



**SECTION 151 AND 152 MEETING TO CONSIDER BUSINESS RESCUE PLAN
SAFFER PLUMBING AND HARDWARE (PTY) LTD (IN BUSINESS RESCUE)
23 SEPTEMBER 2020**



AGENDA

1. OPENING AND WELCOME
2. INTRODUCTION
3. PROPOSED AMENDMENTS
4. PROPOSED BUSINESS RESCUE PLAN
5. BUSINESS RESCUE VS. LIQUIDATION
6. OPINION OF BUSINESS RESCUE PRACTITIONER
7. ADDRESS BY EMPLOYEES REPRESENTATIVES
8. ADDRESS BY CHAIRPERSON OF CREDITORS COMMITTEE
9. INVITE DISCUSSIONS
10. VOTING
11. CONCLUSION

OPENING AND WELCOME

WELCOME



- In light of the regulations and measures implemented by the Government of South Africa pursuant to the global out break of COVID-19, this Meeting is being held electronically via MS Teams.
- Creditors and other holders of voting interest including employees representatives are requested to sign the attendance register on the meeting chat - by writing their full name and the name of creditor that they are representing.
- The Meeting will be chaired by me. I have deputised certain members of the business rescue team and other people to conduct certain portions of the Meeting.
- Given the large number of stakeholders, questions can be raised on the Meeting Chat on MS Teams.
- We will attempt to deal with as many questions as possible, however, priority will be given to questions pertaining to the consideration of the Business Rescue Plan and the adoption thereof.
- The Meeting must proceed properly and efficiently with all comments and questions to be directed through me as the chairperson. I will not allow separate meetings to take place within the Meeting or for anyone to speak over another. Any person breaching the rules for the proper and efficient conduct of the Meeting will be asked to leave the Meeting immediately.

- Only one authorised representative of an Affected Person shall be entitled to vote on behalf of the Affected Person at the Meeting. Each time an authorised representative of an affected Person speaks at the Meeting, he/she will be requested to announce his/her full names and the name of the Affected Person he/she is representing before he/she speaks.
- Voting will be by way of proxy in respect of the Business Rescue Plan. Completed and signed proxies can be emailed to Matimu@gcs-sa.co.za or WhatsApp to: **084 272 4617**.
- Creditors are encouraged to submit their votes in a timely manner in order to limit the time collating and calculating votes.

INTRODUCTION

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- The Business Rescue Plan was published on 11 September 2020.
- The Business Rescue Plan (the 'BR Plan') was circulated by email to all known creditors and other affected persons.
- The BR Plan was also uploaded on the Company's website: www.saffer.co.za under BR Tab.
- Section 151(1) of the Companies (the 'Act') provides that within 10 business days after publishing the business rescue plan, the BRP must convene and preside over a meeting of creditors to consider the BR Plan.
- Section 151(2) states that at least 5 business days before the meeting, the BRP must deliver a notice of the meeting to all affected persons setting out the following:
 - The date, time and place of meeting;
 - Agenda; and
 - Summary of rights affected persons to participate and vote at the meeting.
- The Notice in terms of section 151 convening a meeting to consider the business rescue plan was issued on 11 September 2020.

Consideration of Business Rescue Plan:

- Section 152(1) provides that at a meeting convened in terms of section 151, the BRP must:
 - Introduce the proposed BR Plan for consideration by the creditors;
 - Inform the meeting whether the BRP continues to believe that there is reasonable prospect of the Company being rescued;
 - Provide an opportunity for the employees representatives to address the meeting;
 - Invite discussion and entertain and conduct a vote, on any motion to:
 - (i) Amend the proposed plan, in any manner moved and seconded; or
 - (ii) Direct the BRP to adjourn the meeting in order to revise the plan for further consideration.
 - Call for a vote for preliminary approval of the proposed plan as amended, if applicable.

- A plan will be approved on a preliminary basis if it is supported by holders of more than 75% of the creditors voting interest that voted; and the votes in support of the plan include at least 50% of the independent creditors voting interests.
- Once the plan is adopted, it is binding on all the creditors irrespective of whether or not a creditors voted in favour of the adoption of the plan.
- If the plan is rejected, the BRP may seek a vote to prepare and publish a revised plan or apply to court to have the vote declared an inappropriate vote.

