Business Rescue Plan

prepared in terms of Section 150 of the Companies Act 71 of 2008 (as amended) in relation to

SOUTH AFRICAN POST OFFCE SOC LIMITED
(Registration number: 1991/005477/30)
(under business rescue)

PUBLICATION DATE: 23 November 2023

BUSINESS RESCUE PRACTITIONERS:

MR ROOPLAL AND MR DAMONS

CONTENTS

1. DISCLAIMERS

1.1 This Business Rescue Plan, together with its annexures and all documents brought into existence after its adoption by Creditors and, if applicable, the Shareholder, is published in accordance with the provisions of Section 150.

1.2 This Business Rescue Plan is published in accordance with legal advice provided by the Advisors.

1.3 The information set out in this Business Rescue Plan has been compiled by the BRPs, in conjunction with the Advisors, with reliance on information provided to them by Management of and Affected Persons.

1.4 Whilst every effort has been made by the BRPs, in conjunction with the Advisors, to ensure the accuracy of the information contained in this Business Rescue Plan, the Advisors and BRPs can give no warranties in this regard.

1.5 Creditors are encouraged to seek their own legal and financial advice. The BRPs, in conjunction with the Advisors, are not purporting to act as advisors to the Creditors, Shareholder and any other Affected Person.

1.6 This document is important and requires the immediate attention of all Affected Persons. If any Affected Person is in any doubt as to the impact of this Business Rescue Plan or the effect it will have on its implementation, and the action it should take, the Affected Person should consult its own independent professional advisers.

1.7 Each Affected Person is responsible for assessing the merits of this Business Rescue Plan with respect to its Claim or shareholding in the Company.

1.8 Nothing contained in this Business Rescue Plan must be construed by Affected Persons, the Company, Management, Directors as constituting tax, accounting or legal advice to any Affected Person. The Company, Management, Directors, and the Advisors or the BRPs do not make any representations in respect thereof, other than as expressly stated in this Business Rescue Plan.

1.9 This document contains the terms and conditions of a Business Rescue Plan for the Company which, if adopted by the requisite statutory majority of Creditors and, if required the Shareholder, shall, upon fulfilment of the conditions of implementation as set out in this document, become binding on the Company, its Creditors, Shareholder and other Affected Persons.

1.10 Business Rescue is aimed at facilitating the rehabilitation of companies that are Financially Distressed by providing for the development and implementation, if approved, of a plan to rescue a company by restructuring its affairs, business, property, debt and other liabilities, and equity in a manner that maximizes the likelihood of the company continuing its existence on a solvent basis, alternatively, in the event that it is not possible for a company to so continue its existence on a solvent basis, that would result in a better return for its creditors or Shareholder than would result from the immediate liquidation of such company.

1.11 This Business Rescue Plan is aimed at achieving the objectives of Business Rescue. In simple terms, and without derogating or simplifying the essence of the Business Rescue Plan as contained in this document, the proposals put forward in this Business Rescue Plan seek to achieve a better return for the Creditors and/or better outcome for other Affected Persons then would result from the immediate liquidation of the Company.

1.12 The BRPs believe that this Business Rescue Plan shall, upon its implementation, achieve a better return for Creditors, and better outcome for other Affected Persons, than would result from an immediate liquidation of the Company.

1.13 Management and the BRPs, with all Advisors, exercised due care and diligence around all information provided to Affected Persons included in this Business Rescue Plan.

1.14 The BRPs shall not be responsible for acts taken (or omissions arising from) any Affected Person's reliance on this Business Rescue Plan.

1.15 Once this Business Rescue Plan is adopted, it shall be binding on the Company, Creditors, Shareholder, Directors and other Affected Persons, whether or not any of them was present at a meeting convened in terms of the Companies Act, voted in favour of its adoption or, in the case of Creditors, had proven their Claims against the Company.

1.16 This Business Rescue Plan and all its annexures are strictly private and confidential and may not be distributed to any person or persons other than the intended recipient(s), without the express written permission of the Company or its BRPs. It is based on the current operational and financial status of the Company and its potential to recover from its current distressed position.

1.17 Comments made in this Business Rescue Plan are, wherever possible, based on published information. Where published information was not available, the comments are based on an analysis of available data, which may or may not reflect the true state of affairs. The operational and financial studies have been conducted based on internal available sources of information provided by the Company and supported by data collected through various sources. As we have not conducted primary research, we have not independently verified the accuracy/completeness, or the reasonableness of the information provided. Accordingly, any possible inaccuracies and omissions of information available and/or provided may affect the final deliverable.

1.18 It is emphasized that the approach and the procedures applied by the BRPs during the collection and collation of related information does not constitute an audit or a review carried out in accordance with International Standards on Auditing or International Standards on Review Engagements. The BRPs do not express an audit, legal or a review opinion. The review consists of information and explanations provided to the BRPs by Management. The BRPs have relied on data and information provided to them by the Company and Affected Persons.

1.19 Affected Persons are required to inform the BRPs if they are aware of any information that is not correct or accurate as this will assist the BRPs in performing their statutory functions.

1.20 Any reference to a section without reference to any Act shall refer to that section in the Companies Act, 61 of 1973.

2. DEFINITIONS AND INTERPRETATIONS

2.1 Definitions

In this Business Rescue Plan, unless the context requires otherwise:

2.1.1 **Additional Claims Period** means the end of two calendar months succeeding the Adoption Date;

2.1.2 **Adopted Business Rescue Plan** means the restructuring plan for the Company, together with all its annexures, published by the BRPs on 23 November 2023, for consideration by Affected Persons at a meeting of Creditors and Shareholder held in terms of sections 151 and 152 on 7 December 2023;

2.1.3 **Adoption Date** means the later of the date upon which this Business Rescue Plan is approved in accordance with Section 152(2) and Section 152(3)(c)(ii) of the Companies Act or, if rejected as contemplated in Section 152(3)(a) or 152(3)(c)(ii)(bb), the date on which a court sets aside the result of the vote by holders of voting interests of Creditors and/or Shareholder, as the case may be, on the grounds that it was inappropriate;

2.1.4 **Advisors** means any advisors and consultants appointed from time to time in the Business Rescue by the BRPs;

2.1.5 **Affected Person** or **Affected Persons** shall bear the meaning given to the term in Section 128(1)(a) and, in relation to the Company, means the Shareholder, Creditors, Employees of the Company and any registered trade union representing the Employees;

2.1.6 **Assets** means all assets of the Company as reflected in the books of account of the Company as at the Adoption Date;

2.1.7 **Business Rescue Practitioners** or **BRPs** means the business rescue practitioners of the Company, Mr Rooplal N.O. and Mr Damons N.O., appointed in the interim on 10 July 2023 in terms of Section 131(1), and whose appointment was later ratified at the first meeting of creditors convened in terms of Section 147 on 24 July 2023, operating from premises situated in Pretoria;

2.1.8 **Business** means the business owned, operated and carried on through the divisions of the Company which provides traditional postal delivery services to South African and international areas;

2.1.9 **Business Day** means any day other than a Saturday, Sunday or official public holiday and **Business Days** has a corresponding meaning;

2.1.10 **Business Rescue** means the proceedings under chapter 6 of the Companies Act, to facilitate the rehabilitation of the Company as set out and contemplated in Section 128(1)(b) in the manner described in paragraph 1 of the Disclaimer above;

2.1.11 **Business Rescue Costs** means the remuneration, expenses and disbursements of the BRPs (including, without limitation, all and any legal costs and expenses incurred by the BRPs in the Business Rescue) and all other claims arising out of the costs and expenses of the Business Rescue, including without limitation to legal costs and other costs of the Advisors, up to the Substantial Implementation Date, as referred to in Section 143(5) read with Section 135(3) and any other relevant provisions and regulations in the Companies Act;

2.1.12 **Business Rescue Plan** or **BR Plan** means individually or collectively, as the context may require, this document incorporating the restructuring plan for the Company, together with all of its annexures, as amended from time to time, prepared and published by the BRPs for consideration and adoption by Creditors in accordance with Section 150;

2.1.13 **Claims** means any and all claims (pre and post), right, title and interest of whatsoever nature and howsoever arising against the Company, including a Secured, Preferent or Concurrent Claim as envisaged in terms of the Insolvency Act and which is subject to a verification process:

2.1.13.1 The origin, cause of action or agreement in respect whereof arose or was concluded before the Substantial Implementation Date (and including each claim contemplated in this Business Rescue Plan);

2.1.13.2 And including, without in any way derogating from the generality of the aforegoing:

2.1.13.3 An actual, contingent, prospective, conditional or unconditional, liquidated or unliquidated, assessed or unassessed claim, whether due or yet to fall due for payment or performance, including any claim the origin of which arose from statute, regulation or other legislation or arising out of any contract and/or delict and/or agreement entered into before or after the Commencement Date and cancelled thereafter and, in no way derogating from the generality of the aforegoing, shall include any Claim for Tax or Taxation;

2.1.13.3.1 The VAT Claw-back Claim; and

2.1.13.3.2 all such claims to be determined, calculated and admitted by the BRPs as Secured, Preferent or Concurrent Claims in accordance with the same ranking as envisaged in terms of the Insolvency Act including any Disputed Claims if adjudicated in favour of the Creditor; but

2.1.13.3.3 Excluding any claims that is PCF or Business Rescue Costs.

2.1.14 **CIPC** means the Companies and Intellectual Property Commission, established in terms of Section 185;

2.1.15 **Commencement Date** means 10 July 2023, being the date upon which the Business Rescue commenced in accordance with Section 129(1) read with Section 132(1)(a)(i);

2.1.16 **Companies Act** means the Companies Act 71 of 2008, as amended, including the regulations promulgated thereunder;

2.1.17 **Company** means The South African Post Office SOC (Ltd), duly defined as a major public entity in accordance with Schedule 2 of the Public Finance Management Act 1 of 1999, bearing registration number 1991/005477/30, under business rescue supervision in accordance with chapter 6 of the Companies Act, conducted by the BRPs;

2.1.18 **Concurrent Claims** means, where the context so requires, Concurrent Other Claims and Concurrent Trade Claims, and **Concurrent Creditors** has the corresponding meaning;

2.1.19 **Concurrent Trade Claims** means any Claim (other than a Disputed Claim) of a trade creditor at the Commencement Date which is unsecured and enjoys no security or statutory preference in accordance with the Insolvency Act, including claims in respect of suretyships and/or guarantees executed by the Company and **Concurrent Trade Creditor** has the corresponding meaning;

2.1.20 **Creditors** means all persons, including legal entities and natural persons, who are Secured, Preferent and Concurrent Creditors, having Claims accepted as such by the BRPs as at the Commencement Date and for the period of the Business Rescue as envisaged in terms of the Insolvency Act, but not a Creditor with a Disputed Claim or claims that can be regarded as a PCF Claim or as Business Rescue Costs, with the order of priority and distribution waterfall of the Creditors in this Business Rescue to be determined and dealt with under chapter 6 of the Companies Act;

2.1.21 **Creditors Committee** means a creditors committee, contemplated in terms of Section 145(3), if, and to the extent, it is established in the Business Rescue;

2.1.22 **Department of Communications and Digital Technologies ("DCDT")** means a department of the South African government who is responsible for overseeing the South African communications, telecommunications and broadcasting industries;

2.1.23 **Designated Operator** means any governmental or non-governmental entity officially designated by the member country to operate postal services and to fulfill the related obligations arising out of the acts of the Union on its territory in terms of the UPU's constitution;

2.1.24 **Directors** means the directors of the Company as at the Commencement Date;

2.1.25 **Disputed Claims** means any and all Claims which may have been lodged by Creditors with the BRPs prior to or during the Additional Claims Period and whose Claims have been rejected either in whole or in part by the BRPs and which Claims shall be determined in favour of or against such Creditors in terms of the dispute resolution procedure contained in this Business Rescue Plan;

2.1.26 **Dispute Resolution Mechanism** means the dispute resolution mechanism set out in this Business Rescue Plan;

2.1.27 **Distribution** means the payments to be made to Creditors, to discharge their Claims, in accordance with the terms and conditions of this Business Rescue Plan, thereafter losing the right to enforce the Claim or part of it, except to the extent provided for in this Business Rescue Plan;

2.1.28 **Employees** means all persons employed by the Company as at the Commencement Date and who remain employed at the Adoption Date;

2.1.29 **Employees Committee** means the committee if, and to the extent, established in terms of Section 144(3)(c), to be used for the purposes of consulting with the Employees on matters relating to the Business Rescue;

2.1.30 **Encumbrance** means any claim, charge, mortgage, lien, burden, option, pledge, security, withholding, retention of title, right of pre-emption, right of first refusal or other third-party rights or claims, restrictions on the free transferability or security interest or an agreement, arrangement or obligation to create any of the aforegoing;

2.1.31 **Expunged** means the full and final discharge and extinguishing of Claims, or portions of Claims in terms of this Business Rescue Plan, and which Claims, or portions of Claims, are consequently no longer enforceable and recoverable, save and except as set out in this Business Rescue Plan;

2.1.32 **FAIS Act** means the Financial Advisory and Intermediary Services Act, 37 of 2002;

2.1.33 **Financially Distressed** shall bear the same meaning ascribed to this term in Section 128(1)(f);

2.1.34 **Final Claims Date** means the final date for the submission of Claims, being the end of the Additional Claims Period;

2.1.35 **FMC** means the Financial Misconduct Committee, a management committee of with the role of reviewing and, ultimately, approving written submissions that recommend consequence management in respect of employees found responsible for reported financial misconduct;

2.1.36 **Government** means a three-tier political system consisting of the legislative, executive and the judicial arms of government; and who is responsible for regulating the Republic of South Africa under a constitutional democratic regime;

2.1.37 **Group** means South African Post Office SOC Ltd and its subsidiaries, namely, Document Exchange (“Docex”), Courier Freight Group (Pty) Ltd (“CFG”) (in liquidation), SA Post Office’s Properties (Rossburgh) (Pty) Ltd (dormant), SA Post Office’s Properties (Cape Town) (Pty) Ltd, SA Post Office’s Properties (Bloemfontein) (Pty) Ltd, SA Post Office’s Properties (East Rand) (Pty) Ltd, SA Post Office’s Properties (Port Elizabeth) (Pty) Ltd;

2.1.38 **ICASA** means the Independent Communications Authority of South Africa the official regulator of the South African communications, broadcasting and postal services sectors;

2.1.39 **Insolvency Act** means the Insolvency Act 24 of 1936, as amended;

2.1.40 **Landlords** mean the landlords in separate instances:

2.1.40.1 in respect of premises that are occupied by the Company, for the conduct of the Business; and

2.1.40.2 in respect of premises that are leased by the Company to third parties.

2.1.41 **Landlords Claims** means any and all claims of Landlords, arising from the occupation of premises set out in **Annexure 2** prior to the Commencement Date, and between the Commencement Date and the first day of the calendar month succeeding the Adoption Date, details of which are set out in this Business Rescue Plan;

2.1.42 **LRA** means the Labour Relations Act 66 of 1995 (as amended);

2.1.43 **Late Claims** means Claims submitted by any Creditor after the expiry of the Additional Claims Period;

2.1.44 **Last Mile** means a delivery model whereby mail items are delivered to a post office, post box or street address;

2.1.45 **Management** means the management team of the Company, including the Company's directors, who had, and continue to have, the delegated and supervised responsibility of managing the day-to-day operations of the Business as at the Commencement Date;

2.1.46 **National Treasury** means a government department that manages the financial affairs of the national, provincial and local government of the Republic of South Africa;

2.1.47 **Notice of Meeting** means the notice of meeting to all Affected Persons as contemplated in terms of Section 151(2);

2.1.48 **Ordinary Shares** means shares with no par value issued by the Company;

2.1.49 **Parcel Post** means the traditional parcel service provided by postal administrations bearing a maximum weight of approximately 30 kg;

2.1.50 **Parties** means the BRPs and all Affected Persons and **Party** means, as the context requires, any one of them;

2.1.51 **PCF** means post-commencement finance obtained by the Company, as authorized by the BRPs in terms of Section 135, after the Commencement Date;

2.1.52 **PCF Claim** or **Post-Commencement Claim** means any claim against the Company arising from money advanced to the Company on or after the Commencement Date as PCF, dealt with and payable, in this Business Rescue, in accordance with the statutory order or waterfall in Section 135 of the Companies Act;

2.1.53 **Postbank** means the South African Postbank Holding Company SOC Limited bearing registration number 2017/177755/30 and as referred to in section 51 of the Postal Services Act, 1998 (Act No. 124 of 1998), as it existed as a division of the Post Office immediately prior to the repeal of that section; and who renders transactional services and lending facilities through the existing infrastructure of the Post Office;

2.1.54 **Postal Services Act 124 of 1998 or PS Act** means the Act whose primary object is to provide for the regulation and control of postal services in the public interest and for that purpose to, amongst others, promote the universal and affordable provision of postal services as well as promote the provision of a wide range of postal services in the interest of the economic growth and development of the Republic;

2.1.55 **Public Finance Management Act ("PFMA")** means The Public Finance Management Act 1 of 1999 established to regulate financial management in the national government; to ensure that all revenue, expenditure, assets and liabilities of that government are managed efficiently and effectively to provide for the responsibilities of persons entrusted with financial management in that government; and to provide for matters connected therewith;

2.1.56 **Pre-Commencement Claims** means the Claims of Creditors that arose prior to the Commencement Date;

2.1.57 **Preferent Claim** means any Claim (other than a Disputed Claim) which enjoys a statutory preference in accordance with the provisions of the Insolvency Act and **Preferent Creditor** has the corresponding meaning;

2.1.58 **Publication Date** means the date on which this Business Rescue Plan is published in terms of Section 150(5) alternatively Section 152;

2.1.59 **Published Plan** means this Business Rescue Plan to be published by the BRPs for consideration and possible adoption at meetings of Creditors and the Shareholder, to be held, in terms of Section 151, on a date to be fixed by the BRPs;

2.1.60 **Retrenchment Process** means the retrenchment process contemplated in the Business Rescue Plan, for operational reasons, in terms of *inter alia* section 189A of the LRA and any other Law, and which will commence in terms of the Business Rescue Plan, and deemed to be carried out in terms of this Business Rescue Plan;

2.1.61 **RSA** means the Republic of South Africa;

2.1.62 **SA Post Office** means the Company as defined in 2.1.17;

2.1.63 **SARS** means the South African Revenue Service;

2.1.64 **SASSA** means the South African Social Security Agency;

2.1.65 **Secured Claim** means any Claim (other than a Disputed Claim) which would be secured in accordance with the Insolvency Act and "**Secured Creditors**" has the corresponding meaning;

2.1.66 **Shareholder** means the DCDT as defined in clause 2.1.22;

2.1.67 **Substantial Implementation Date** means the date upon which the BRPs file with CIPC, a notice of substantial implementation of the Business Rescue Plan, whereupon Business Rescue will terminate;

2.1.68 **Tax/Taxation** means:

2.1.68.1 levies payable to government authorities;
2.1.68.2 normal taxation;
2.1.68.3 capital gains tax;
2.1.68.4 value-added tax;
2.1.68.5 any taxation arising from new assessments of taxation and/or the reopening of any income tax assessments of the Company for any period prior to the Commencement Date;
2.1.68.6 donations tax;
2.1.68.7 customs duty;
2.1.68.8 securities transfer tax;
2.1.68.9 all Pay-As-You-Earn taxation (PAYE) not paid over;
2.1.68.10 all other forms of taxation, other than deferred tax; and
2.1.68.11 any penalties or interest on any of the afore going.

