

Companies and Intellectual Property Commission
Republic of South Africa

Form CoR 123.1

About this Form

- This form is issued in terms of section 129 and 131 of the Companies Act, 2008, and Regulation 123 of the Companies Regulations, 2011.
- A company resolution to committee business rescue proceedings has no force or effect until it has been filed with this notice.
- This notice must be published to every affected person within 5 business days after -
 - (a) It has been filed, in the case of a resolution; or
 - (b) The date of the court order, in such a case.
- If this Notice is issued following a board resolution -
 - (a) The company must appoint a business rescue practitioner with 5 business days after filing this notice ; and
 - (b) Any affected person may apply to a court in terms of section 130 for an order setting aside the resolution.
- The fee for filing this notice is R0.

Contacting the Commission

The Companies and Intellectual Property Commission of South Africa

Postal Address
PO Box 429
Pretoria
0001
Republic of South Africa
Tel: 086 100 2472

www.cipc.co.za

Notice of Beginning of Business Rescue Proceedings

Date: 23 July 2020

Customer Code: JABEUK

Concerning

(Name and Registration Number of Company)

Name: Saffer Plumbing and Hardware Pty Ltd.
Registration No: 1997 / 000615 / 07

The above named company advises that business rescue proceedings have commenced in terms of Chapter 6 of the Companies Act, as a result of:

The Board of the company having adopted the attached resolution in terms section 129, on 23 July 2020.

A Court having made the attached order in terms of section 131, on _____.

In terms of section 132 (1)(a), the company's business rescue proceedings commenced on 23 July 2020, being the date on which:

This notice was filed with the Commission.

The court issued the attached order.

(Only in the case of a company resolution)

In support of this Notice, the company has attached a sworn statement of the relevant facts upon which the resolution was founded by a director representing the Board.

Name and Title of person signing on behalf of the Company:

MR LUIS GONCALVES BASTA (Director)

Authorised Signature:



Saffer

PLUMBING & HARDWARE

RESOLUTION OF THE BOARD OF DIRECTORS OF SAFFER PLUMBING AND HARDWARE PROPRIETARY LIMITED (REGISTRATION NUMBER 1997/000615/07) ("Company") ADOPTED AT A DIRECTORS' MEETING HELD AT 13:00PM ON 23rd JULY 2020, IN THE HYDRA BOARDROOM, CNR BARLOW AND CAVALEROS DRIVE, JUPITER EXT, GERMISTON, SOUTH AFRICA

PRESENT:

Derek Tod	Director
Luis Baeta	Director
William Maroleni	Director
Richard Reed	Invitee
Vanessa White	Company Secretary

IT IS RECORDED THAT -

1. Adequate notice of the meeting and the agenda was given to the director(s) of the Company in accordance with the provisions of the company documents, as read with section 73 of the Companies Act, 71 of 2008, as amended ("Companies Act");
2. A quorum was present for the meeting in person and/or via electronic communication, and that all time periods for the convening of this board meeting as required in terms of the MOI and otherwise are hereby waived and/or condoned, to the extent necessary, given the urgency of the agenda items;
3. After careful consideration, the director(s) adopted the resolutions below in accordance with the provisions of the Company's MOI and the Companies Act.

WHEREAS -

1. All or a majority of the members of the board of directors of the Company, sufficient to constitute a quorum and validly consider and resolve on such matters, reasonably believe that the Company is financially distressed, within the meaning of Section 128(1)(f)(ii) and 129(1)(a) of the Companies Act as it reasonably appears that the Company's liabilities currently exceed its assets. In addition the company will also become financially distressed within the meaning of section 128(1)(f)(i), as it will be unable to pay its debts as they become due and payable within the ensuing 6 months, for, inter alia, the following reasons:

Directors: D.A.Tod, L.G.Baeta, B.W. Maroleni

Cnr Barlow Road & Cavaleros Drive, Jupiter Ext, Germiston | Private Bag X1037, Germiston, 1400

T: +27 (11) 323 0000 | www.saffer.co.za

Trading as Saffer Plumbing and Hardware | Reg. No. 1997/000615/07



RESOLUTION OF THE BOARD OF DIRECTORS OF SAFFER PLUMBING AND HARDWARE PROPRIETARY LIMITED (REGISTRATION NUMBER 1997/000615/07) ("Company") ADOPTED AT A DIRECTORS' MEETING HELD AT 13:00PM ON 23rd JULY 2020, IN THE HYDRA BOARDROOM, CNR BARLOW AND CAVALEROS DRIVE, JUPITER EXT, GERMISTON, SOUTH AFRICA