PROPOSED AMENDMENTS

PROPOSED AMENDMENTS ON THE BR PLAN



- Following on the publication of the BR Plan on 11 September 2020, the BRP made the following minor amendments on the published BR Plan. This was after engagements with management, employees' representatives and creditors including members of the creditors committee.
- The proposed amendments are cosmetic or clerical in nature, immaterial and/or insignificant and in no way changes the substance of the BR Plan that was published on 11 September 2020.
- The amendments are as follows:

First Proposed Amendment – Clause 3.2.1.6 (pp 25):

An appeal for support for the Company was made by management to various parties including shareholders during the COVID-19 period for relief funding including requests for the COVID-19 to-access relief funding provided by government through Absa. Absa as the main banker noted however that the Group did not qualify for such funding due to the SARB eligibility criteria that client must be “in good standing with their bank”. However, Absa did extend its facilities, which included the extension on the repayment of a R22m bridge loan until 30 June 2020. Various corporate activity prospects had been underway but although support was received from CGIC and key suppliers stakeholders, the decline of major financial support on an immediate basis placed the company in a position of financial distress.

PROPOSED AMENDMENTS ON THE BR PLAN



Second Proposed Amendment – Clause 5.2.4.4 and 5.2.4.5 (pp 34):

Date changed from 18 September 2020 to 28 September 2020.

Third Proposed Amendment – Clause 34.1 (pp 80):

Changed from 34.5 to 34.4

Fourth Proposed Amendment – Insertion of New Clause 37 (pp 83):

37 PRESERVATION OF CLAIMS AGAINST OTHERS:

37.1 The liability of Directors and/or prescribed officers for the Company's debts, under section 218 of the Companies Act, as read with sections 77(3)(b) and 22 of the Companies Act, is not affected by this Business Rescue Plan.

37.2 The liability of the Company's sureties for the Company's debts is not affected by this Business Rescue Plan.

37.3 Any investigation of misconduct by Directors and Shareholders shall be funded by the Creditors requesting such investigation or if a surplus remains after the sale, the surplus funds will be utilised to investigate.

37.4 Similarly to matters where section 103(4) of the Insolvency Act applies, no Creditor who was not a party the funding of the investigation proceedings shall derive any benefit from any monies or from the proceeds of any property recovered as a result of such proceedings before the claim and costs of every Creditor who was a party to such proceedings have Creditors outstanding claims and disbursements including the costs of the forensic investigators, accounts and lawyers.

37.5 The BRP shall oversee this investigations and his costs will have to be paid by these Creditors and not the company unless a surplus is available after Distribution.

PROPOSED BUSINESS RESCUE PLAN

The Structure of the Proposed Plan:

- The proposed BR Plan is divided into the following sections:
 - Introduction, followed by interpretation and preliminary section.
 - Part A: Background (section 150(2)(a) of the Act).
 - Part B: Proposals (section 150(2)(b) of the Act).
 - Part C: Assumptions and Conditions (section 150(2)(c) of the Act).
 - Part D: Administrative Provisions.
 - BRP's certificate.

PROPOSED BUSINESS RESCUE PLAN



- The purpose of Business Rescue as outlined in chapter 6 of the Companies Act, read with section 7(k), is to provide for the efficient rescue and recovery of Financially Distressed companies, in a manner that balances the rights and interests of all relevant stakeholders.
- The objective of Business Rescue, as set out in section 128(1)(b)(iii), is to develop and implement a rescue plan that:
 - rescues the Company by restructuring its affairs, business, property, debt and other liabilities, in a manner that maximises the likelihood of the Company continuing in existence on a solvent basis; or
 - if the aforementioned is not possible, results in a better return for the Company's creditors, employees or members than would result from the immediate liquidation of the Company.
- Immediately after the BRP was appointed, he embarked on a process to consider the Management Restructuring Plan, the operational capabilities of the Business and the value residing in the Business. It became apparent that the Management Restructuring Plan was based on support being received from both Credit Guarantee Insurance Corporation ("CGIC") and Absa.

- Subsequent to this, the BRP and Management developed an operational turnaround plan as part of the Business Rescue initiatives.
- The operational turnaround plan was predicated on the Company being able to secure additional/new funding and the ongoing support from some of the key suppliers by agreeing to continue to supply goods and services to the Company on the same terms and conditions that existed or were in place prior to the commencement of Business Rescue.
- Customers expressed their willingness and commitment to continue supporting the Company by placing new orders going forward. In addition, customers were offered early settlement discounts if they settle their accounts within 30 (thirty) days or within a much shorter period.
- The BRP and Management engaged with key suppliers. Most of the key suppliers are insured with CGIC in terms of the CGIC credit insurance cover and they, in turn, expressed their support and willingness to continue supplying goods and services procured by the Company during Business Rescue on condition that, the Company pays for all goods and services procured on acceptable terms considering the Company's liquidity position, alternatively that CGIC extend credit insurance cover to the suppliers during Business Rescue for all the goods sold and delivered to the Company on credit.