2.1.69 **The South African Post Office SOC Limited Act 22 of 2011** means the Act established to provide for the continued corporate existence of the South African Post Office and its subsidiaries; and to provide for its governance and staff;

2.1.70 **Universal Postal Union (“UPU”)** means a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to the worldwide postal system and considers access standards, customer satisfaction, speed and reliability, security, liability, financing, and price setting fundamentals for the operation of global postal services.

2.1.71 **Universal Service Obligation or USO means** a public policy serving as the mission statement for a country's postal system;

2.1.72 **VAT** means the value-added tax levied in terms of the VAT Act;

2.1.73 **VAT Act** means the Value-Added Tax Act, No. 89 of 1991, as amended; and

2.1.74 **VAT Claw-back Claim** means the pre and post commencement claim of SARS to claw-back VAT arising at any time prior to or after the Commencement Date from an input claimed by the Company, in terms of section 22 of the VAT Act, in relation to the Concurrent Trade Claims to be dealt with in this Business Rescue Plan.

2.2 **Interpretation**

2.2.1 Any reference in this Business Rescue Plan to:

2.2.1.1 a bold clause is, subject to any contrary indication, a reference to a clause of this Business Rescue Plan;

2.2.1.2 Law means any law including common law, statute, constitution, decree, judgment, treaty, regulation, directive, by-law, order or any other measure of any government, local government, statutory or regulatory body or court having the force of law; and

2.2.1.3 Person means any natural or juristic person, firm, company, corporation, government, state, agency or organ of a state, association, trust or partnership (whether or not having separate legal personality).

2.2.2 Where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning.

2.2.3 The headings do not govern or affect the interpretation of this Business Rescue Plan.

2.2.4 If any provision in a definition confers rights, or imposes obligations on any Party, effect is given to it as a substantive provision of this Business Rescue Plan.

2.2.5 Unless the context indicates otherwise an expression which denotes any gender includes both the others; reference to a natural person includes a juristic person; the singular includes the plural, and the plural includes the singular.

2.2.6 Any number of days prescribed in this Business Rescue Plan excludes the first day and includes the last day; and any relevant action or notice may be validly done or given on the last day.

2.2.7 Unless the context indicates otherwise if the day for payment of any amount or performance of any obligation falls on a day which is not a Business Day, that day will be the next Business Day.

2.2.8 The words “including” and “in particular” are without limitation.

2.2.9 Any reference to legislation is to that legislation as at the Commencement Date, as amended or replaced from time to time.

2.2.10 Any reference to a document or instrument includes the document or instrument as ceded, delegated, novated, altered, supplemented or replaced from time to time.

2.2.11 A reference to a Party includes that Party’s successors-in-title and permitted assigns.

2.2.12 The time of day is reference to Johannesburg time.

2.2.13 The rule of interpretation that, in the event of ambiguity, the contract must be interpreted against the party responsible for the drafting of the contract does not apply.

2.2.14 Any capitalized reference to a statutory provision in this Business Rescue Plan shall, unless expressly stated otherwise, be a reference to the provisions in the Companies Act.

2.2.15 Any reference to a section or provision of the Insolvency Act shall be a reference to such section read with Chapter 14 of the Companies Act, 61 of 1973 (as amended) and item 9 of schedule 5 of the Companies Act.

2.3 Words or terms that are capitalized and not otherwise defined in the definition section of this Business Rescue Plan (excluding capitalized words or terms used for the purpose of tables) shall bear the meaning assigned to them in the Companies Act.

3. STRUCTURE OF THE BUSINESS RESCUE PLAN

For the purposes of Section 150(2), this Business Rescue Plan is divided into the following five parts:

3.1 PART A: Background (Section 150(2)(a))

This part sets out the background and statutory information of the Company, a summary of the material events and factors that resulted in the Company becoming financially distressed and being placed under Business Rescue.

3.2 PART B: Proposal (Section 150(2)(b))

This part describes the terms of this Business Rescue Plan and includes, inter alia, the benefits and/or effect of adopting this Business Rescue Plan as opposed to the Company being placed into liquidation.

3.3 PART C: Assumptions and Conditions (Section 150(2)(c))

This part sets out, inter alia, what conditions need to be fulfilled for the Business Rescue Plan to become effective, and to be implemented. It also contains the financial information, actual and projected, relating to the Company.

3.4 PART D: Administration Provisions

This part sets out certain administrative provisions relevant to this Business Rescue Plan and its implementation.

3.5 PART E: Conclusion and BRPs Certificate

This part will contain concluding remarks and recommendations of the BRPs, and the BRPs' certificate relating to this Business Rescue Plan.

> If any Affected Person is in doubt as to what action should be taken arising from the publication of this Business Rescue Plan, such Affected Person is advised to consult an independent attorney, accountant or other professional advisor.

Part A: Background

4. OVERVIEW

4.1 Shareholding

As at the Commencement Date, and the Publication Date, the DCDT, is the sole shareholder.

4.2 Directors and Company Secretary

4.2.1 As at the Commencement Date, the active Directors of the Company, according to CIPC, were:

Nomkhita Princess Mona	Director
Fathima Bee Bee Abdul Gany	Director

4.2.2 There has been one (1) resignation since the Commencement Date, namely the resignation of the Company Secretary. The Practitioners are in the process of finding a suitable replacement.

4.3 Business

4.3.1 SA Post Office is a strategic asset to the South African Government. It provides vital services throughout the country. It provides traditional postal delivery services which enable people, especially in remote and otherwise underserviced areas, to access communications and Government services where they would otherwise be unable to do so. In some remote areas, it is often the main link between residents. The SA Post Office's services are not limited to traditional postal services. SA Post Office inter alia serves as the South African Postbank SOC Ltd ("Postbank") physical branch network; it distributes social grants at its branches, and it facilitates convenient renewal of motor vehicle registration.

4.3.2 SA Post Office's mandate to deliver postal services has its roots in international treaties to which South Africa is a signatory. The Universal Postal Convention ("Convention"), to which South Africa is a signatory, sets out the overarching obligations of member states. The primary obligations in terms of the Convention are as follows:

4.3.2.1. SA Post Office is considered to be a "designated operator". Article 2.1 of the Convention requires member states to identify a governmental or non-governmental body responsible for overseeing and operating postal services. SA Post Office is South Africa's designated operator. South Africa fulfills its international obligations through the SA Post Office.

4.3.2.2. Secondly, the Freedom of Transit obligation articulated in Article 4 of the Convention ensures that its designated operators forward postage items passed to them by another country's designated operator. Freedom of Transit is guaranteed throughout the territory of the universal postal union i.e., its member countries.

4.3.2.3. Thirdly, there are other services that the designated operator is required to provide, which cannot be left unattended. The designated operator oversees postage stamps, which are regarded as a manifestation of a nation's sovereignty. Another example is the state's obligation to ensure postal security by observing the UPU's security standards set out in Article 8.

4.3.3 South Africa is a member of the UPU and is 1 of 192 member states, having entered the UPU on 22 August 1994.

4.3.4 In furtherance to the above, it maintains routes for the provision of postal services within the SADC region. SA Post Office acts as an intermediate location for the African continent and is responsible for the sorting and dispatching of mail to be sent onto the recipient countries.

4.3.5 SA Post Office's existence is underpinned by the Universal Postal Service Obligation ("UPSO"). The UPSO is the Government's obligation to provide permanent and affordable basic postal services. The UPSO accepts, as a premise, that exchanging communications is a basic function of life and enables people to participate in the community and in society. SA Post Office is the arm through which the Government delivers this universal obligation. It is essential for SA Post Office to meet the UPSO and to ensure that South Africa remains connected with the outside world.

4.3.6 Legislation governing SA Post Office: SA Post Office is governed primarily by two Acts. Namely, the South African Post Office Act 22 of 2011 ("Act") and the Postal Services Act 124 of 1998 ("PS Act"). The objectives of the Post Office Act and the PS Act are set out briefly as follows:

4.3.6.1 The SA Post Office Act was passed with the Objective of providing for the continued existence of the Post Office, ensuring the provision of universal, reliable and affordable postal services. The Act further requires SA Post Office to take reasonable measures, within its available resources, to achieve progressive realization of several duties. Additionally, the Act allows Parliament to fund SA Post Office's normal expenditure out of money appropriated for that purpose.

4.3.6.2 Secondly, the PS Act regulates postal services and SA Post Office's operational functions, including its universal obligation. The primary aim of the PS Act is to regulate postal services "in the public interest". Other objectives of the PS Act are directed towards the provision of affordable universal postal services, in line with South Africa's International commitments. SA Post Office's societal benefits is manifested in other objectives stated in the PS Act which include the endeavour to:

"*ensure greater access to basic services through the achievement of universal postal service, by providing an acceptable level of effective and regular postal services to all areas including rural areas and small towns where post offices are not sustainable*;…

contribute to the community and rural development and education, through actively participating in the development of a citizens post office, serving as an interface between government and community and providing a centre for community activities…"

4.3.7 The PS Act distinguishes between "*reserved postal services*" and "*unreserved postal services*". No person may operate a reserved postal service without a license, granted by Independent Communications Authority of South Africa ("ICASA"), which the PS Act designates as the Regulator. On 20 October 2008, SA Post Office was granted an exclusive license to provide reserved postal services in South Africa for 25 years subject to renewal.

4.4 Subsidiaries

4.4.1 The SA Post Office has the following wholly owned subsidiaries, namely: Document Exchange (Pty) Ltd (DOCEX); Courier Freight Group (Pty) Ltd (CFG) (in liquidation); and five property holding companies.

4.5 Company information

Financial Year End	31 March
Auditors	Auditor General of South Africa
Registered Address	497 Sophie de Bruyn Street, Pretoria, Gauteng, 0001

5. BACKGROUND TO THE COMPANY'S FINANCIAL DISTRESS

5.1 Prior to business rescue proceedings, the South African Post Office was placed in provisional liquidation as a result of its financially distressed position. The return date for the provisional liquidation order was set for 1 June 2023. However, given the vital role that SA Post Office plays and it being a key asset to Government, the DCDT sought to avoid the collapse of it by placing it under business rescue.

5.2 The reasons for the financial distress of the Company were set out in a sworn affidavit filed with the documents in the application made to the High Court of South Africa: Gauteng Division under case number 051134/2023 by the DCDT to commence Business Rescue proceedings in terms of Section 131(1) of the Companies Act 71 of 2008 by way of a court order.

5.3 SA Post Office is unable to honour its financial obligations as and when they fall due in the coming months. SA Post Office has also failed to honour its contractual, statutory and employment obligations. While there are several reasons for SA Post Office's predicament, the primary reasons for the financial distress at the time of the application made to commence with business rescue are:

5.3.1 SA Post Office was designed to provide traditional physical postal services in terms of its mandate as part of The South African Post Office SOC Limited Act 22 of 2011. With rapid improvements in technology, demand for traditional postal services has diminished. SA Post Office has for various reasons been slow to adjust its business model to the modern state of affairs.

5.3.2 The inability of the Company to settle amounts owing to its trade creditors amounting, at the time, to R4.503 billion excluding R3.931 billion owed to Postbank.

5.3.3 SA Post Office's revenue was negatively impacted because of operational challenges at an active infrastructure branch level due to basic insufficiencies such as lack of tools of trade or significant aging of the tools of trade, rolling blackouts, and inadequate infrastructure.

5.3.4 The Company's poor physical cash management has played a significant role in its financial woes, leading to a surge in armed robberies and burglaries at its branches. This had significant cost implications and a negative impact on revenue generation. Further to this, there are inconsistent practices relating to daily reconciliations of cash received and re-banked.

5.3.5 The Company's current financial situation is not sustainable without a temporary reprieve, restructuring, or deferral or its debt obligations.

5.3.6 The Company has been struggling to maintain profitability in the face of a difficult trading environment since the start of the Covid-19 pandemic. This has been exacerbated by electricity shortages and supply chain disruptions, as well as challenges with e-commerce and online purchasing platforms. As a result, sales have declined, and revenue has been negatively impacted. In addition to these challenges, the Company's ability to secure funding from private institutions is severely restricted by the Public Finance Management Act ("PFMA") which prohibits state owned entities from borrowing from private lenders. This further limits the Company's options of securing funding from any entity other than the National Treasury and exacerbates its financial difficulties. The future liquidity and solvency of the Company was dependent on the Company restructuring its debt obligations to trade creditors as well as undertaking an operational restructure, which could only be restructured through a formal Business Rescue process under Chapter 6 of the Companies Act.

5.4 In addition to the factors above, following the Business Rescue Practitioners assessments, the Company's financially distressed position was primarily attributed to the following factors:

5.4.1 SA Post Office incurred operating losses for many years resulting in accumulated losses of about R19 billion as at 30 September 2023. The operating losses are due to declines in revenue and an unsustainable cost base. The total operating cost base exceeds 200% of revenue. SA Post Office is not customer focused and has been unable to adapt to changing market conditions. The biggest contributor to SA Post Office's financial challenges is its employee cost base which accounts for 150% of revenue. This means that SA Post Office pays employees R1,50 for every Rand of revenue;

5.4.2 SA Post Office's lack of investment in its infrastructure has resulted in a decline in its operational efficiency and customer service capabilities. The Company's aging IT infrastructure and data center infrastructure (last updated in 2012), inefficient mail processing equipment which is past its use of life, and unreliable logistics fleet are hindering its ability to meet the needs of its customers in a timely and qualitative manner;

5.4.3 SA Post Office commenced a contract with SASSA in 2019 for the payment of various grants. This led to a sharp increase in the value of cash handled at SA Post Office branches which in turn led to a dramatic increase in armed robberies, branch burglaries, fraud and theft of cash. The aggregate losses amounted to more than R400 million since 2019;

5.4.4 The SASSA contract was ceded to Postbank in October 2022 with SA Post Office still providing SASSA services as an agent of the Postbank. There are numerous operational challenges as a result of this because SA Post Office branches are not geared to handle cash payments. SA Post Office's failure to maintain a safe work environment has puts its employees at risk and made it more difficult to obtain affordable insurance coverage;

5.4.5 SA Post Office owes numerous property owners an aggregate of approximately R400 million as at end of July 2023. These Landlords have taken legal action which predates the business rescue proceedings. Landlords have closed and continue to close branches;

5.4.6 The properties including mail processing centers, branches and office properties have not been maintained and requires significant investment to meet Occupational Health and Safety ("OHSA") and operational requirements;

5.4.7 The separation of Postbank from SA Post Office was handled in a sub-optimal manner, causing operational difficulties, and impeding on the efficient management and expediting of SASSA grants. Additionally, SA Post Office has not been compensated for the substantial value of Postbank;

5.4.8 SA Post Office's inability to pay its suppliers on time has caused difficulties in collecting and delivering parcels, impacting customer satisfaction, disrupting delivery schedules, and potentially leading to key contract terminations. SA Post Office's logistical operations are hampered by the absence of a digital information system, forcing the company to rely on outdated paper-based systems that are unable to keep pace with the demand of modern logistics;

5.4.9 The bulk mail industry has been largely driven by financial services companies. Due to the reduction in mail volumes, the SA Post Office's revenue has declined from these blue-chip customers; and

5.4.10 The constant barrage of negative press has significantly tarnished the reputation and goodwill of SA Post Office, leading to a decline in its customer base.

5.5 **Trading activities during Business Rescue**

5.5.1 SA Post Office generates its revenue from four main sources, namely, postal services; financial services; courier services; and property. SA Post Office consists of different departments, each focused-on income generating streams. These departments each play a vital role in contributing towards SA Post Office's revenue.

5.5.2 As at the Commencement Date, there were 1 023 branches according to the July 2023 management accounts, of which 113 branches were profitable. Most of the non-profitable branches are related to SA Post Office's USO. The branches are split between 448 rural branches and 575 urban branches. There were 129 of the 1 023 branches which were non-operational for various reasons. SA Post Office's revenue is dominated by postal services turnover and financial services revenue. Bulk mail revenue, hybrid mail and foreign revenue make up the bulk of postal services revenue. Motor vehicle licenses dominate the financial services category offered by the SA Post Office which continues to remain in demand at the majority of the branches. SA Post Office's bulk mail revenue stream is a key driver of revenue and therefore profitable. SA Post Office's bulk mail clients range from municipalities, retail stores, telecommunication companies, Government, medical aid providers and major banks, to name a few.

5.5.3 **Postal Services**

5.5.3.1 This trading activity segment relates to the collection, sorting, and delivering of physical letters and other printed matter such as information mail (Pamphlets, Brochures) and Magmail (Magazines, Newsletters).

5.5.3.2 The Postal distribution comprises of local, regional, and international services through the UPU global operator network. In line with global trends, the majority of SA Post Office's letter mail volumes comprises of transactional mail, which is mainly sent by companies and public institutions.

5.5.3.3 The Postal Services that SA Post Office provides can be categorized into the following respective streams: bulk mail; hybrid mail; franking mail; stamp and philately; foreign mail; envelopes; registered letters; box and key; secure and sundry mail.

