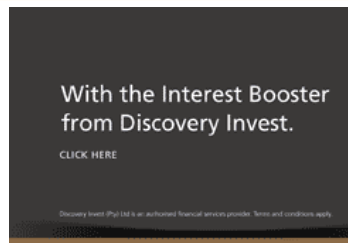
HENNIE PRETORIUS: The agreement with Absa is that they'll convert that debt at the level at which we do the rights issue, and the level at which one of the existing shareholders will convert their \$5m loan.

ALEC HOGG: And if it all goes pear-shaped, if you are unable to raise the R100m, what happens then to the project?

HENNIE PRETORIUS: Well, I think the group will go its normal liquidation route.

ALEC HOGG: But what would happen to people who own property in Pinnacle Point?

HENNIE PRETORIUS: I think what will happen when the company goes into liquidation, as usual, those people who have taken transfer will be fine. I am quite sure that the developments will be sold in the usual course. But, you know, I think we are far away from a liquidation scenario. I am not sure why you tend to be so negative.



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