- 1.1 The management of the Company has since its acquisition by ultimate shareholder Polanofield (Pty) Ltd in February 2019, embarked on a journey to revive its operations from a loss making position.
- 1.2 Substantial progress was made in terms of this journey, for example:
- 1.2.1 Operational Expenses had been reduced substantially. Initiatives to reduce costs included:
- 1.2.1.1 Reduction in staff.
- 1.2.1.2 Zero based budgeting.
- 1.2.1.3 Consolidation and right-sizing of back office functions.
- 1.2.1.4 There had been restructuring of the rent in Bloemfontein, Durban, Germiston.
- 1.2.2 Other initiatives included:
- 1.2.2.1 Sale of the Kitchen Fittings Business which was non-core.
- 1.2.2.2 Effective vehicle utilisation ensuring maximised load capacity.
- 1.2.2.3 Reviewing of all processes across the business to identify efficiencies.
- 1.2.2.4 Change of auditors - cost savings.
- 1.2.2.5 Rationalisation of product ranges.
- 1.2.2.6 New management structure put in place to allow for quick and efficient decision-making.
- 1.2.2.7 Reviving and strengthening of supplier and customer relationships.
- 1.3 The business experienced a challenging annual construction holiday shutdown over the December 2019 period and as a result started an aggressive process to restructure the entire business further accordingly. It was making good traction and was positive regarding a favourable outcome.
- 1.4 At this point the Covid-19 pandemic and the government mandated lockdown was implemented due to the State of Disaster being declared. As a result, the Company was forced to shutdown its operations with only a negligible select items being sold to authorised Essential Service providers.
- 1.5 The impact of the lockdown had a detrimental effect on the Company, not only because of a flat to minor market demand under lockdown conditions (due to not all manufacturing and construction operating or operating at full capacity) but especially because the Company operates a debtors funding facility with its bankers. The lack of invoicing by the Company resulted in an immediate lack of access to liquidity to settle creditors and accordingly purchase stock to trade with and invoice (a circular effect) to recover from the Covid situation.
- 1.6 An appeal for support was made to various parties during the Covid period and various corporate activity potential had been underway but although support was received from various key stakeholders, the decline of major financial support on an immediate basis placed the company in a position of financial distress.
- 1.7 The company currently has liabilities amounting to R 355 739 055 (Excluding operating lease liabilities) and R 634 705 737 (Including Operating lease liabilities).
- 1.8 The company's current monthly costs amount to R 22 851 385 (R31 405 664 Pre-Covid).

RESOLUTION OF THE BOARD OF DIRECTORS OF SAFFER PLUMBING AND HARDWARE PROPRIETARY LIMITED (REGISTRATION NUMBER 1997/000615/07) ("Company") ADOPTED AT A DIRECTORS' MEETING HELD AT 13:00PM ON 23rd JULY 2020, IN THE HYDRA BOARDROOM, CNR BARLOW AND CAVALEROS DRIVE, JUPITER EXT, GERMISTON, SOUTH AFRICA



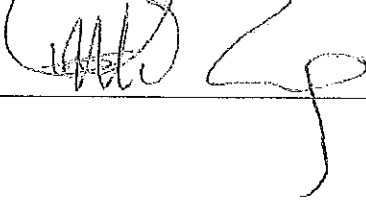
2. Based on representations made by the Company's executive, the board of directors of the Company believe that there is a reasonable prospect of rescuing the Company in terms of Section 129(1)(b) of the Companies Act.

ACCORDINGLY, IT IS RESOLVED THAT --

1. The Company voluntarily commences with business rescue proceedings immediately and that it be placed under supervision in terms of Section 129(1) of the Companies Act;
2. the Company forthwith lodge the requisite documents for the commencement of business rescue proceedings with the Companies and Intellectual Property Commission of South Africa and any documents ancillary thereto and/or necessary for the commencement and/or continuation of business rescue proceedings;
3. Mr Phahlani Mkhombo (ID Number: 760902 5474 082), a turnaround specialists be appointed as the business rescue practitioner as contemplated in section 129(3)(b) of the Companies Act;
4. To the extent required, authorise Genesis Corporate Solutions or Mr Phahlani Mkhombo to lodge any and all documents with the Companies and Intellectual Property Commission in order to give effect to the aforesaid resolutions;
5. Mr Luis Goncalves Baeta (ID Number: 570914 5224 08 6) in his capacity as the director of the Company be and is hereby authorised to do all things necessary, or to procure the doing of all things necessary, and to sign any and all documents, or to procure the signing of any and all documents, as is necessary to give effect to the resolutions aforesaid on behalf of the Board of Directors of the Company, including deposing and signing the sworn statement contemplated in section 129(3)(a) of the Companies Act.