5.5.4 **Bulk Mail**

5.5.4.1 Bulk mail revenue is a critical segment to the revenue streams of SA Post Office. It comprises of 42% of SA Post Office's revenue and is the largest revenue category. Currently, SA Post Office services clients in the financial services sector and various municipalities.

5.5.4.2 Due to the poor performance of SA Post Office's operations and logistics, SA Post Office was unable to meet the agreed service standards and as a result has seen a significant drop in volumes and revenue.

5.5.5 **Hybrid Mail**

5.5.5.1 This segment of revenue encompasses converting digital data from bulk mailers into physical letter items and distributing them nationally for delivery. SA Post Office uses high volume production printers, envelope inserting machines and one-step mailers owned by third parties in order to service its hybrid mail clientele.

5.5.5.2 A key revenue driver for hybrid mail will be the processing of the infringement notices. On 12 July 2023, the Constitutional Court declared the Administrative Adjudication of Traffic Offenses Act ("Aarto") to be valid and constitutional. The favourable ruling permits Aarto to be rolled out nationally and for traffic fines to be dealt with administratively and not criminally.

5.5.5.3 The Road Traffic Infringement Agency ("RTIA") is the implementation agent of Aarto. The Road Traffic Management Corporation ("RTMC") is a technical partner to RTIA as well as to the municipalities who are the Issuing Authorities for the Infringement Notices. SA Post Office has entered into a Service Level Agreement with RTIA to process electronic files received from RTMC on behalf of the Issuing Authorities. In light of this agreement, SA Post Office is the exclusive partner to the RTIA for the national roll-out of Aarto and is tasked with printing Infringement Notices and delivering the notices through its retail branch network.

5.5.5.4 SA Post Office currently has three hybrid mail sites at Witspos Mail Centre, Tshwane Mail Centre, and Cape Mail Centre from where it services its respective customers.

5.5.6 Courier and Parcel Delivery Services

5.5.6.1 SA Post Office's parcel services include collecting, transporting, and delivering express services as well as largely standardized packages which have a non-guaranteed domestic delivery time of 2–3 days. Standard parcel post is transported mainly by way of road transportation which is based on a network of primarily pre-scheduled, multi-stop delivery trips. Due to the longer transit time compared to express shipments, parcel services are referred to as deferred services and are economically priced.

5.5.6.2 Express services refer to the concept of delivery services of all types of time-sensitive documents and parcels which are utilized by SA Post Office's business customers for shipments to national and international destinations.

5.5.7 Financial Services

5.5.7.1 As per South Africa's National Payment System model, SA Post Office is defined as a Third-Party Payment Provider and is authorised to accept money or the proceeds of payment instructions for on-payment to third persons to whom the money is due.

5.5.7.2 The SA Post Office branch network provides customers with a convenient account payment service to businesses. These businesses have large customer bases but lack sufficient national pay points. SA Post Office therefore enables these customers to pay various accounts through the provision of central pay points within its branches and networking system. Additionally, customers can complete transactions both nationally and internationally through the utilisation of the UPU global postal network to which SA Post Office belongs.

5.5.7.3 SA Post Office currently provides financial services, including, motor vehicle licensing, social grant payments, and financial services relating to the Postbank branches and other related third-party payments.

5.5.8 **Motor Vehicle Licensing Revenue ("MVL")**

5.5.8.1 MVL is an important contributor to SA Post Office's revenue and has been negatively affected by branch closures, lack of tools of trade at branches and load shedding. SA Post Office is also facing increasing competition in this market segment.

5.5.9 **Social Grants Revenue**

5.5.9.1 On 3 February 2012, the South African Social Security Agency ("SASSA") and Cash Paymaster Services ("CPS") entered into a contract and Service Level Agreement to provide the payment of social grants for a period of five years commencing from 1 April 2012 and terminating on 31 March 2017. The SASSA and CPS contract was declared constitutionally invalid and was subsequently transferred by SASSA to SA Post Office commencing around November 2018.

5.5.9.2 Following commencement of the payment of social grants in about November 2018, SASSA requested SA Post Office to also take over the payment of social grants at cash pay points ("CPPs"), which did not form part of the original proposals submitted by the Company. SA Post Office received notice of SASSA's intention to withdraw as party to the Master Service Agreement and for the payment of Social Grant Services dated 13 May 2022. The SASSA contract was ceded to Postbank from 1 October 2022, with SA Post Office retaining responsibility for OTC payments.

5.5.9.3 As part of the cessation of the agreement with Postbank, the Company has outsourced a portion of its staff to assist Postbank with SASSA payment services.

5.5.9.4 In addition, SASSA beneficiaries receive their social grant payments at several post office branches throughout South Africa. SA Post Office in turn, has an agency relationship with Postbank.

5.5.10 **Digital Services**

5.5.10.1 This business segment, which is in development phase, is related to the provision of secure digital services such as digital signature software which verifies and validates the individual appending a digital signature to a document. This digital security service is legally accepted by the South African judiciary as authentic documentation which can be used in legal proceedings.

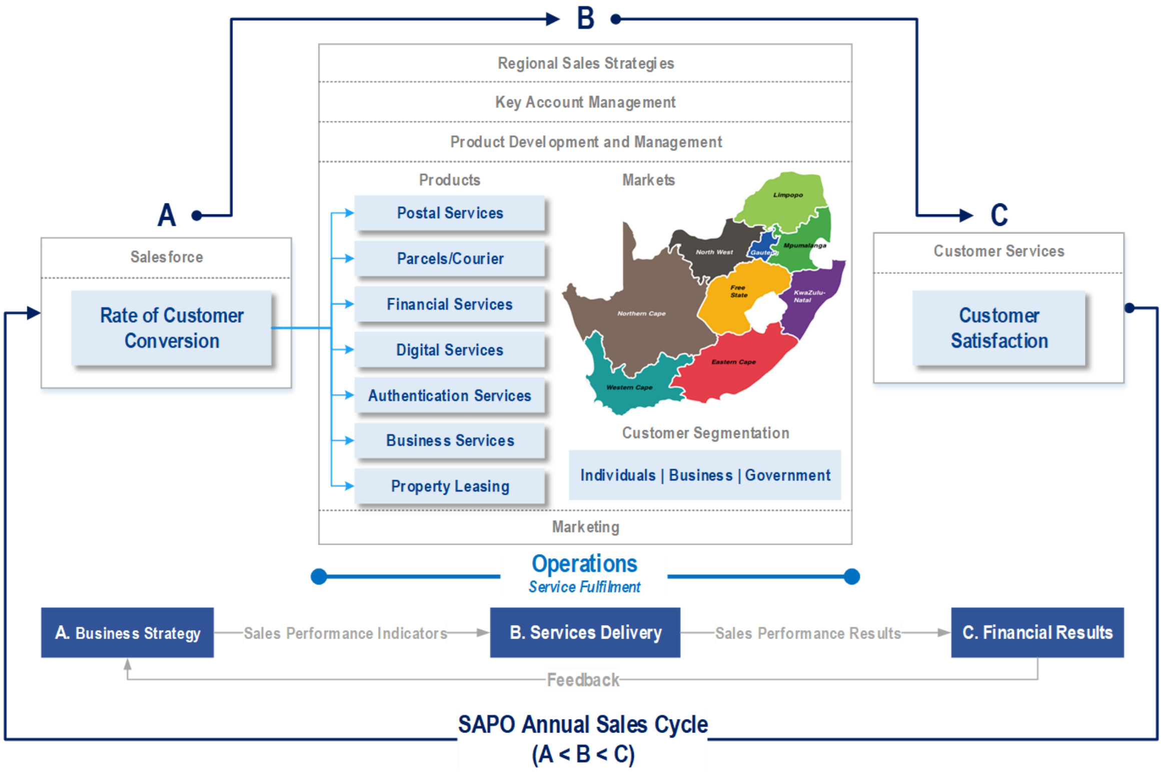
5.5.11 **Property Rentals**

5.5.11.1 SA Post Office owns several properties that have additional space that are being leased to entities and other private companies to generate additional revenue through rental agreements with various corporate entities. The full listing of all the immovable properties are listed in **Annexure 2.**

5.5.12 **Postbank Channel Services**

5.5.12.1 SA Post Office has an integrated branch network, which the Postbank utilizes to service its banking customers. SA Post Office can therefore be regarded as a channel partner who derives revenue from Postbank transactions performed at its branches thereby generating a commission fee revenue model.

5.5.12.2 The chart below, depicts and summarizes the trading activities of the Company since the Commencement Date:



6. SUMMARY OF THE BUSINESS RESCUE AND BUSINESS RESCUE TIMELINE

6.1 Business Rescue, as defined in Section 128(1)(b), refers to proceedings to facilitate the rehabilitation of a company that is Financially Distressed by providing for –

6.1.1 the temporary supervision of a company, management of its affairs, business and property by the appointed business rescue practitioners;

6.1.2 a temporary moratorium on the rights of claimants against a company or in respect of property in its possession; and

6.1.3 the development and implementation, if approved, of a plan to rescue the company in question by restructuring its affairs, business, property, debt and other liabilities, and equity in a manner that maximizes the likelihood of the Company continuing in existence on a solvent basis or, if it is not possible for the Company to continue in existence, results in a better return for the Company or creditors or Shareholder than would result from the immediate liquidation of the Company.

6.2 With this Business Rescue Plan, the BRPs intend to achieve the primary objective of Business Rescue by the balancing the rights and interests of all stakeholders and providing a better return to Creditors than would result from the immediate liquidation of the Company, which will be dealt with later in this BR Plan.

6.3 The following summary sets out the salient dates on which certain events have taken and will take place during Business Rescue:

NO.	SECTION OF THE ACT	DESCRIPTION	DATES
1.	Section 131(1)	Court Order granted for the commencement of Business Rescue proceedings	10 July 2023
2.	Section 129(3)(b)	Appointment by CIPC of BRPs	14 July 2023
3.	Section 38A(3)(b) of FAIS Act	Approval of BRPs appointment	14 July 2023
4.	Section 129(3)(a) Section 129(4)(b)	Statutory notice to Affected Persons: Commencement of Business Rescue	17 July 2023
5.	Section 129(3)(a) Section 129(4)(b)	Statutory notice to Affected Persons: Section 147 and section 148 meetings	17 July 2023
6.	Section 131(5)	Ratification of the BRPs appointment	24 July 2023
7.	Section 147	First Creditors Meeting	24 July 2023
8.	Section 148	Employees' Meeting	24 July 2023
9.	Section 144(3)(c)	Nomination of Creditors Committee	24 July 2023
10.	Section 144(3)(c)	Nomination of Employees Committee	24 July 2023
11.	Section 150	Extension of the Publication Date of this Business Rescue Plan was approved from 14 August 2023 to 30 November 2023	24 July 2023
12.	Section 150	Extension of Proposed Publication Date of this Business Rescue Plan granted by Employees Committee on	9 November 2023

NO.	SECTION OF THE ACT	DESCRIPTION	DATES
14.	Section 150	Publication Date of this BR Plan	23 November 2023
15.	Section 151	Date of meeting to determine the future of the Company and vote on this BR Plan	7 December 2023

7. STEPS TAKEN SINCE COMMENCEMENT DATE AND APPOINTMENT OF BRPS

7.1 Administrative matters

7.1.1 Appointment of BRPs

7.1.1.1 On 10 July 2023 in accordance with Section 131 of the Companies Act 71 of 2008, as amended ("Companies Act"), Messrs. Rooplal and Damons, were appointed as the Company's interim joint business rescue practitioners subject to creditors ratification at the first statutory meeting of creditors.

7.1.1.2 The BRPs appointment was subsequently approved by the Registrar of Financial Services in terms of section 38A (3)b of the FAIS Act of on 14 July 2023 and further ratified by the holders of a majority of creditors voting interests on 24 July 2023.

7.1.2 Management control

7.1.2.1 In terms of Section 140(1)(a), the BRPs took over full management control of the Company but, as they were entitled to do, delegated certain functions to certain members of Management in terms of Section 140(1)(b). This was done to ensure the ongoing continuation of the business of the Company and preservation of its goodwill in the best interests of all stakeholders.

7.1.2.2 The BRPs and their advisors exercised due care and diligence around all functions and operations delegated to Management, as they did with all information provided by Management including information contained in this Business Rescue Plan. The functions and operations carried out by Management were all within their ordinary duties and obligations to the Company.

7.1.2.3 Management made themselves available on all aspects relating to this Business Rescue.

7.1.2.4 The BRPs conducted numerous site visits to determine the extent of the properties, instructed an independent company to conduct a valuation of the immovable assets of SA Post Office, and conducted an extensive branch analysis to ascertain the profitability and operational viability of branches;

7.1.2.5 The BRPs engaged with key stakeholders and customers as well as explored the potential partnerships with SA Post Office and will endeavour to continue to do so until implementation date;

7.1.2.6 The BRPs implemented various task teams who conducted verifications of the cash management at various branches, verification of all employees, skills inventory analysis of all employees and assessment of branch equipment at various branches;

7.1.2.7 The BRPs have amended Company policies and restructured reporting structures within SA Post Office as well as enforced a consequence management initiative to ensure that there has been a right of recourse for misconduct and malpractice;

7.1.2.8 The BRPs continue to have regular meetings with the DCDT and SA Post Office Exco team; and

7.1.2.9 A working group has been established between Postbank and the BRPs representatives in order to reconcile SA Post Office's books and records to Postbank's records and in an effort to close the gaps on any inconsistencies and to manage the operational aspects of the relationship.

7.1.3 **Reporting to CIPC and Affected Persons**

7.1.3.1 In terms of Regulation 125 read with Section 132, the BRPs will issue notices to CIPC and Affected Persons to report on the progress or status of the Business Rescue or as required by Section 141(2) of the Act.

7.1.3.2 As at the Publication Date, the BRPs have complied with all statutory obligations under the Companies Act and commenced rendering monthly reports to CIPC and Affected Persons in terms of Section 132(3). The first report was submitted on 27 October 2023.

7.1.4 **Extensions of Publication Date**

7.1.4.1 The statutory due date for publication of this Business Rescue Plan, in terms of Section 150, was 14 August 2023.

7.1.4.2 The BRPs obtained the support of independent Creditors' voting interests, as contemplated in Section 150(5)(b) read with Section 147(3), extending the date for publication of the Business Rescue Plan until 30 November 2023.

7.1.4.3 The BRPs suggested a Publication Date of 15 November 2023. However, on 9 November 2023, the BRPs convened a meeting with the Employee Committee wherein they requested an extension for the publication of the BR Plan to 23 November 2023. The section 151 meeting will be convened 10 business days following Adoption Date, being 7 December 2023. The two main reasons for this suggestion are namely (1) the urgency of dealing with certain matters that are having serious implications on the Company's ability to pay critical expenses on a monthly basis and (2) to accommodate Affected Parties who may or may not be available mid-December 2023 to vote and consider the proposed BR Plan.

7.1.4.4 This extension was required to afford the BRPs additional time to conduct the investigations into the affairs, businesses and finances of the Company owing to the nature and size of the Company.

7.1.5 **Notice of meeting**

7.1.5.1 This Business Rescue Plan will be published to all Affected Persons on Thursday, 23 November 2023.

7.1.5.2 Publication will take place in the following manner:

7.1.5.2.1 via email to all known Creditors, to the extent that the email addresses of known Creditors are available to the BRPs; and

7.1.5.2.2 copies will be available at the offices of:

7.1.5.2.2.1 Legae Turnarounds, 257 Brooklyn Road, Lynnwood, Pretoria, 0181 from 09:00 to 16:00; and

7.1.5.2.2.2 SNG Grant Thornton, 20 Morris Street East, Woodmead, Gauteng, 219 from 09:00 to 16:00.

7.1.5.2.3 The section 151 meeting to vote on the Business Rescue Plan will take place on Thursday 7 December 2023 virtually. A link will be provided to all Affected Persons in a matter as contemplated in 7.1.5.2 above.

7.1.6 **Employees**

7.1.6.1 **Employees' Meeting**

7.1.6.1.1 The BRPs convened and held a first introductory meeting with all Employees on 14 July 2023 to inform them of the commencement of Business Rescue in respect of the Company.

7.1.6.1.2 The first statutory meeting of Employees, as contemplated in Section 148, was held on 24 July 2023. During this meeting:

7.1.6.1.2.1 Business Rescue was explained, and possible outcomes were presented to Employees;

7.1.6.1.2.2 The Joint BRPs expressed the view that there was a reasonable prospect of rescuing the Company;

7.1.6.1.2.3 Approval for the extension of the publication of the proposed Business Rescue Plan was sought and granted;

7.1.6.1.2.4 Assistance was also given to Employees by providing answers to various questions and concerns arising from Business Rescue;

7.1.6.1.2.5 Employees expressed their support of the Business Rescue proceedings.

7.1.7 Given that this Business Rescue Plan has a significant impact on Employees, ongoing meetings and consultations are required.

7.2 **Employees Committee**

7.2.1 As stated above, with the assistance of the union officials, the Employee Committee was nominated in terms of Section 144(3)(c).

7.2.2 The BRPs and their delegates were advised that SA Post Office already has a Consultative Forum which can be used as the Employee Committee. The forum was referred to as the National Consultative Forum (NCF). Proposals were made that the BRPs make use of the already established structure as the Employee Committee. This structure consisted of all the recognized unions as well as of elected officials representing the non-unionized employees.

7.2.3 The first official meeting of the Employee Committee took place on 7 September 2023.

7.2.4 A further follow up meeting and consultation with the Employee Committee and their trade union representatives around the Business Rescue Plan, took place on 9 November 2023 when the future of the Company, through the Draft Business Rescue Plan, was considered, specifically the issue of the number of retrenchments in terms of section 189 of the LRA was necessary for the survival of the Company as a whole.

7.2.5 The BRPs and the team have been in communication and engagement with the Employees Committee, with all questions and enquiries in relation to the Business Rescue, be it legal implications and rationale for certain decisions implemented by the BRPs.