- However, with regard to CGIC, it became clear that CGIC would not be able to extend credit insurance cover to suppliers in respect of the Company, as according to the CGIC's terms and conditions for the credit insurance cover is that CGIC is prohibited from extending credit insurance cover once CGIC has paid a claim in respect of that entity.
- The only other option was for the Company to procure goods and services on mutually acceptable payment terms. The BRP and Management approached various PCF funders without any success. In addition, the BRP and Management also explored accessing the South African government's economic relief measures geared to support businesses through this volatile financial environment occasioned by the COVID-19 pandemic without any success.
- Due to challenges experienced in raising funding and the fact that CGIC was not able to extend credit insurance cover to the Company's key suppliers in order for suppliers to supply on credit during Business Rescue, it became clear that the operational turnaround plan would not be realised or cannot be implemented. The BRP had to consider other options including alternative proposals to realise value for all stakeholders (employees and creditors) as envisaged in the Companies Act, being the Accelerated Sales Process.

- It also became apparent that, in the absence of any funding, any proposal to rescue the Company would have to be implemented without delay. Accordingly, the BRP and Management decided to continue to explore other funding opportunities and, at the same time commenced with the Sales Process.
- The BRP is of the view that one of the options available in order for the objectives of Business Rescue to be achieved is an orderly and accelerated sales/disposal process. The BRP is constrained by the unavailability of funding and remains constrained going forward, to sustain a protracted Sales Process. Consequently, the BRP has prepared the Business Rescue Plan based on the Sales Process.
- The BR Plan firstly proposes an Accelerated Sales Process and secondly a Wind-Down Process.
- On 16 September 2020, the BRP invited potentially bidders to submit an expression of interest for the Accelerated Sales Process. The Due date for submission was 22 September 2020.
- Only 1 expression of interest was received but bids for certain parts of the Business or certain assets.
- The BRP has also been approached by various interested parties who are interested in some of the Company's assets.

BUSINESS RESCUE VS. LIQUIDATION

BUSINESS RESCUE VS LIQUIDATION:

	Business Rescue	Liquidation
Employees	Employees continue to be employed by the Company and receive salaries and benefits from date of commencement of business rescue to date of implementation of the plan or termination of business rescue proceedings or termination of employment	Employment contracts are suspended on liquidation. Employees receive capped severance in terms of the Insolvency Act. Maximum of R28 000.00 per employee.
Realisation of Assets	Maximum value is preserved and realised.	Assets are usually sold at distressed prices.
Timing	8 – 12 Months - payment made to creditors in terms of the payment waterfall as and when funds are available.	18 – 24 Months – Payment of dividend could take between 18 – 24 months after L&D account is confirmed by Master of High Court
Fees	Business rescue fees are significantly less and are based on set tariff or by agreement.	Fees are based on fixed percentages of gross value of assets realised, irrespective of third party costs incurred.

OPINION OF BUSINESS RESCUE PRACTITIONER

Reasonable Prospects:



- The BRP is of the view that, notwithstanding inevitable risks and challenges, that if the Business Rescue proceeds in terms of the proposed BR Plan, same will result in a manner that balances the rights and interests of all the relevant stakeholders.
- The BRP is of the opinion that there is still a reasonable prospects of rescuing the Company by implementing proposed BR Plan.

ADDRESS BY EMPLOYEES REPRESENTATIVES

Address by Employees Representatives:



1. Representative from the Union.
2. Representative from Non-Unionised Employees.

ADDRESS BY CHAIRPERSON OF CREDITORS COMMITTEE

Address by Chairperson of Creditors Committee:



1. Gareth Cremen

INVITE DISCUSSIONS

INVITE DISCUSSIONS:



Invite discussion, entertain and conduct vote on any motion:

- Amend the published BR Plan in any manner moved and seconded by holders of creditors voting interest.
- Direct the BRP to adjourn the meeting in order to revise the published BR Plan for further consideration.

If no motion is put forward, I shall call for the preliminary approval of the plan.

VOTING

VOTING:



If no motion is put forward, I shall call for the preliminary approval of the plan:

- **Voting will be by way of a proxy form.**

CONCLUSION

CONCLUSION:



- Thank you to everyone who submitted their votes in regard to the approval of the proposed BR Plan.
- The BRP confirm that:
 - The approval of the BR Plan was supported by the holders of more than 75% of the creditors' voting interests that voted, which included at least 50% of the independent creditors' voting interests; and
 - The BR Plan does not alter the rights of the holders of any class of the Company's securities.
- In the circumstances, the BR Plan has been approved and has been finally adopted in terms of section 152 of the Companies Act.
- The BRP will circulate the details relating to the result of the vote by way of a notice published to all affected persons.
- The BRP will now proceed with the implementation of the adopted BR Plan.
- Thank you for your attendance and the meeting is now closed.