RESOLUTION OF THE BOARD OF DIRECTORS OF SAFFER PLUMBING AND HARDWARE PROPRIETARY LIMITED (REGISTRATION NUMBER 1997/000615/07) ("Company") ADOPTED AT A DIRECTORS' MEETING HELD AT 13:00PM ON 23rd JULY 2020, IN THE HYDRA BOARDROOM, CNR BARLOW AND CAVALEROS DRIVE, JUPITER EXT, GERMISTON, SOUTH AFRICA

ADOPTED IN ACCORDANCE WITH THE COMPANIES ACT 71 (ACT 71 OF 2008)

Director	Agree	Disagree	Signature
Derek Tod	✓		
Luis Baeta	✓		
William Maroleni	✓		

SWORN STATEMENT

I, the undersigned,

LUIS GONCALVES BAETA

(Identity Number: 570914 5224 08 6)

do hereby state as follows –

1. I am a director of Saffer Plumbing and Hardware Proprietary Limited (Registration Number: 1997/000615/06) ("**Company**"), a company with its registered address situated at Cnr Barlow and Cavaleros Drive, Jupiter Ext, Germiston, South Africa.
2. I am duly authorised to depose to this sworn statement on behalf of the Company.
3. The facts contained herein were presented to the company's board of directors by me at a meeting of the company's board of directors on 23 July 2020, and which I believe to be true and correct.
4. This Sworn Statement is made by me on behalf of the Company to support the commencement of business rescue proceedings ("**Business Rescue**") in terms of Section 129 of the Companies Act, 2008 ("**Act**").
5. With this Sworn Statement I intend to provide the relevant information that is required in order to demonstrate that the Company should be placed in Business Rescue.
6. The information contained in this Sworn Statement and the opinions expressed in the Sworn Statement relate to the financial difficulties of the Company and how the Company can –
 - a. be rescued and continue as a going concern as an alternative to liquidation; or
 - b. pay a higher dividend to its creditors than that which would become payable to creditors if the Company was to be liquidated.
7. The Company commenced business in 1997 and was included in the Distribution and Warehousing Network Limited Group which was listed on the Johannesburg Stock Exchange. The group's performance deteriorated substantially from the 2008 financial

A.L

crisis and continued decrease in market demand over time thereafter to the point where it was facing potential business rescue in December 2018. The current shareholders had a deep understanding of the market and of the group (being former directors/employees) and recognised that they were able to turn the business around. This led to the sale of the shares of the listed entity to the current shareholder Polanofield and the simultaneous delisting of the group in February 2019. Since entering the business the new shareholder had a number of historical challenges to resolve but was making substantial progress in terms of the reduction of its cost base. With the event of the Covid-19 pandemic and mandated lock down the Company however found itself in a situation where it was unable to access liquidity through its debtor factoring facility due to its low invoicing values during the lockdown Alert levels 5 to 3, and as a result, coupled with the lack of funding support, was placed in a position of financial distress.

8. The company currently has liabilities amounting to R 355 739 055 (Excluding operating lease liabilities) and R 634 705 737 (Including Operating lease liabilities). The company's current monthly costs amount to R 22 851 385 (R31 405 664 Pre-Covid).
9. The Company is therefore financially distressed, within the meaning of Section 128 of Chapter 6 of the Companies Act, in that, *inter alia* –
 - a. the company is factually insolvent on its balance sheet (in terms of section 128(1)(f)(ii));
 - b. The Liabilities exceed its assets;
 - c. it therefore also appears to be reasonably unlikely that the company will be able to pay all of its debts as they fall due and payable within the ensuing six months (in terms of section 128(1)(f)(i));
10. There is currently one pending legal action against the Company relating to a claim by one of the creditors.
11. In addition, other creditors have been threatening to take legal action against the Company. If proceedings are instituted against the company, such proceedings may result in the incurrance of ongoing legal expenses, and which expenses may be curtailed if the business rescue practitioner elects not to continue with such proceedings.

12. Notwithstanding the above, the directors of the Company believe 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 -

- a. an immediate temporary moratorium on all payments to creditors;
- b. negotiating the sale of the Company's non-core business 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 the value of the company would most likely be retained;
- c. a restructure of the debt of the Company with its creditors;
- d. salvaging the sustainable parts of the business and allow the Company to save jobs and continue its presence in the market which so heavily relies on its continued existence;
- e. allow for the engagement with all stakeholders to retain value in the Company and its assets, including its goodwill; and
- f. engage in discussions with various parties regarding post commencement financing and related terms.


13. Accordingly, the Company through its board of directors, maintains that the company is financially distressed but that there remains a reasonable prospect of rescuing the company and accordingly that the Company needs to be placed in Business Rescue.




DEPONENT

I certify that this statement was signed and sworn to before me at

Cherianiston on this the 2020-07-23
by the deponent after he declared that he knew and understood the contents of this statement, that he had no objection to taking the prescribed oath and has taken the



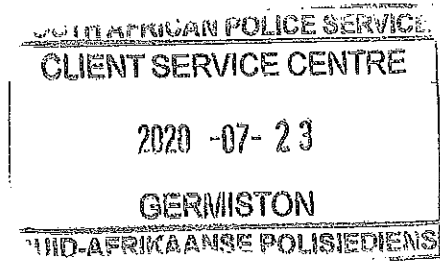
prescribed oath which he considered binding on his conscience, having complied with regulations contained in government notice R1258 of 21 July 1972, as amended.


72323343 CST
ANIE LEXALI MOLEGALALA
COMMISSIONER OF OATHS

Name: ANNIE LEXALI MOLEGALALA

Address: 10 long street GERMISTON

Capacity: CST




A.L.