7.3 **Section 189A of the LRA**

7.3.1 General

7.3.1.1 The Employees continue to be employed by the Company after the Commencement Date.

7.3.1.2 The Employees continue to receive their full remuneration and certain benefits from the Commencement Date.

7.3.1.3 However, whilst the BRPs have tried to limit job losses, the Retrenchment Process is required, given the financial distress of the Company. It is critical to balance the rights and interests of all stakeholders of the Company. Upon the appointment of the BRPs, there was an option available to employees to take Voluntary Severance Packages (VSPs). Those applications had to be considered by the BRPs for approval, based on operational requirements of the business.

7.3.1.4 Where possible, the Company, Management and the BRPs will support, endorse and aid those Employees affected by the Retrenchment Process in their efforts to secure alternative employment or mitigate their conditions arising from job losses.

7.3.1.5 The Group's total staff complement amounts to 11 083 as at the end of October 2023.

7.3.1.6 The Employee Committee has already been advised that there would be a need to consider resizing SA Post Office for purposes of ensuring that the entity is in a good financial position. Retrenchments were noted as one of the limited options available for consideration.

7.3.1.7 The BRPs first had to verify the staff compliment within SA Post Office and assess the branches to determine how many people will be potentially affected by the retrenchments. It must also be stated that there are currently a number of employees who were placed on suspension and/or facing disciplinary hearings for various acts of misconduct. The BRPs ensured that all disciplinary proceedings should continue and where possible, be finalized to enable the consulting parties to have a more accurate figure of employees who may be affected by the possible retrenchments.

7.3.1.8 The rationale behind this was to ensure that possible retrenchment should not affect an individual who is physically at work and leaves out an individual who has been on suspension for a lengthy period, who may possibly be dismissed in the near future due to the seriousness of allegations the said individual is facing. It is for this reason that the disciplinary proceedings were prioritized.

7.3.1.9 After considering the number of employees who may be affected by the possible retrenchments, the BRPs must enlist the services of the CCMA to conduct a large-scale retrenchment in terms of section 189A of the LRA. At the Publication Date, the possible number of affected employees is estimated to be about 6000. This number consists of the following category of employees:

7.3.1.9.1 Supernumerary employees (Employees who were working in branches that were closed, and who were sent to other branches).

7.3.1.9.2 Drivers and the Sales employees (these are employees who were ordinarily using vehicles to perform their duties and supporting the previous outdated sales strategy, given the outdated business model, these roles are no longer required).

7.3.1.9.3 TTD employees (these are employees who have either been at their place of residence because their health conditions do not permit them to be at work or continue to work). It is important to also note that there are numerous incapacity related hearings that are being considered for some of the employees as there are employees who came forth and advised that they cannot work due to health reasons.

7.3.1.9.4 The positions were identified following the branch and operational analysis of the business. This will possibly include senior management staff. The rationale behind this is that, if the staff compliment is to be reduced, then the management that presides over the staff should also be reduced to ensure that there is alignment between the full staff compliment and the management that preside over that staff compliment. Section 189A of the LRA process is dealt with in more detail below.

7.3.2 S189A of the LRA – Retrenchment Procedure

7.3.2.1 It has been stated above that the BRPs have contemplated retrenchments as a measure of reducing costs and ensuring that the SA Post Office operates efficiently. It is also a common cause that SA Post Office has throughout contemplated reducing about 7000 employees prior to the Commencement Date.

7.3.2.2 The BRPs have conducted an independent assessment to establish how many employees will likely be affected by the retrenchment process. From the assessment conducted during the BR process, a cumulative figure of 6000 positions were seen as being potentially affected by the retrenchment process. Thus, in view of the number of potentially affected employees, the retrenchments must be done in accordance with section 189A of the LRA ("Facilitation").

7.3.2.3 Facilitation is a process that is conducted by a CCMA Commissioner to assist parties in the consultation process when an employer (like SA Post Office) is contemplating large scale dismissals on operational requirements, commonly referred to as retrenchments. These facilitated consultation discussions are required in terms of section 189A of the LRA. These types of retrenchment procedures are required as a prerequisite by the LRA if the employer employs more than 50 employees and is contemplating dismissing at least 10 employees or if the employer, like SA Post Office, employs 200 or more employees. The notice of intention to dismiss the affected employees would have been issued by the SA Post Office / BRPs in terms of section 189(3) of the LRA.

7.3.2.4 Due to the possible impact of such large-scale dismissals, the scheduling of a facilitation process is prioritized. A notice of seven days will be given to the parties unless the parties agree to a shorter notice period. A Commissioner has 60 days, or any further extension period as agreed by the parties, from the date that the section 189(3) notice was issued, to conclude the facilitation process. If after the 60-day period, parties cannot reach an agreement, then termination notices can be issued to the employees.

7.3.2.5 After assessing the operations of SA Post Office, the BRPs are of the view that the following positions will be affected by possible retrenchments:

7.3.2.5.1 Group Executives and General Managers:

7.3.2.5.1.1 Three positions within the Group Executives and General Manager positions will possibly be affected. In assessing the business strategy of SA Post Office, the BRPs noted that the Executive structure was ballooned, with duplicated roles. To this end, other positions within the Executive Structures will be consolidated and others abolished. The new proposed structures, which abolished other positions and consolidate others, have been prepared and will be shared as part of section 189A of the LRA process to enable proper consultation.

7.3.2.5.2 District Managers and Area Managers:

7.3.2.5.2.1 All positions of District Managers stand to be abolished from the structure. The BRPs also hold the view that there is a duplication of roles between the position of District Managers and Area Managers. Thus, it is proposed that the positions of District Managers be abolished from the structure;

7.3.2.5.3 Supernumerary Employees

7.3.2.5.3.1 During the BRPs investigations, it was noted that there are a number of employees who were stationed in branches that have since been closed down. These employees are categorized as Supernumerary employees, who were accordingly moved to nearby branches. The total number of these employees are about 815. Although not all of these employees will be dismissed for operational reasons, these

Supernumerary employees will possibly be affected by the retrenchments;

7.3.2.5.4 Temporary and Total Disability Employees ("TTD employees")

7.3.2.5.4.1 Fourthly, there is a category of employees called the TTD employees. This includes employees who have been at home because of health reasons. They have applied to be temporarily or permanently boarded for medical reasons. The total number of these employees are just over 200. This group of employees are affected by the possible retrenchments, as operations have continued despite their absence; and

7.3.2.5.5 Retail Staff

7.3.2.5.5.1 Between 2500 to 3000 of the Retail staff are possibly affected by the retrenchments. Following a branch analysis that was conducted, it was noted that there were branches that were running at a serious loss. It is important to reduce the operational expenses of the under performing branches through the reduction of the head count in those respective branches;

7.3.2.5.6 Drivers

7.3.2.5.6.1 SA Post Office has a range of Drivers which differs in terms of grading. Forklift Drivers and all other Drivers are possibly affected by the retrenchments. The reason behind this is that SA Post Office has lost most of its vehicle fleet and thus there are no vehicles which the Drivers will be using / driving. Moreover, there have been a number of incidences where the employees in this category refused to be repurposed and used in different capacities. Thus, those positions can be regarded as redundant; and

7.3.2.5.7 Postmen/Postwomen

7.3.2.5.7.1 Postmen/Postwomen are also affected by the possible retrenchments. However, there is an alternative to implement short time as opposed to a total reduction of this staff complement.

7.3.2.6 In line with case law, the envisaged facilitation process can only commence once the BR Plan has been approved by all affected persons. The selection criteria and the severance packages will be calculated as per the minimum requirement provided for in the Basic Conditions of Employment Act during the facilitation process. However, such will still be open for negotiations during the facilitation.

7.3.3 In a liquidation:

7.3.3.1 Employees will receive a dividend in respect to the statutory preferent portion of their claim at the end of a liquidation process, which may take three to five years.

7.3.4 The costs of the Retrenchment Process will be dealt with later in this Business Rescue Plan. The BRPs propose that all amounts payable to the Employees that will be affected by the Retrenchment Process are paid.

7.4 Legacy labour disputes

There were already pending disputes at the Labour Court as well as at various CCMA offices across the country on the Commencement Date.

7.5 Trade Union representation of Employees

The table below shows the Trade Unions that represent the majority of SA Post Office's employees:

Trade Union	Membership Weighting
SAPWU (South African Postal Workers Union)	24.1%
DEPACU (Democratic Postal and Communications Union)	26,17%
CWU (Communications Workers Union)	33,54%
Non-unionized employees	16,18%

7.5.1 Employee processes and efficiencies

7.5.1.1 Staff Verification

7.5.1.1.1 The staff verification process was instituted on 12 September 2023 together with a skills audit and employee declarations to identify and manage conflicted employees and/or employee's family members.

The purpose of the surveys:

7.5.1.1.2 The staff verification process was to ensure that SA Post Office does not pay ghost employees other than those who are contractually obligated to be paid. The payroll data was found to be credible for the period of the review, though initially there was a sizeable number of employees who made late submissions of their surveys. However, all employees did complete the survey.

7.5.1.1.3 A skills development exercise was conducted to assess the internal capability against what could be required to pull SA Post Office from the dire situation that it is currently in, as well as consider the future requirements of the Company. This process will also play a pivotal role when the restructuring process formally commences.

7.5.1.1.4 An employee declaration was used to verify internal employees who are on the payroll of SA Post Office. The Auditor General (AG) had raised a concern with regards to some of SA Post Office employees being directly or indirectly linked to people or businesses which are doing business with the Company. Based on the survey feedback, nothing was found to suggest that people are compromised. However, further investigations will be conducted following the AG report to inform the Company of the compromised employees, in order to eliminate all possible doubts.

7.5.1.2 Process efficiencies

7.5.1.2.1 At the Commencement Date, there were a number of bottlenecks in the system that led to frustrations for both current and former employees. The various departments worked in silos, with minimum to no communication between them. As part of the streamlining of these departments' operations, changes were necessary to improve people's experience with SA Post Office (with both internal and external stakeholders).

7.5.1.2.2 Further improvement relates to the electronic filing of manual documents and employee files. Currently, these documents are housed with Metrofile at a cost, and it has been envisaged that these documents should be reviewed. Those documents which are obsolete to the record keeping requirements should be disposed of, through the correct process and retain the electronic storage for those that would still be required in future.

7.5.1.3 Benefits

7.5.1.3.1 Policies have been reviewed and benefits were revisited to ensure that the most essential benefits are afforded to the employees and in doing so, there are no bottlenecks in the way of approving and implementing the changes;

7.5.1.3.2 Employee meal allowances were stopped due to affordability;

7.5.1.3.3 Executive management life cover was cancelled; and

7.5.1.3.4 The risk cover was reviewed to cover all employees irrespective of the level or cause of death while employed by SA Post Office within the working hours in Company to ensure equity.

7.5.1.4 Leave policy

7.5.1.4.1 Leave policy provided two leave types namely: statutory leave of 15 days and non-statutory leave of additional 7 days. The 7 days are not forfeitable days, which meant that employees would, on an annual basis, utilize statutory leave and not the non-statutory one. This led to the annual accumulation which resulted in a direct cost to SA Post Office when employees were terminated for whatever reason. It is anticipated that SA Post Office will have immediate savings if this leave policy is amended.

7.5.1.5 Department of Employment and Labour (DEL) and Unemployment Insurance Fund (UIF)

7.5.1.5.1 There has been ongoing engagement with the Department of Labour and UIF Commission to ensure that SA Post Office employees are registered, declared and are paid for and to create an efficient and functioning structure.

7.5.1.6 As part of continuous improvement of efficiencies at SA Post Office, it is imperative to look for the most suitable structure to support the strategy of the business rescue plan. It is a known fact that the sustainable productivity level at SA Post Office has been extremely low compared to the pre Covid-19 era. To have a fit-for-purpose structure, it is important to ensure that the way of working, functions and deliverables are reviewed. The new structure will have to bring stability and accountability to SA Post Office.

7.6 Creditors

7.6.1 Creditors' Meeting

7.6.1.1 The first statutory meeting of Creditors, as contemplated in Section 147, was convened and held on 24 July 2023.

7.6.1.2 At the first meeting of Creditors:

7.6.1.2.1 Business Rescue was explained, and possible outcomes were presented to the Creditors;

7.6.1.2.2 Assistance was given to the Creditors by providing answers to various questions;

7.6.1.2.3 The Joint BRPs expressed the view that there was a reasonable prospect of rescuing the Company;

7.6.1.2.4 The Joint BRPs appointment was ratified by the holders of a majority of the independent creditors voting interest;

7.6.1.2.5 Approval for the extension of the publication of the proposed Business Rescue Plan was sought and granted to 30 November 2023; and

7.6.1.2.6 Creditors expressed their support for Business Rescue at the meeting.

7.6.2 Creditors Committee

7.6.2.1 Creditors were nominated to form part of a Creditors' Committee at the Section 147 meeting held on 24 July 2023. A list of individuals who expressed their interest to be on the Creditors Committee at the meeting, was circulated on 7 August 2023 and the Creditors Committee meeting was held on 10 November 2023.

7.6.3 Disputed and Contingent Creditors

7.6.3.1 Disputed Creditors are required to prove their Claims as set out in this sub-paragraph.

7.6.3.2 Disputed Creditors must lodge their valid Claims and submit their claim forms to the BRPs within the Additional Claims Period.

7.6.3.3 Claims shall be proved to the satisfaction of the BRPs.

7.6.3.4 Should the BRPs reject a Claim, the Creditor must follow the procedure set out in the Dispute Resolution Mechanism. The BRPs do not admit disputed claims referred to in this BR plan and hereby records the continued dispute with regards to these claims.

7.6.3.5 If a Claim of a Disputed Creditor is determined in terms of the Dispute Resolution Mechanism, the Company shall pay such Disputed Creditor the Distribution to which it would have been entitled to, had its Claim been accepted before the Publication Date.

7.6.3.6 Should the claimant fail to follow the procedure set out in this paragraph, it shall be deemed to have expressly waived its right to dispute the decision of the BRPs.

7.6.3.7 For purposes of these Proceedings the BRPs will not allow the holders of disputed claims to exercise their voting interest, unless otherwise determined by the BRPs.

7.6.3.8 Upon the adoption of this BR Plan the disputed claims will remain disputed and the rights of the Company to dispute such claims and such parties remain unaffected by this BR Plan, except to the extent that in the event that such disputed claims either become settled between the parties or determined or liquidated in any legal forum, that such agreed or liquidated claims would then have been compromised in terms of the provisions of this business rescue plan. Such creditors would then be entitled to payments from the Company equal to those of the other concurrent creditors of the Company.

7.6.3.9 The BRPs may, at any stage during the Proceedings, accept any disputed claim, which claim shall then be dealt with in accordance with this BR Plan.

7.6.3.10 Creditors with disputed claims who do not commence the dispute resolution process in terms of this plan within 60 calendar days after the Adoption Date will be deemed to have abandoned their claim/s and their right to participate in any distribution under this BR Plan and shall not be entitled to institute any legal proceedings against the Company.

7.6.3.11 Any Creditor with a Contingent Claim will be afforded a voting right at the discretion of the BRPs upon submission of a valid claim.

7.6.3.12 Disputed creditors are included in **Annexure 4B.**

7.6.4 **Late Claims**

7.6.4.1 Late Claims will only be accepted within the Additional Claims Period.

7.6.4.2 No Claims will be accepted from Creditors after the Final Claims Date.

8. LEGAL

8.1 In the wake of SA Post Office's placement under business rescue, the BRPs have embarked on a challenging journey to manage and rectify the extensive and disorganized litigation portfolio. SA Post Office has a rich legal history and has faced substantial issues differentiating between ongoing legal matters, settled matters and closed matters.

8.1.1 The purpose of the litigation stream of SA Post Office has been to rectify this situation and effectively navigate through a myriad of legal challenges that have arisen at the Commencement Date. The scope of our responsibilities within this portfolio stream has been extensive, encompassing a variety of legal areas, including:

8.1.1.1 Labour matters: This includes 72 cases heard in various CCMA hearings and Labour Courts, which pertain to labour-related disputes within the Company.

8.1.1.2 Property matters: The BRPs involvement extends to 241 matters pertaining to overdue rentals, lease cancellations and eviction cases, reflecting the complexities associated with SA Post Office’s property-related obligations.

8.1.1.3 Writs and default judgments: The Company has been served with over 50 writs due to instances where SA Post Office had failed to defend matters, leading to default judgments. It is in the Company’s interest to address these issues.

8.1.1.4 Conveyancing matters: Additionally, there are 28 conveyancing matters involving the sale of properties in SA Post Office's portfolio.

8.1.2 At the Commencement Date, our team has undertaken the critical task of consolidating the litigation portfolio. The BRPs have collaborated closely with SA Post Office's legal department and the attorneys on SA Post Office’s panel to assess the number of ongoing legal matters. This comprehensive review has unveiled a significant number of legal cases that were not previously accounted for in SA Post Office's database and/or ignored, contributing to the issuance of a large number of default judgments. This was further compounded by the resignations of all of the employees with legal skills in the legal division prior to business rescue.

8.1.3 As the BRPs receive various legal processes, such as notices of set downs, attachments and pleadings, the BRPs have meticulously documented these in a consolidated legal database. The BRPs have proactively engaged with the relevant attorneys to inform them of the business rescue process and encourage them to submit their respective clients’ claims within the framework of the rescue proceedings. In cases where the legal moratorium provided by the Companies Act applies, we have instructed attorneys to defend the matters to protect SA Post Office's interests.

8.1.4 While the BRPs have made substantial progress in identifying and addressing ongoing litigation matters, the BRPs remain cognizant that, as the business rescue proceedings continue, additional matters may surface that were previously unaccounted for by SA Post Office or left undefended. This ongoing process demands vigilance and adaptability.

8.1.5 In conclusion, the legal task team established by the BRPs is a testament to the commitment and dedication required to navigate the complex legal landscape faced by the Company. As the BRPs continue this vital work, their aim is to safeguard the interests of all affected persons and to ensure that the business rescue process is as effective and efficient as possible.

8.2 **Postnet Southern Africa (Pty) Ltd/ Complaints and Compliance Committee of ICASA and Others under case number: 94782/2019**

8.2.1 On 19 January 2017, SA Post Office filed a complaint against Postnet with Independent Communications Authority of South Africa (ICASA), alleging that Postnet was operating a reserved postal service without a licence in contravention of Section 15(1) of the Postal Services Act 124 of 1998 (the Act) and requested that ICASA order Postnet to desist from doing so (the Complaint).

8.2.2 In protection of SA Post Office's interests, the BRPs are assessing the merits of the arguments advanced by Postnet, South African Express Parcel Association and Takealot, in preparation of SA Post Office's answering affidavit and condonation application.

8.3 **Landlords**

8.3.1 At the Commencement Date, SA Post Office was heavily indebted to the various Landlords from which it is leasing premises. The extent of the exposure is significant since the SA Post Office was unable to pay both rental and domestic accounts going as far back as 2020 in certain instances.

8.3.2 Under business rescue, the BRPs have started paying post business rescue rentals as well as domestic accounts that were due and payable.

8.3.3 Furthermore, the BRPs have entered into negotiations with Landlords to reopen certain branches that were closed due to non-payment.

8.3.4 In addition to the abovementioned, the BRPs are also in the process of renewing leases with Landlords that has expired due to the effluxion of time.

8.3.5 It is not the BRPs intention to remain in occupation of any premises and not pay what is due and payable.

9. MORATORIUM

9.1 According to Section 150(2)(b)(i), this Business Rescue Plan must include the nature and duration of any moratorium for which it makes provision.

9.2 The moratorium imposed by Section 133 read with Section 150(2)(b)(i) prohibits any legal proceedings, including enforcement actions, against the Company, or in relation to any property belonging to the Company or lawfully in its possession, from being commenced or being proceeded with for the duration of the Business Rescue of the Company.

9.3 This means that no person is entitled to proceed in any forum against the Company for non-payment of debts during the Business Rescue unless the BRPs or a High Court consents to any such proceedings.

9.4 The intention of a moratorium, within the context of Business Rescue, is to give the Company breathing space and a window of opportunity while it establishes a restructuring solution.

9.5 The moratorium in relation to the Company took effect from the Commencement Date and will remain in place until the termination of the Business Rescue of the Company in accordance with the provisions of the Companies Act.

10. INVESTIGATION OF THE AFFAIRS OF THE COMPANY

10.1 Section 141(1) of the Act requires that "as soon as practicable after being appointed, a practitioner must investigate the company's affairs, business, property, and financial situation, and after having done so, consider whether there is any reasonable prospect of the company being rescued".

10.2 During the BRPs investigations into whether or not a reasonable prospect exists for the Company to be rescued, the BRPs concluded that there is a reasonable prospect of the Company being rescued.

10.3 Section 141(2) provides that if at any time during Business Rescue the BRPs conclude that there is evidence, in the dealings of the Company before the Commencement Date of:

10.3.1 voidable transactions or the failure by the Company or any director to perform any material obligation relating to the Company, the BRPs must take any necessary steps to rectify the matter and may direct management to take appropriate steps;

10.3.2 reckless trading, fraud or other contravention of any law relating to the Company, the BRPs must forward the evidence to the appropriate authority for further investigation and possible prosecution and direct management to take any necessary steps to rectify the matter, including recovering any misappropriated assets of the Company;

10.3.3 The business rescue practitioners have supported and strengthened the FMC, a management committee of the SA Post Office with the role of reviewing and, ultimately, approving written submissions that recommend consequence management in respect of employees found responsible for reported financial misconduct;

10.3.4 Between end of July 2023 and 10 November 2023, the FMC met at least once a week to consider cases submitted to it pertaining to financial misconduct (specifically irregular expenditure) reported in respect of SA Post Office employees. As of 10 November 2023, 300 cases had been reviewed and finalised by the FMC. This translated to close to ZAR1.4bn (approximately 95%) worth of irregular expenditure reported for the FY2020 to FY2023 period; it is anticipated that within the coming week, the balance of the reported cases will have been concluded by the FMC; and

10.3.5 As part of BRPs investigations, the following challenges were identified in the management of cash as inventory between SA Post Office and Postbank:

10.3.5.1 Inadequate cash planning and ordering procedures have led to branch over-ordering, resulting in excessive cash holdings and increased branch robbery risk. Disproportionate cash holdings at branches create security concerns and necessitate cash re-banking, incurring additional costs and further exposing cash to potential theft, unforeseen circumstances necessitating cash transfers between branches heighten the risk of mismanagement and loss. The absence of effective oversight and review by senior management during the ordering process due to inadequate financial systems and controls, has led to inconsistencies in reconciling cash received and returned by branches to Postbank. This problem exists at both SA Post Office and Postbank; and

10.3.5.2 The incompatibility of IT systems between Postbank and SA Post Office hinders seamless cash management. The lack of integration between Postbank SASSA payment terminals and SA Post Office's Point of Sales ("POS") system impedes efficient cash handling. Furthermore, Postbank's in-house banking switch, employed by SASSA payments at SA Post Office's branches, faced ongoing technical issues. Additionally, the absence of transaction report sharing between Postbank and SA Post Office further complicates cash reconciliation processes. These technological shortcomings create barriers to effective cash management, increasing the risk of discrepancies and misappropriation.

10.3.5.3 SA Post Office has certain shortcomings with the FAIS and FICA requirements and developments, due to lack of depth in the compliance team which could place SA Post Office at risk of regulatory non-compliance. The BRPs are in the process of rectifying these challenges.

10.3.6 The BRPs have identified suspense accounts with significant unreconciled balances in the records of the Company. In addition, the increased foot traffic at the branches on SASSA payment days have a negative impact on other SA Post Office revenue streams.

10.3.7 Postbank Shareholding and Postbank Governance Matters:

10.3.7.1 In October 2022 SA Post Office, ceded its SASSA contract to Postbank with SA Post Office retaining responsibility of the over the counter ("OTC") payments. SA Post Office continues to provide a range of support services to Postbank including the SASSA grant payments for both OTC and cash payment points ("CPP") support. There are no formal signed SLA's between SA Post Office and Postbank, however the BRPs are in the process of concluding an agency agreement to regulate the relationship.

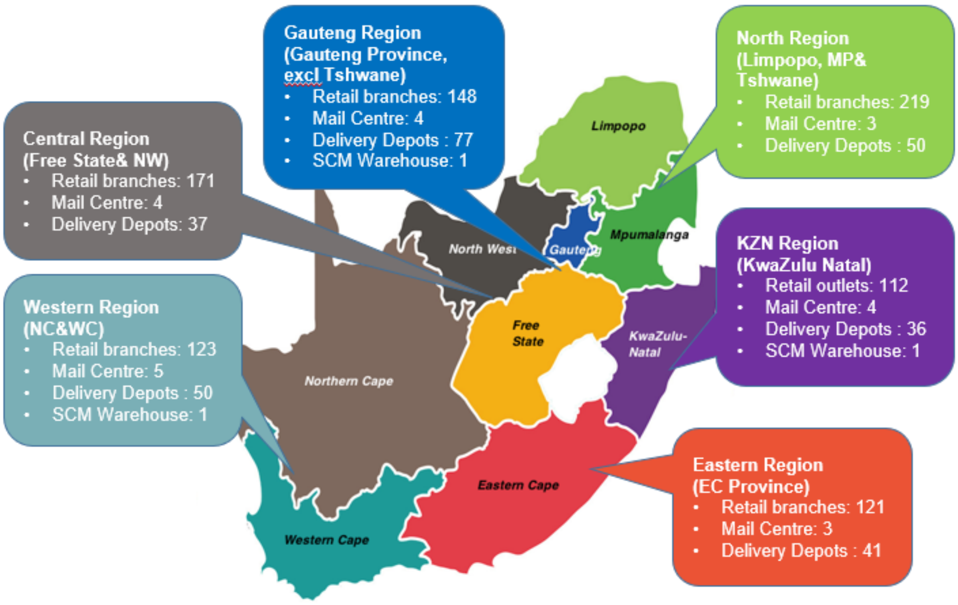
10.3.7.2 The designated assets and liabilities of the then Postbank division were earmarked to be transferred to the Postbank SOC. Postbank was gazetted as a separate legal entity on 1 April 2019. The control of the Postbank lies with DCDT. On 20 June 2023, Parliament passed the South African Postbank Limited Amendment Bill.

10.3.8 SA Post Office Logistics Investigation Findings:

10.3.8.1 The BRPs have identified a flawed reporting structure within the operational and logistics reporting structure. SA Post Office lacks a dedicated logistics fleet which has led to a reliance on third-party service providers. However, due to the arrear payments with these third-party service providers, there has been a delay in service delivery. Additionally, SA Post Office continues to rely on public transportation in respect to its Last Mile delivery which has presented an array of delays and inefficiency. SA Post Office utilizes an inefficient manual paper-based logistics management system.

10.3.9 SA Post Office Mail Processing Centres, Depots and Branch Network ("Operations").

10.3.9.1 SA Post Office operates through a network of branches throughout the country supported by the SA Post Office Mail processing centres and the SA Post Office Depot network. SA Post Office Operations comprised of 23 Mail Centres, 313 depots, 3 warehouses and 894 active branches as of 30 September 2023. The SA Post Office Operations footprint is graphically depicted below.



Source:
SA Post Office management

10.3.10 SA Post Office Branch Footprint

10.3.10.1 SA Post Office's branch network faced financial challenges in the period leading up to September 2023. There were 1 023 branches according to the July 2023 management accounts, of which 113 branches were profitable, most of the non-profitable branches are related to SA Post Office's USO. The branches are split between 448 rural branches and 575 urban branches. There were 129 of the 1 023 branches which were non-operational for various reasons. The overall financial performance of SA Post Office's branch network resulted in an aggregate loss of R262 million before the USO subsidy for the period ending 30 September 2023. After adjusting for the USO subsidy, the branch network's loss stood at R160 million. Despite these financial constraints, the branch network contributed R302 million to SA Post Office's total revenue of R934 million for the six months to September 2023. This highlights the significant contribution of SA Post Office's corporate clients to its overall revenue.

10.3.10.2 SA Post Office operates through a combination of more than 400 owned properties and the balance being several leased properties. SA Post Office owed landlords an amount of approximately R400 million in rental accruals as of 31 July 2023.

10.3.10.3 SA Post Office faces disruptions due to branch closures arising from eviction notices issued by landlords. These branch closures, even affecting profitable branches, are hindering SA Post Office's business operations and impacting its bottom line. The increasing number of branch closures over the past three financial years highlights the seriousness of the situation for SA Post Office.

10.3.10.4 Below is a breakdown of branch closure statistics for the last two financial years and the current year to date:

Financial Year	Planned	Unplanned	Total
FY 22	21	111	132
FY 23	21	189	210
FY 24	5	37	42
	47	**337**	**384**

Source: SA Post Office management

10.3.11 SA Post Office Mail Processing Centres

10.3.11.1 SA Post Office's Mail Processing Centers (MPCs) are in dire need of modernization and upgrades. Years of neglect have left these facilities in a state of disrepair, requiring substantial investments in infrastructure repairs and upgrades. Security measures at the MPCs are inadequate, posing a risk to both employees and the mail items and parcels that are being processed. Obsolete computer hardware and software hinder efficient mail tracking, making it difficult to monitor the movement of items from source to delivery.

10.3.12 Hybrid Mail Unit

10.3.12.1 The SA Post Office’s Hybrid Mail equipment is ten (10) years old. The equipment includes printers and inserting machines, which require urgent replacement to serve existing clients and attract new clients as vendors are reluctant to extend servicing agreements due to aged equipment.

11. BUSINESS RESCUE INITIATIVES AND INTERVENTIONS

11.1 Governance and Control

11.1.1 The BRPs have implemented a robust Governance and Control system to ensure effective oversight of the cash conservation and cash utilisation process. The payment approval process has created better control of cash management through greater interrogation of expense requisitions.

11.1.2 The following cash management processes have been implemented and/or refined:

11.1.2.1 The BRPs review and authorise all costs/expenses after compliance with the payment authorisation procedures. The BRPs are responsible for approving all payment requisitions prior to payment execution.

11.1.2.2 All payments running through the bank accounts were reviewed and critical payments/services were identified. These are being paid monthly to avoid termination of critical services. Services from unnecessary and irrelevant suppliers were terminated.

11.1.2.3 The BRPs changed the authorisation levels with the various banking institutions.

11.1.2.4 All payments at branch level using petty cash were stopped. The BRPs are busy with the roll-out of pre-funded debit cards for emergency purchases like printer essentials and consumables.

11.1.2.5 Daily monitoring of the cash resources by the BRPs to ensure that there is sufficient liquidity for the execution of critical operations.

11.1.2.6 The BR team perform a monthly review of payroll costs and all associated expenses for reasonability. All major variances are investigated and corrected before payroll is run.

11.1.3 There is a reconstituted Exco which comprises of management and BRPs representatives. Exco meetings are held on a regular basis. In addition, certain members of management were redeployed / refocused to business areas requiring urgent and ongoing attention in order to fix various aspects of the business. The management accounts and reporting functions were reconfigured to report more appropriately on the business operations whilst in business rescue. Certain business and support functions were relocated in order to improve performance and to provide better oversight and governance.

11.1.4 The BRPs continue to assess and improve internal controls and business processes on a continuous basis to support the proposed restructure and changes to the business.

11.2 Finance Management

11.2.1 All cash reconciliations are performed daily as opposed to past practices. This includes revenue, operational cash and third-party funds.

11.2.2 A full review of the Finance staff compliment is currently underway. There have been various secondments of staff to ensure that appropriate resources are allocated in the business for operational efficiencies.

11.2.3 Where regional functions exist, the BRPs have centralised the accountability to Finance, with regional presence through a "financial business partner" model. The BRPs are embarking on an operational support model where regional finance staff will support business and ensure that all financial management and governance principles are part of their duties.

11.2.4 The General Ledger hierarchy was rationalised to create a more efficient structure.

11.2.5 The payroll function's reporting line was changed from HR to Finance to align with best practice for governance and control.

11.2.6 The accountability for accounting for cash at branch level was split between Operations and Finance divisions. Previously the Finance division was held accountable for the reconciliations. Finance is now responsible for the reconciliations, but Operations are responsible for any discrepancies towards improving the process.

11.3 Branch Rationalization

11.3.1 The BRPs, together with SA Post Office's Operations and the Regional Managers, performed an in-depth analysis of the current SA Post Office Branch network and created a branch analysis model. This analysis considered amongst various other inputs:

11.3.1.1 branch revenue, operational costs, revenue and staff cost analysis per employee, support to mail and parcel distribution, MVL revenue, property ownership and geographic location.

11.3.2 The key findings were as follows:

11.3.2.1 the retail segment ("branch network") of the SA Post Office experienced a decline in revenue, that was worsened by the phase out of Postbank and SASSA transaction volumes;

11.3.2.2 closure of branches due to non-payment of rent and utilities created a large number of supernumerary employees that continued to burden the retail segment with unrecoverable costs;

11.3.2.3 heavily overstaffed structure with a direct employee cost to revenue ratio of 138% is unsustainable and requires rationalization to a medium-term target of 65%; and

11.3.2.4 continuous under-investment in Property and IT infrastructure severely curbed both current and potential revenue generation.

11.3.3 Strategic Refocus

11.3.3.1 reduce branch network to approximately 600 branches with equitable geographic locations across South Africa;

11.3.3.2 reduce retail and support service staff to support the medium-term Revenue/Staff Cost ratio of 65%;

11.3.3.3 invest in security, real estate, IT and communication to support new initiatives on revenue generation with a key focus on digital and e-commerce services; and

11.3.3.4 cost containment together with revenue growth can bring about a feasible and sustainable retail segment for the SA Post Office. This sustainable platform can support a strategy to reopen additional branches in future as required. This will also be augmented by opening retail points of presence by partnering with potential retail partners.

11.4 **Automation**

11.4.1 Despite the decline of letter volumes over the years, there is still an average of 300 000 letters being processed daily using machines. When measuring efficiency of manual processing versus machine processing, machine processing remains a more cost-effective option.

11.4.2 There is a total number of 33 machines at Witspos, Cape Mail, Durmail and Tshwane Mail. Around 46% are operational with limited spares. Some of the functionalities have been lost due to lack of parts, obsolete software and hardware. Equipment has passed its lifespan; no contracts are in place with the suppliers and strained supplier relations have led to preventative maintenance being impossible.

11.4.3 Witspos, Cape Mail and Durmail are using Siemens IRV and FSM machines, and Tshwane Mail Center is using Solystics IRV and FSM machines. This has a huge impact on the spares availability since different suppliers must be used and it proves to be very costly.

11.4.4 The corrective measures taken by the BRPs include:

11.4.4.1 mending relationships with suppliers so that the technical team are able to do preventative maintenance for machines and operations efficacy;

11.4.4.2 Reducing the total number of machines from 33 to 23 since volumes have dropped; and

11.4.4.3 Decommissioning of unused machines to maximize operational space;

11.5 **SA Post Office's Operational Revenue - mainly postal services**

11.5.1 Bulk mail

11.5.1.1 The bulk mail revenue segment is critical to the successful turnaround of SA Post Office. Key interventions in the "engine room" of SA Post Office is required in terms of operations at its mail processing centers and the logistics value chain, which includes the Last Mile to the customer. The BRPs have held meetings with certain Bulk Mail customers to appraise them of the Business Rescue proceedings and to request their ongoing support. The BRPs are working with the Executive Head of Sales on the broader sales and marketing fit-for-purpose strategy. This will ultimately culminate in strengthening the sales and marketing team with suitably qualified and experienced human resources to drive product development and sales. The BRPs are also working with the Operations and Logistics Executives to address key challenges to improve delivery standards.

11.5.2 Hybrid Mail

11.5.2.1 The Hybrid mail printer supplier and maintenance contracts have been extended to ensure the Hybrid mail operations can run optimally and service clients including RTIA. The BRPs are working closely with SA Post Office management on the roll-out of the RTIA / AARTO project. The BRPs have engaged with the RTIA Regulator to assure this important stakeholder that skills, capacity, and investment capital are being brought to ensure delivery in line with the RTIA requirements.

11.5.2.2 An internal SA Post Office Steering Committee has been set up with BRPs representation to ensure that the implementation of the project is actively managed. SA Post Office management and the BRPs will also be engaging on a bi-lateral basis with relevant IA's, the RTMC, RTIA and other stakeholders as required. The BRP ensured that the hybrid mail contracts were extended, and the post-commencement outstanding amounts were paid to restore to the Hybrid Mail division.

11.5.3 Motor Vehicle Licensing Revenue ("MVL")

11.5.3.1 The BRPs have been working with management to identify high value MVL branches and prioritize same. In some cases, this may involve negotiations with landlords to enable re-opening of the branches. In addition, the BRPs have allocated capital to the various business Units including Operations in order to address immediate and critical requirements such as purchase of tools of trade which will enable priority branches to function optimally. SA Post Office management and the BRPs are also engaged in stakeholder management with RTMC to protect and grow the MVL revenue base.

11.6 **Non-Operational Revenue – USO**

11.6.1 SA Post Office is required to provide adequate, affordable, and reliable access to postal and financial services for all South Africans. There are a number of drivers of change within the postal sector, notably the demand and changing user needs and the introduction of new technologies, substitution by electronic means of communication and increased competition. The universal service requires delivery of postal items to the home or premises of every natural or legal person, even in remote or sparsely populated areas which comes at a cost to SA Post Office.

11.6.2 SA Post Office management estimates that an amount of R1,2 billion and a further R200 million in capital expenditure is required annually to meet financing shortfalls to meet the USO. SA Post Office received a USO subsidy of R451 million for FY 23 and is forecasted to receive R455 million for FY 24. SA Post Office has made an application to DCDT for the USO subsidy to be increased to R728 million per annum. The Business Rescue Plan assumes that the application for the increased USO subsidy will be successful and thereafter be increased at 7% annually to support SA Post Office.

11.7 **Other Operational Revenue – Postbank Transfer Pricing and Shared Services Revenue**

11.7.1 The BRPs are taking steps to mitigate challenges associated with the SASSA contract with Postbank to improve the control environment around cash as inventory and requesting the re-costing of the OTC arrangement and service level agreement.

12. MATERIAL ASSETS AND ENCUMBRANCES

12.1 According to Section 150(2)(a)(i), this Business Rescue Plan must include a complete list of all the material assets, at the Commencement Date.

12.2 A detailed list of the fixed assets of the Company, reflecting its market and forced sale values, independently appraised on the instructions of the BRPs, is attached as **Annexure 2** of this BR Plan.

12.3 As indicated in this Business Rescue Plan, the independent valuation report does not include a list of all movable property. A schedule prepared by management of all the moveable properties is attached hereto marked as **Annexure 3**.

13. TOTAL CREDITORS AND CLASSES

13.1 According to Section 150(2)(a)(ii), this Business Rescue Plan must include a complete list of Creditors as at the Commencement Date, as well as an indication as to which Creditors qualify as Secured, Preferent and Concurrent Creditors, and an indication of which of the Creditors have proved their claims.

13.2 A list of Creditors as at the Commencement Date, the value of their Claims and security status, in accordance with the Insolvency Act, 1936, is set out in **Annexure 4A** of this BR Plan.

13.3 **Annexure 4A** of this BR Plan indicates the voting interest allocated to each Creditor category.

13.4 Section 145(4) distinguishes between Concurrent subordinated and unsubordinated Creditors, with the voting interest of Concurrent subordinated Creditors being equal to the amount, if any, such a Creditor could reasonably expect to receive in the event of a liquidation of the Company, as independently and expertly appraised and valued at the request of the BRPs. To the best of the BRP's knowledge there are no subordinated Creditors in the Company.

14. PROBABLE LIQUIDATION DIVIDEND

14.1 According to Section 150(2)(a)(iii), this Business Rescue Plan must include the probable dividend that would be received by Creditors, in their specific classes if the Company were to be placed in liquidation.

14.2 One of the key objectives of the Business Rescue is to develop and implement a Business Rescue Plan to rescue the Company by restructuring its affairs, business, property, debt and other liabilities in a manner that maximizes the likelihood of the Company continuing in existence in a solvent basis or if that is not probable to achieve, resulting in a better return for Creditors and/or the Shareholder then would result from its immediate liquidation.

14.3 Accordingly, this Business Rescue Plan must be evaluated by all its stakeholders against the alternative of a liquidation of the Company.

14.4 The BRPs conducted an independent determination of the liquidation calculation to form part of the business rescue plan. This independent report was prepared by BDO Business Restructuring ("BDO"). The calculation in support of the probable liquidation dividend as well as the report in relation to the Company is contained in **Annexure 6** of this BR Plan.

14.5 The liquidation scenario represents the position as it would have been had the SA Post Office been liquidated on the Commencement Date. Therefore, the scenario reflects the position as it was at the end of July 2023.

14.6 In terms of this scenario, preferent creditors will be afforded the full value of their claim in liquidation and concurrent creditors will receive a dividend of 4.08 cents to the rand.

14.7 In conclusion, a liquidation or insolvency outcome for the Company will be catastrophic for the interest of all stakeholders of the Company as well as for the Republic of South Africa. It will result in the loss of all jobs and a strong likelihood of all Concurrent Creditors receiving 4.08 cents in respect of their Claims. In addition, the business will cease, and the assets will lose their value and benefit that they have as opposed to when they are used in the ordinary course of business.

14.8 The BRPs have been prudent by employing the assistance of an independent consultant to calculate the liquidation dividend from both a quantum and timing perspective.

15. CURRENT SHAREHOLDING OF THE COMPANY

15.1 According to Section 150(2)(a)(iv), this Business Rescue Plan must include a complete list of the holders of issued securities in the Company.

15.2 DCDT is the sole shareholder owning 100% of the issued ordinary share capital.

16. BRP REMUNERATION

16.1 The BRPs will continue to invoice the Company at a rate per hour which is in line with the Regulations of the Companies Act.

16.2 According to Section 150(2)(a)(v), this Business Rescue Plan must include a copy of the written agreement concerning the BRPs remuneration including the remuneration as envisaged in Section 143(2).

16.3 The written remuneration agreement referred is attached as **Annexure 7**.

16.4 The BRPs will thereby propose an agreement concerning the BRPs remuneration as envisaged in Section 143(2) for approval by the requisite majority of the Creditors voting interests.

17. STATEMENT IN TERMS OF SECTION 150(2)(A)(VI) OF THE COMPANIES ACT

17.1 According to Section 150(2)(a)(vi), this Business Rescue Plan must include a statement as to whether it includes a proposal made informally by a Creditor. We received a proposal from SARS to incorporate the following clauses below:

17.1.1 **SARS provisions**

17.1.1.1 **Default**

17.1.1.1.1 Any compromise contemplated in this business rescue plan is conditional upon the company fully meeting its obligations to creditors as set out in this business rescue plan.

17.1.1.2 **Continuing Tax Obligations**

17.1.1.2.1 The BRPs undertake that the company shall ensure that all future tax obligations (including the filing of returns and payment of outstanding taxes) will be met until proceedings have been terminated on any ground listed in terms of section 132 of the Companies Act of 2008.

17.1.1.3 **Assessed Loss Forfeiture**

17.1.1.3.1 Any assessed loss will be subject to and dealt with in accordance with the provisions of the tax laws of South Africa and will be forfeited in proportion to the debt compromise effected by the business rescue plan. Such a reduction shall be without prejudice to any rights that the taxpayer may have in terms of in terms of the Tax Administration Act.

Part B: Proposals

18. BUSINESS RESCUE PLAN OVERVIEW

Objectives of the Proposal

18.1 The purpose of Business Rescue contained in Chapter 6 of the Companies Act, read with Section 7(k), is to provide for the efficient rescue and recovery of a company that is Financially Distressed in a manner that balances the rights and interests of all stakeholders.

18.2 The objectives of Business Rescue, as set out in Section 128(1)(b)(iii), is to develop and implement a Business Rescue Plan that rescues the Company:

18.2.1 by restructuring its affairs, business, property, debt and other liabilities and equity in a manner that maximizes the likelihood of the Company continuing in existence on a solvent basis; or if the aforementioned is not possible.

18.2.2 resulting in a better Distribution for the Creditors or Shareholder then would result from the immediate liquidation of the Company.

18.3 This Business Rescue Plan aims to give effect to the primary objective of Business Rescue by stabilizing the Company and thereby restoring it to solvency, allowing it to operate as a going concern, through implementing the proposals set out in this BR Plan. The Business Rescue Plan endeavors to position SA Post Office as a self-sustaining business that is not totally reliant on Government funding post the implementation of the Business Resue Plan. This Business Rescue Plan also seeks to harness SA Post Office's core competencies and strategic advantages relative to the industry in which it operates.

18.4 This Business Rescue Plan includes recommendations on revenue segments that SA Post Office should target as areas of priority and growth going forward, whilst also proposing areas that the SA Post Office should exit for it to be sustainable financially and operationally. For this Business Rescue Plan to be successful, key strategic investments are required in Property Plant and Equipment ("PPE"), Information Technology ("IT") systems and processes, and the SA Post Office branch network. The successful implementation of this BR Plan would also require a reconfiguration of the operating model and investment in human capital. Another important consideration is the SA Post Office's exposure to and working relationship with Postbank. These proposals are discussed in more detail below:

18.4.1 This Business Rescue Plan aims to provide a better outcome for all Affected Persons than would be the case in the event of the liquidation of the Company.

18.4.2 This Business Rescue Plan contains all the information necessary to enable Affected Persons to assess the possibility, and be reasonably assured, of receiving a better return in Business Rescue than in a liquidation.

18.5 As part of the proposals set out in this Business Rescue Plan, the BRPs considered the following keys strategic drivers for the turnaround of the SA Post Office, which in summary will entail the Stabilizing, Surviving and Future-Proofing of the SA Post Office's business. The key strategic drivers are dealt with in more details below:

18.5.1 **Key Driver one: Operating Costs Rationalization and Restructuring**

18.5.1.1 SA Post Office's financial sustainability is a critical concern that demands immediate action to reduce its operating costs. SA Post Office's total operating costs have consistently exceeded 200% of its revenue since FY 22 (excluding USO subsidy), indicating an unsustainable financial situation. The Company's employee costs account for 150% of its revenue, while annual spending in other crucial areas such as IT, fleet management, mail processing centers, depots, and the branch network remains inadequate. Furthermore, SA Post Office has allocated zero spending on marketing, communications, and branding in recent financial years, further hampering its ability to attract new customers and improve its brand image.

18.5.2 **Staff Costs**

18.5.2.1 The SA Post Office operating cost base is unsustainable with the Company posting a loss of R2,1bn in FY 23 and a forecasted loss of R1,6 billion in FY 24. The employee costs constitute 75% of the total operating cost base for the 6 months and 152% of the operating revenue.

18.5.2.2 The total staff as at FY 23 and at September 2023 is tabled below. SA Post Office total staff numbers reduced by 1 452 from 12 580 as at FY 23 to 11 128 at the end of the first 6 months of FY 24, mainly as a result of voluntary severance (VSP) packages taken by employees.

Staff Numbers	Mar-23	Sep-23
Executives and General Managers	22	19
Senior Managers	40	30
Managers	161	129
Chief Tellers	985	837
Tellers	4 063	3 644
Postmen	3 456	3 145
Mail Processors	1 814	1 624
Drivers	344	275
Supervisors and Branch Managers	1 076	890
Contract workers	619	535
	12 580	**11 128**

18.5.2.3 The Business Rescue Plan therefore proposes a reduction of approximately R1,2bn in annual employee costs. The BRPs performed an analysis of the SA Post Office employee numbers including the average annual employee cost. Based on this analysis, a total reduction of approximately 6 000 employees is required in order to right size SA Post Office.

18.5.2.4 The SA Post Office employee cost is forecasted at 62% of revenue post the implementation of the retrenchments. The BRPs estimated the total costs required for the retrenchment packages at approximately R600 mn and provision has accordingly been made from the recapitalization proceeds.

18.5.3 **Operating Costs restructuring**

18.5.3.1 The BR Plan proposals include a reallocation of working capital into key areas to ensure a sustainable business going forward. The restructuring of operating costs are summarised as a percentage of revenue below:

	Management Forecasts - FY24			Projections - FY 25			Projections - FY26		
	R'000	*% of total expenses*	*% of revenue*	R'000	*% of total expenses*	*% of total revenue*	R'000	*% of total expenses*	*% of total revenue*
Revenue (excluding USO subsidy)	**1 779 504**			**1 948 752**			**2 223 765**		
Staff Expenses	2 681 463	75%	151%	1 300 000	54%	67%	1 378 000	52%	62%
Transport Expenses	74 013	2%	4%	150 000	6%	8%	300 000	11%	13%
Property Expenses	289 964	8%	16%	310 261	13%	16%	331 980	13%	15%
IT Expenses	233 250	6%	13%	249 578	10%	13%	267 048	10%	12%
Bank Charges	32 613	1%	2%	22 829	1%	1%	15 980	1%	1%
Materials and services	10 440	0%	1%	30 000	1%	2%	32 100	1%	1%
Marketing and Branding	-	0%	-	50 000	2%	3%	57 056	2%	3%
Security Expenses	48 367	1%	3%	33 857	1%	2%	36 227	1%	2%
International charges	34 357	1%	2%	36 762	2%	2%	39 335	1%	2%
Insurance Costs	36 222	1%	2%	38 758	2%	2%	41 471	2%	2%
Other costs	156 282	4%	9%	200 493	8%	10%	140 427	5%	6%
	3 596 971	**100%**	**202%**	**2 422 537**	**100%**	**124%**	**2 639 624**	**100%**	**119%**

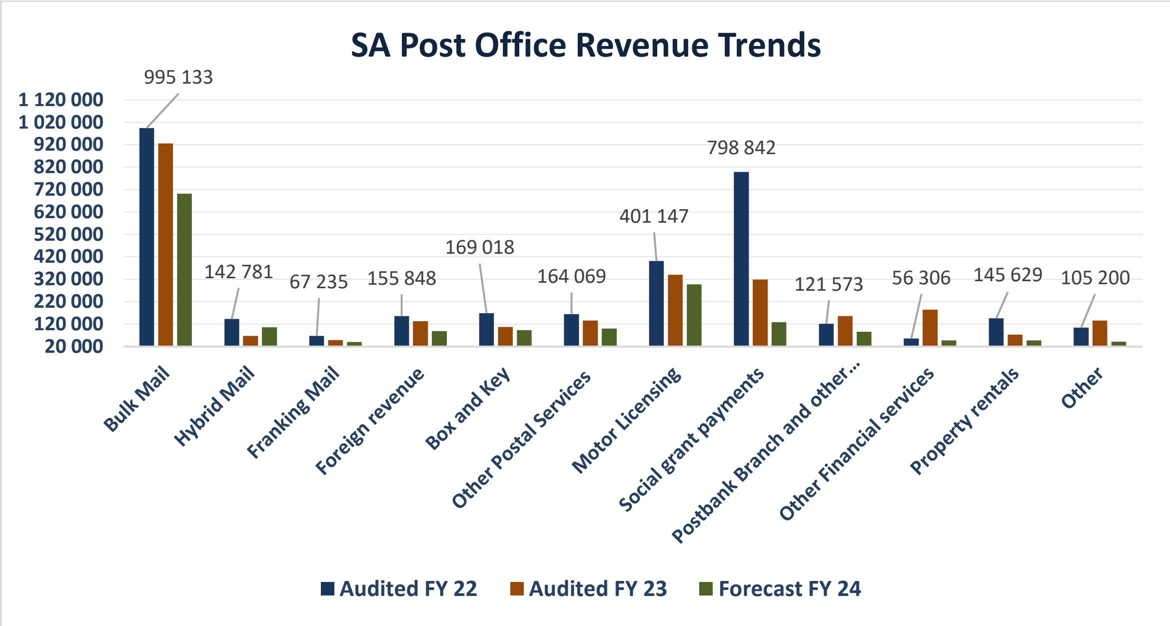
Source : SAPO Management, BRP Analysis and BRP Projections. Costs excludes depreciation

18.5.3.2 The total SA Post Office operating expenses for FY 24 are forecasted at R3,59bn with total staff expenses of R2,6bn. Total operating expenses amount to 202% of the forecasted FY 24 revenue illustrating the unsustainability of the SA Post Office operating cost base. The reduction in head count will result in recurring staff expenses reducing to R1,3bn for the FY 25.

18.5.3.3 Total forecasted expenses reduce from 198% of revenue to 115% of revenue in FY 25 and 108% of revenue in FY 26. These figures exclude the revenue support from the USO subsidy. It must be highlighted that the projected costs base over the forecasted periods is still not commercially sustainable and that it presumes that revenue will catch up over time resulting in a further reduction in operating costs to revenue ratio to financially sustainable levels.

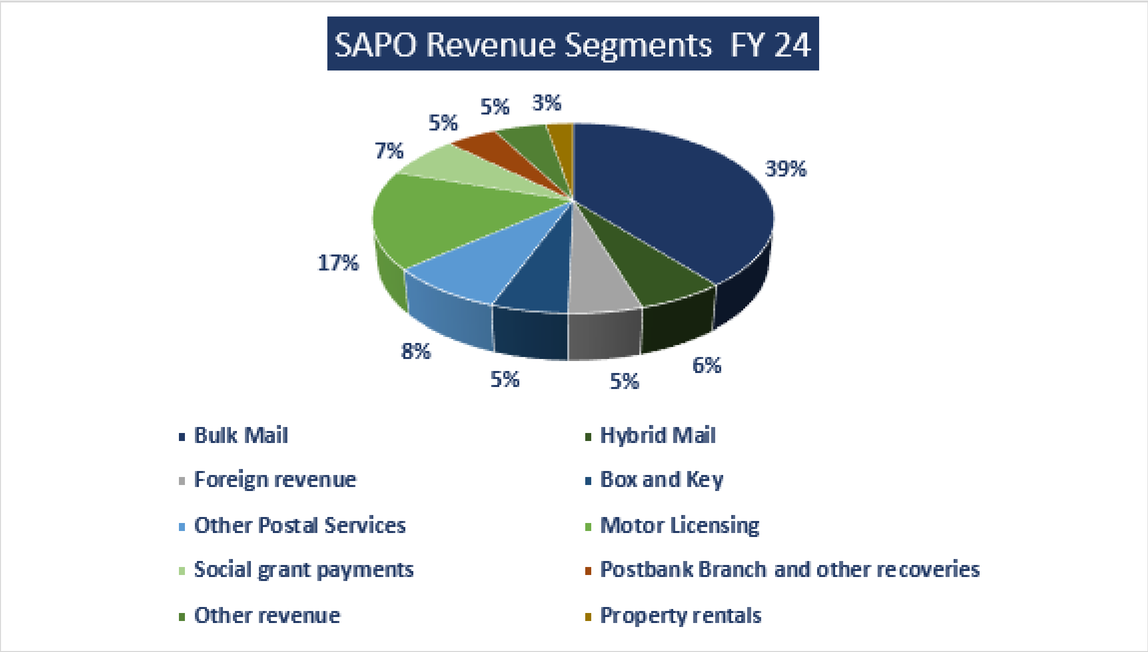
18.5.4 Key Driver two: Revenue Protection and Product Portfolio Restructuring

18.5.4.1 SA Post Office has experienced a decline in revenue due to changing market conditions, including a reduction of postal mail volumes, increased competition, and a lack of customer focus. The success of this Business Rescue Plan is dependent on the ability of SA Post Office to defend its existing revenue base whilst also growing and expanding into new market segments where it could have a strategic advantage. The chart below depicts the SA Post Office revenue trends for the last two financial years and the FY 24 forecasted revenue.



18.5.4.2 SA Post Office's revenue segments include Postal services revenue (66%), Financial services revenue (26%) and property rentals and other making up 8% of the revenue for the first 6 months of FY 24. The Postal services revenue is dominated by Bulk Mail and Hybrid mail revenue whilst the Financial Services revenue is dominated by Motor Vehicle Licensing ("MVL") revenue and fees earned by SA Post Office on the payment of SASSA grants and Postbank banking clients. The chart below provides a segmental analysis of the key revenue streams within the SA Post Office based on management forecasts for FY 24.

18.5.4.3 The BRPs performed a review of the key SA Post Office revenue segments and identified product areas that should be continued, those that should be discontinued and areas in the current product portfolio that should be given priority focus due to its strategic importance to SA Post Office. The table below depicts the Business Rescue Plan proposals on the current and future SA Post Office product portfolio and revenue streams.



Revenue Stream	Continued	Discontinued	Priority
Bulk Mail	●		●
Franking Mail	●		
Stamp and Philately	●		
Foreign revenue	●		●
Hybrid Mail	●		●
Hybrid RTIA National Roll-out			●
MVL Revenue	●		●
SASSA OTC Payments		●	
CPP Payments (provision of staff)		●	
Postbank Clients Cash Banking Payments		●	
Postbank Shared Services	●		
Property Rentals	●		●
E Commerce Logistics Services			●
Cargo Logistics (Business to Business)			●

Source: BRP Analysis

18.5.5 Key Continued Revenue Streams

18.5.5.1 Bulk Mail

18.5.5.1.1 Bulk mail remains SA Post Office's largest revenue generator, accounting for 42% of its non-USO subsidy revenue year-to-date. However, bulk mail volumes have experienced a significant decline, plummeting from a monthly average of 92 million items in 2012 to a mere 10 million items in September 2023. This decline has translated into a substantial drop in revenue, with monthly bulk mail revenue averaging R159 million in 2017 compared to the current monthly average of R59 million. Despite the rise of electronic mail, the persistent decline in bulk mail volumes can be attributed primarily to SA Post Office's operational and financial challenges.

18.5.5.1.2 This Business Rescue Plan proposes that SA Post Office invest in a dedicated sales and business development team to revitalize the bulk mail revenue segment. This team would be tasked with attracting new clients, increasing volumes from existing clients, and implementing strategies to enhance the overall efficiency and effectiveness of SA Post Office's bulk mail operations. By reinvigorating its bulk mail segment, SA Post Office can secure a significant portion of its revenue stream and pave the way for a more sustainable financial future.

18.5.5.2 Hybrid Mail

18.5.5.2.1 A key revenue driver for Hybrid Mail going forward is the processing of road traffic Infringement Notices (“IN’s”). SA Post Office has entered an SLA with RTIA to process electronic files received from RTMC on behalf of IA’s and then is tasked with printing IN’s and delivery to the customer through the SA Post Office retail branch network. SA Post Office has been working on a pilot project and is the exclusive partner to RTIA for the national roll-out of Aarto. The Aarto roll-out is targeted to commence in February 2024 with full implementation by October 2024.

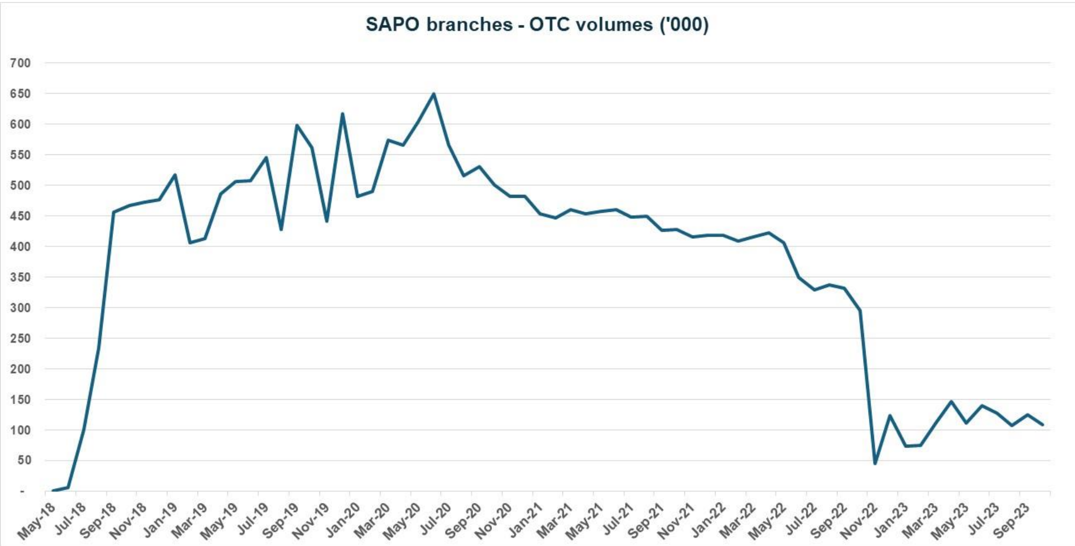
18.5.5.3 Motor Vehicle Licencing (MVL)

18.5.5.3.1 The key reasons for the decline in the MVL revenue is due to branch closures and the lack of tools of trade at the branches. Several high performing MVL branches have been closed due to non-payment of rentals. The Business Rescue Plan includes the rationalization of branches and the re-opening of high-performing MVL branches.

18.5.5.4 **Revenue streams to be phased-out and migrated to Postbank.**

18.5.5.4.1 **OTC Payment Revenue including SASSA**

18.5.5.4.1.1 SA Post Office is a Postbank channel for physical over the counter ("OTC") payments to SASSA beneficiaries. SA Post Office also provides teller personnel to Postbank for the CPP payments. The revenue generated by SA Post Office from SASSA grants were R798 million for FY 22 and reduced to R318 million for FY 23. SASSA fee revenue accounts for R48 million for the first 6 months of the FY 24. The volumes of OTC customers have declined as an increasing number of beneficiaries have opted for other channels to receive their grants. The graph below depicts the trend in OTC customer volumes in total grant payments per month.



Source: SA Post Office Management Reports

18.5.5.4.1.2 The SASSA OTC and CPP payments are being performed by SA Post Office at an estimated loss of more than R200 million per annum. The volumes of customers at SA Post Office branches have substantially decreased due to SA Post Office's operational challenges affecting customer behavior and the fact that additional payment channels such as retailers were deployed by Postbank.

18.5.5.4.1.3 The OTC payment services provided by SA Post Office are not only financially burdensome but also deter potential customers from visiting its branches for other products such as MVL. To address this issue, this BR Plan proposes discontinuing the SASSA OTC and CPP payments, which are a significant drain on SA Post Office's resources. This plan also suggests migrating or selling certain SA Post Office branches to Postbank, which would allow Postbank to expand its banking network and accommodate SA Post Office's remaining OTC clients.

18.5.5.4.1.4 This strategic move would enable SA Post Office to focus on its core competencies and enhance its overall financial position. By divesting the OTC payment services and transferring certain branches to Postbank, SA Post Office can:

- Reduce its financial burden and focus on more profitable business segments;
- Improve customer satisfaction and attract new clients for its other products and services; and
- Position itself for sustainable growth and long-term success.

18.5.5.4.1.5 This BR Plan's proposed strategy represents a significant step towards SA Post Office's financial recovery and a renewed focus on its core business objectives.

18.5.5.4.2 **New product areas for SA Post Office**

18.5.5.4.2.1 SA Post Office has a depot network that is strategically located throughout South Africa. SA Post Office’s depot network coupled with investment in a large company owned logistics fleet could position it as an attractive partner to retailers in the e-commerce space and to corporates in the freight logistics market. The BRPs are of the opinion that a large addressable market exists and that SA Post Office could reposition itself as a leading South African logistics services provider.

18.5.6 **Key driver three: Branch Rationalizations and Reconfiguration**

18.5.6.1 The BRPs have established that there is a need to retain branches for SA Post Office; mandated USO and international mail centre requirements.

18.5.7 **Key driver four: Modernize and Capacitate the SA Post Office Engine Room and Business Model**

18.5.7.1 Critical investments in the SA Post Office's operating asset base are required for the organization to become financially sustainable. The SA Post Office's existing company owned fleet is woefully inadequate and the business relies on leased vehicles that are also not sufficient in number to meet SA Post Office's business requirements. The critical investment is being prioritized for the operating asset base as envisaged in **Annexures 5A, 5B, 5C and 5D** to ensure that the organization becomes financially sustainable. As mentioned above, SA Post Office makes use of 3 000 postmen for its Last Mile operational leg which is a highly inefficient system without the necessary management systems in place.

18.5.8 **Key driver five: Investment in modernization of IT infrastructure**

18.5.8.1 The modernisation and upgrading of the SA Post Office hardware infrastructure and business software applications are critical to the successful turnaround of SA Post Office. Investment is also required in fleet management systems in line with the fleet recapitalisation strategy.

18.5.9 **Key driver six: A Business Focus on securing Strategic Partnerships**

18.5.9.1 Revitalizing SA Post Office hinges on forging strategic partnerships with private sector entities to bolster its capabilities and resources. This involves establishing alliances with local and international industry leaders to collaborate in crucial areas like logistics, operations, and information technology. Additionally, securing commercial partnerships will be essential to achieving SA Post Office's strategic goals in e-commerce and freight logistics. SA Post Office should also seek a strategic partner to manage its property portfolio, including owned and leased properties, as well as overseeing professional facilities management.

18.5.10 **Key driver seven: Development of Business Developments, Sales and Marketing and Brand Development capacity within SA Post Office**

18.5.10.1 SA Post Office currently does not have a capable sales team. There is also no marketing and communications capacity within SA Post Office. SA Post Office presently does not spend any resources on sales, marketing and communications. There is currently no focus on building the SA Post Office brand through proactive media campaigns. The Company is not customer focused either towards its retail or its commercial client base. The exact modalities will be implemented by the BRPs working in consultation with SA Post Office management and could include external service providers for a transition period, given the urgency of the interventions required**.** In addition, provision is made in the financial forecasts for a ramp-up in annual operating expenditure on marketing and brand development**.**

18.5.11 **Key Driver eight: Unbundling the Property Portfolio**

18.5.11.1 According to SA Post Office's management reports, the Group owns individual properties locally, nationally and in the former Transkei Bophuthatswana Venda and Ciskei ("TBVC") states that are still to be transferred. In addition, SA Post Office also leases various properties to accommodate its retail branch network.

18.5.11.2 The SA Post Office property management team do not have the necessary capacity to manage a large and complex portfolio. It also does not have accurate records on properties owned and leased from other property owners. The owned buildings have not been maintained due to cashflow challenges and in many cases need to be upgraded and the maintenance backlog is estimated at between R2,5 billion and R3 billion.

18.5.11.3 The bulk of the value of the SA Post Office property may therefore be in the land and not so much in the buildings due to the maintenance backlog. Certain of the SA Post Office properties are in good locations. The land could be attractive for property developers although the business themselves could not be of much commercial value. The BRPs appointed an independent firm to perform a valuation of all the SA Post Office owned properties.

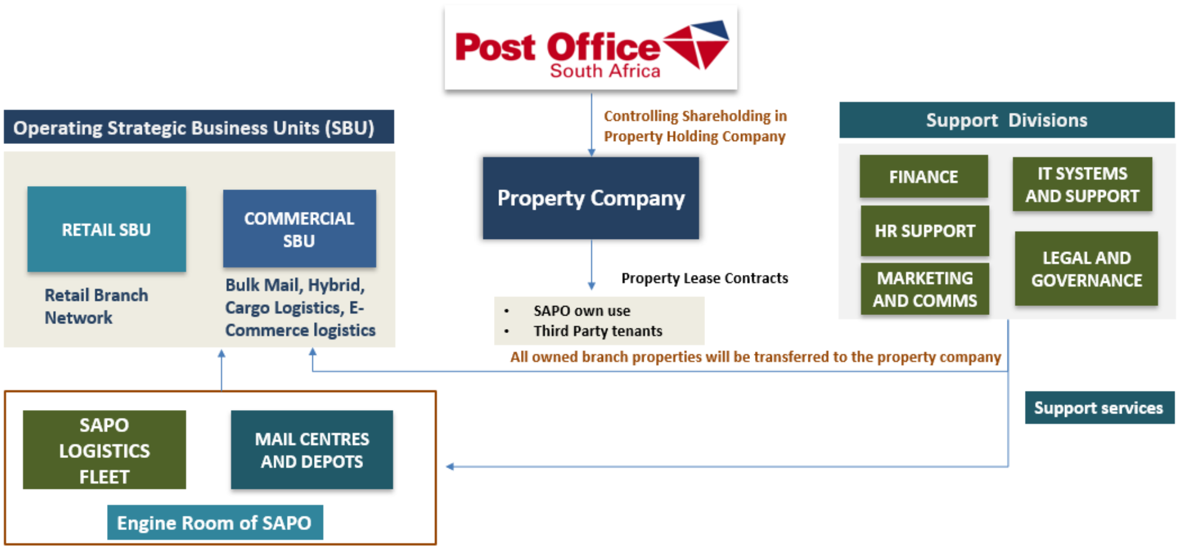
18.5.12 **Key Driver nine: Restructuring the SA Post Office operating model**

18.5.12.1 The SA Post Office business operating model currently has several critical weaknesses. The organization lacks skills and experience in its Engine Room. The SA Post Office revenue generating units are not appropriately segregated to focus attention on the different requirements of clients, it has no marketing and communications function. The human resources function is weak and requires an injection of skills and expertise to be able to meet the needs of the organization including driving culture change towards a high-performance organization.

18.5.12.2 SA Post Office's IT team requires further investment in line with its current business needs. SA Post Office's finance team needs to be strengthened in the areas of IFRS financial reporting, cost and management accounting, working capital management, risk management and internal control, and financial strategy. Moreover, SA Post Office has no legal and regulatory function which will be required for the various regulatory compliance in the sector it operates in as well as to empower the organization to structure and negotiate sound commercial contracts.

18.5.12.3 The revenue-generating Strategic Business Units (SBUs) will be empowered by the SA Post Office Engine Room, divided into logistics and mail operations. These units will be led by experienced, skilled, and commercially astute leaders and managers. The SA Post Office Engine Room and the revenue generating SBUs will be supported by SA Post Office's support divisions, including IT, finance, HR marketing and communications, and legal and regulatory. The leadership, management, and technical expertise within these support business units will be appropriately strengthened.

The proposed SA Post Office operating model is depicted below:



18.5.13 Key driver ten: Postbank and SA Post Office Operating Model and Postbank incubation compensation

18.5.13.1 The financial sustainability of SA Post Office would further entail the separation and migration of the OTC banking operations from SA Post Office to Postbank who is better suited to invest in and manage these activities. This will include the SASSA OTC payments, the CPP payments and the traditional Postbank cash banking clients. SA Post Office would transfer certain branches to Postbank and exit the SASSA and other banking related business areas but continue to assist Postbank over an agreed transition period with support services.

18.5.13.2 Postbank is in the process of applying for its own banking license with SARB. SA Post Office has not been compensated for the value created in incubating Postbank. The BRPs are currently in ongoing discussions with the Shareholder regarding possible compensation. This will be discussed in conjunction with the overall funding that Government will provide.

18.5.14 **Key driver eleven: Restoring SA Post Office solvency and capital adequacy**

18.5.14.1 SA Post Office is technically insolvent and will not be able to continue to trade outside the protection of Chapter 6 (Business Rescue) of the Act, unless it is restored to solvency. SA Post Office's total negative Shareholder equity amounts to R7,9 billion as of 31 July 2023.

18.5.14.2 SA Post Office requires recapitalisation by the DCDT which comprises R2,4 billion as a first capital allocation which have started to be drawn down by SA Post Office. The BRPs analysis indicates that approximately R1,4 billion of the R2,4 billion will be utilised to fund SA Post Office's operating cashflow shortfalls. SA Post Office would therefore require a further capital injection of which R3,8 billion has been allocated by Government. The recapitalisation proceeds will be used to pay retrenchment costs, pay the creditors dividend and investment capital to repair and modernize the asset SA Post Office base.

18.5.15 **Key driver twelve: SA Post Office Trust Centre**

18.5.15.1 The BRPs envision the development of a Trust Centre to provide e-Registered Mail and secure electronic signature services to the public. Section 19(4) of the Electronic Communications and Transactions Act 25 of 2002 gives the SA Post Office the exclusive right to provide e-Registered mail which is recognised by the courts similar to that of physical registered mail. The SA Post Office has contracted with a software development company to develop an e-Registered mailing system. The SA Post Office anticipates going live with the system in the coming months. This will be an additional revenue generating activity.

18.6 Extracting value from the Business Rescue process

The following initiatives were undertaken, and remain underway, to ensure maximum realization and benefit for all stakeholders through the Business Rescue process:

Post-Business Rescue Trading and maintenance of operations	Initiatives undertaken by BRPs, executive Management and Advisors	The Stabilization Process
This ensured the continued performance of the business, preservation of value and extraction of value for all stakeholders.	Various initiatives were undertaken to preserve and extract value for stakeholders including: • Regular engagements with the Landlords. • Engagements with Employees. • Maintenance of relationships by the Company with key customers and suppliers. • Compliance by the Company of statutory obligations to UPU, SARS etc. • Securing new contracts requiring funding during Business Rescue. • Obtaining legal advice on respective matters relating to the Business Rescue.	The parallel stabilization processes undertaken by the BRPs and the Advisors inclusive of: • The value and amounts expected to be realized for the benefit of Creditors. • The risks associated with it. • The anticipated timing of the conclusion of the stabilization process. • Assessment of the liquidation scenario which has a substantial downside in the destruction of value for all stakeholders.

18.7 Terms of the Proposal

18.7.1 In preparing this Business Rescue Plan, the BRPs have taken into consideration both the probable liquidation dividend, and the views expressed by major Affected Persons.

18.8 Overview of the Proposal

This Business Rescue Plan contains a proposal to the:

18.8.1 Employees; and
18.8.2 Concurrent Creditors or unsecured Creditors in Business Rescue.

18.9 Restore Balance Sheet and Improve Liquidity

18.9.1 An allocation of R2,4 billion has been approved by National Treasury which a portion thereof has been utilized for the immediate operational expenditure of the business. To ensure the effective turnaround of SA Post Office, this BR Plan hinges on a further allocation of R3,8 billion to serve as a capital buffer to restore confidence in SA Post Office and to continue trading on a solvent basis. The BRPs anticipate that the approval process for the allocation of the R3,8 billion will be finalized during the course of 2024, unless otherwise stated in writing.

18.9.2 This BR Plan envisages a dividend award of 12 cents in the Rand amounting to approximately R1 billion which will be allocated to all pre-commencement concurrent creditors (which amounted to R8,7 billion in aggregate). A further top-up dividend of 18 cents in the Rand will be paid to Statutory Creditors resulting in a total top-up dividend of cR125 million to Statutory Creditors. A top up dividend of 18 cents in the Rand will also be paid to Payroll Creditors resulting in a total top up dividend to Payroll Creditors of R367 million. The total top up dividend amounts to R492 million and will be dependent on the receipt of the final tranche of the R3,8 billion second recapitalization allocation. It is anticipated that the top up dividend will be paid after the budget allocations around March/April 2025. This will serve as full and final settlement of all concurrent creditors' claims. Through this compromise, SA Post Office's net asset value will become positive.

18.9.3 The recapitalization proceeds in aggregate of R6,2 billion will be allocated to creditors payments of R1,5 billion, investment in capital equipment of R2,75 billion, payment of employee retrenchment packages in the amount of R600 million and as a buffer for operating cashflow shortfalls over the next three years amounting to R1,3 billion. The compromise with creditors would restore SA Post Office to a solvent position and allow it to trade as a going concern;

18.9.4 The BRPs performed an analysis of the SA Post Office employee numbers including the average annual employee cost. This BR Plan envisages a significant reduction in SA Post Office's operating costs through the right sizing of the organization and therefore proposes a reduction of approximately R1,3 billion in annual employee costs. Based on the analysis, a total reduction of approximately 6 000 employees is required.

18.9.5 It is estimated that the total costs required for the retrenchment packages amounts to approximately R600 million and provision has accordingly been made from the recapitalization proceeds to be payable over a 12-month period as envisaged in **Annexure 5A.**

Note: it is imperative that the retrenchment process is carried out without further delay.

18.9.6 Furthermore, it is envisaged that the employee retrenchment packages will be ringfenced pending the finalization of section 189A of the LRA process.

18.9.7 It is proposed that SA Post Office invests in IT systems through the capital allocation of R900 million in aggregate in order to prioritize system upgrades and back up mechanisms. Further to this, the BRPs will invest in building infrastructure of R875 million to modernize the SA Post Office's footprint.

18.9.8 Additionally, funding will be utilized to invest R550 million in SA Post Office's logistics fleet. A further R325 million in aggregate will be invested in new Mail Processing and Hybrid Mail Equipment.

18.9.9 The Business Rescue Plan assumes that revenue will be protected and that key revenue segments will grow over the forecast period. However, this cannot be guaranteed and therefore a provision of R1.3 billion of the R6,2 billion recapitalization has been allocated to the three-year period as a buffer to cover operating cashflow shortfalls.

18.10 **Sustainable financial performance**

18.10.1 This Business Rescue Plan proposes that SA Post Office invests in a sales and business development team to rebuild the postal services revenue segment. This would include attracting additional clients as well as increasing volumes from existing clients. Therefore, the BRPs, together with management, will aggressively dedicate its efforts to investing in sales and marketing by dedicating specific focus to the repositioning of SA Post Office to rectify key performance and public perception.

18.10.2 As part of sustaining the business, the BRPs have negotiated the extension of key mail contracts to ensure business continuation and continued customer satisfaction. The success of this Business Rescue Plan is dependent on the ability of SA Post Office to defend its existing revenue base and grow and expand into new market segments where the Company could have a strategic advantage.

18.10.3 The BRPs envisage filling the current vacant management positions with key talent and appropriate skills to drive culture change towards a performance orientated and customer centric business.

18.10.4 The BRPs will also introduce initiatives to optimize performance and management of the current executives and senior management team to support the turnaround of the SA Post Office.

18.10.5 Transitioning to a cash minimization branch business model in order to mitigate risk and safety issues of the cash in transit. As part of this transition, this BR Plan envisages the carve-out of the existing Postbank business in a phased-out approach. This entails the following:

18.10.5.1 This Business Rescue Plan proposes a reduction of the branch network to about 600 branches. The Plan proposes that several SA Post Office branches be transferred to Postbank such that Postbank has an independent branch footprint, especially in the rural areas.
These branches would either be leased or sold to Postbank. The exact modalities including the number and locations of the transferred branches will be managed by the BRPs in consultation with the management teams of SA Post Office and Postbank to maximise the use of the SA Post Office's available tangible and intangible assets and leveraging off its strategic and regulatory mandate;

18.10.5.2 This Business Rescue Plan proposes that SA Post Office exit the SASSA OTC and other Postbank related cash payments resulting in the SA Post Office branches becoming cashless trading environments with limited physical cash received and held at the branches; and

18.10.5.3 The 600 remaining branches would be a combination of large branches, medium-sized and smaller branches informed by various commercial criteria. The branch configuration between large branches, medium sized and smaller branches will be developed by the BRPs working in consultation with the SA Post Office management team. The bricks and mortar branches would be augmented by mobile branches and SA Post Office points of presence at retailers and other potential partner sites. The Business Rescue Plan includes an allocation of capital towards the reconfiguration and upgrade of the SA Post Office branch network.

18.11 **Operations and Logistics**

18.11.1 This BR Plan envisages that the branch network be reduced by up to 600 branches to a network of c600. Branches are envisaged to be located in the area that services a specific customer thereby complying with the SA Post Office USO mandate by consolidating branches in affected regions. This will be augmented by creating retail points of presence through retail partners.

18.11.2 This Business Rescue Plan proposes that the Last Mile be moved from operations to logistics. This means that the logistics division would take ownership of the entire delivery chain from sender to the final recipient. This Business Rescue Plan further proposes that most of the bicycles be replaced with the required number of motorcycles, for high value items such as hybrid mail, bulk mail and parcels.

18.11.3 This Business Rescue Plan proposes that regulatory changes be made to the first and second street addresses protocols such that SA Post Office has the option to deliver to a postbox as opposed to a street address as a first address. These postboxes, especially in the rural areas, could be provided at a subsidized rate as it would save significant costs to SA Post Office associated with street address delivery. The SA Post Office street address delivery would then primarily be focused on high value mail and parcels. In urban areas SA Post Office could then revitalize its paid for postbox model, which would generate further revenue for SA Post Office.

18.12 **Future proofing of SA Post Office**

18.12.1 **New Product Areas for SA Post Office**

18.12.1.1 This plan envisages an investment of R550 million in aggregate into new and sustainable product lines such as RTIA, e-commerce and cargo logistics. Through the extension of SA Post Office's Hybrid Mail contracts and partnerships the BRPs will ensure the smooth roll-out of the AARTO project.

18.12.1.2 SA Post Office has a national network of mail processing centres, depots and warehouses. The BRPs proposals include SA Post Office investing in its mail processing centres and its depot network to better handle e-commerce related logistics, thereby entrenching the company as a leading player in e-commerce logistics. Part of the e-commerce logistics strategy would be investing in a fleet of vehicles and motorbikes as well as a transport management system to service customer needs efficiently and profitably.

18.12.2 **Unbundling the Property Portfolio**

18.12.2.1 This Business Rescue Plan proposes that the SA Post Office owned properties be transferred to a Property Holding Company. SA Post Office would then secure a strategic partner in the property company that could provide development capital and intellectual knowledge in the property company. An analysis would then be made of the property portfolio to assess whether to retain and upgrade an individual property or to dispose of it and the modality of such disposal.

18.12.2.2 The property company would also be responsible for managing the SA Post Office property portfolio including managing third party tenants as well as overseeing professional facilities management of the properties. In addition, the property company would assist with managing landlords and third-party leases including ensuring SA Post Office obtains the best available rentals rates in the market.

18.12.3 **Restructuring the SA Post Office operating model**

18.12.3.1 This Business Rescue Plan proposes that the SA Post Office business be split between a Retail SBU and a Commercial SBU. These SBU's would then be led by experienced and highly skilled leaders and managers focusing on their respective target markets to grow revenues. The Retail and Commercial SBU's would effectively be the SA Post Office sales engines.

18.13 **Extent to which the Company is to be released from its debts**

18.13.1 According to Section 150(2)(b)(ii), this Business Rescue Plan must include the extent to which the Company is to be released from the payment of its debts, and the extent to which debt is to be converted to equity in a company under business rescue.

18.13.2 In return for the right to participate in the Distribution pursuant to the terms of this Business Rescue Plan, and with effect from the Substantial Implementation Date:

18.13.2.1 in respect of Secured Claims and Concurrent Other Claims:

18.13.2.1.1 aside from their rights to claim payment of the Distribution in terms of this Business Rescue Plan, no Secured Creditor and Concurrent Other Creditor shall have any Claims against the Company from the Substantial Implementation Date.

18.13.2.2 in respect of the Concurrent Trade Claims:

18.13.2.2.1 each Concurrent Trade Creditor will be deemed to have acceded to the discharge of the remainder of its Concurrent Trade Claim after payment of the Distribution in terms of this Business Rescue Plan, and will lose its rights to enforce the balance of the Concurrent Trade Claim against the Company, it being recorded and agreed that the provisions of section 154(1) will apply to the Concurrent Trade Claims;

18.13.2.2.2 aside from their rights to claim payments of the Distribution contemplated in this Business Rescue Plan, no Concurrent Trade Creditor shall have a Claim against the Company from the Substantial Implementation Date; and

18.13.2.2.3 Save and except otherwise, where it has been agreed to in writing, the claims of creditors shall not accrue interest against the Company and no further interest will accrue on any claims and is hereby waived upon the Commencement Date.

18.14 **VAT Claw-back Claim**

18.14.1 Section 22 of the VAT Act applies in respect of the Concurrent Trade Claims compromised and discharged in terms of this Business Rescue Plan.

18.14.2 SARS is regarded as an unsecured creditor in terms of Chapter 6 of the Act (including their VAT Claw-back Claim). To align with SARS' practices, the Company's claims which are older than 12 months as at the Commencement Date are deemed to have a pre-commencement VAT Claw-back implication. Therefore, the VAT Claw-back Claim arising from the pre-commencement debt will be dealt with on the same basis as its primary claim. The VAT Claw-back Claim arising from the post-commencement debt will be deemed to have a post commencement VAT Claw-back implication. Therefore, all SARS' post-commencement debt obligations will be fulfilled, including those that will arise from the post-commencement VAT Claw-back Claim.

18.15 None of the Company's debt is proposed to be converted to equity in the Company or in another company.

19. TREATMENT OF EXISTING AGREEMENTS AND THE ONGOING ROLE OF THE COMPANY

19.1 According to Section 150(2)(b)(iii), this Business Rescue Plan must deal with the on-going role of the Company and the treatment of any existing agreements.

19.2 It is envisaged that, following the implementation of this Business Rescue Plan, the contracts that existed prior to the Commencement Date will continue in accordance with their terms unless the BRPs elect otherwise to suspend or cancel them in terms of Section 136(2) or as amended by agreement.

20. PROPERTY AVAILABLE TO PAY CLAIMS

20.1 According to Section 150(2)(b)(iv), this Business Rescue Plan must deal with the property of the Company that is to be available to pay Claims in terms of this Business Rescue Plan.

20.2 Save and except for the disposal by the BRPs of the Assets indicated in **Annexure 2** and as authorized by Section 134(3), no other property of the Company is to be made available to pay any Claims in terms of this Business Rescue Plan.

21. ORDER OF DISTRIBUTION – PAYMENT WATERFALL IN BUSINESS RESCUE

21.1 According to Section 150(2)(b)(v), this Business Rescue Plan must set out the order of preference in which the proceeds of property will be applied to pay Creditors if this Business Rescue Plan is adopted and implemented.

21.2 Section 135(3) prescribes that the funds available through the Business Rescue must be allocated according to the following order of preference (which allocation will remain in force should the Business Rescue be superseded by a liquidation, except to the extent of claims arising out of the costs of liquidation):

21.2.1 the Business Rescue Costs – Section 135(3) read with Section 143;
21.2.2 remuneration, reimbursement for expenses and other amounts relating to employment which became due and payable after the Commencement date inclusive of all amounts payable from the Retrenchment Process – Section 135(3)(a) read with Section 135(1);
21.2.3 secured PCF in the order incurred – Section 135(3)(b) read with Section 135(2);
21.2.4 unsecured PCF in the order incurred – Section 135(3)(b) read with Section 135(2);
21.2.5 debt of a Secured Creditor;
21.2.6 remuneration, reimbursement for expenses and other amounts relating to employment which became due and payable before the Commencement date – Section 144(2);
21.2.7 debt not subject to any security in terms of the Insolvency Act, 1936, in other words Claims of Preferent and Concurrent Creditors ranking pro rata.

21.3 The payment waterfall set out above will result in the following:

Distribution to Secured Creditors	Not applicable as the BRPs are not aware of any Secured Creditors of the SA Post Office, according to the BRPs investigations.
Distribution to Preferent Creditor – Employees in terms of section 144(2) of the Act	To the extent that any amounts are owed in terms of Section 144(2) of the Act.
Distribution to Concurrent	Concurrent creditors will receive an amount of 12 cents in the Rand. Statutory and Payroll Creditors will receive an additional amount of 18 cents in the Rand.
Secured PCF Creditors and Unsecured PCF Creditors	Not applicable[1]

22. BENEFITS OF ADOPTING THIS BUSINESS RESCUE PLAN

22.1 According to Section 150(2)(b)(vi), this Business Rescue Plan must set out the benefits of adopting it as opposed to the benefits that would be received by Creditors if the Company were to be placed in liquidation.

22.2 It should be borne in mind that, according to Section 128(1)(b)(iii), the objective of a Business Rescue is to facilitate the rehabilitation of the Company (that has declared itself to be financially distressed) by providing for the development and implementation of a Business Rescue Plan to rescue the Company by restructuring its affairs, business, property, debt and other liabilities, and equity in a manner that maximizes the likelihood of the Company continuing in existence on a solvent basis, or, if it is not possible for the Company to so continue in existence, results in a better return for the Creditors or the Shareholder then would result from the immediate liquidation of the Company.

22.3 The approval of this Business Rescue Plan will realize a Distribution to the Creditors of a significantly higher dividend than that which they could expect to receive if the Company were to be immediately liquidated.

22.4 In addition to the monetary benefits to Creditors, the following advantages will be derived from the adoption and implementation of this Business Rescue Plan:

22.4.1 from a timing perspective, the average time it takes to conclude a liquidation process can be between 5 to 10 years, or longer, depending on the complexity of the winding-up of the insolvent estate and the realization of its assets. Given the complexity of the Company and its assets situated in various regions of the RSA, it is likely, and not all together inconceivable, that a liquidation process involving the Company would last longer than a few years with increased administration costs (like rental if the assets are to remain on leased premises or storage costs if the assets are to be moved and located safely elsewhere).

[1] Government Funding of the R2.4 billion appropriation and R3.8 billion funding is considered to be equity /recapitalization funding.

22.4.2 any meaningful dividend to Concurrent Creditors dissipating quickly with each passing day;

22.4.3 Creditors will receive their Distribution in a much shorter timeframe than in liquidation proceedings;

22.4.4 the BRPs will be able to save a large number of jobs in a manner that they will be able to retain certain benefits associated with their jobs – in comparison to a liquidation where, as already mentioned earlier, jobs will be at risk because of the inability of the Company to continue trading and Employees running the risk of receiving no dividend through the liquidation process;

22.4.5 SARS ranks as a Concurrent Creditor in Business Rescue which has its benefits for Employees and other Concurrent Creditors, whereas it ranks as a Preferent Creditor in a liquidation – however, it is important to bear in mind that Concurrent Creditors will receive a dividend of 4.08 cents in respect of their Claims in liquidation.

23. EFFECT OF THIS BUSINESS RESCUE PLAN ON SHAREHOLDER

23.1 According to Section 150(2)(b)(vii), this Business Rescue Plan must set out the effect that it will, on its adoption and implementation, have on the holders of each clause of the Company's issued securities.

23.2 The rights of the Shareholder will not be altered as a result of the approval and implementation of this Business Rescue Plan.

Part D: Assumptions and Conditions

24. CONDITIONS TO BE SATISFIED

24.1 According to Section 150(2)(c)(i), this Business Rescue Plan must set out a statement of the conditions that must be satisfied, if any, for it to come into operation and be fully implemented.

24.2 For this Business Rescue Plan to come into operation it must be adopted by 75% of the Creditors' voting interests, of which 50% must be independent Creditors' voting interests, present or voting by proxy, in accordance with the provisions of Section 152(2) at the meeting convened by the BRPs of considering the Published Plan or any amendment to the Published Plan.

24.3 For this Business Rescue Plan to be implemented after it has been adopted in accordance with Section 152(2), the initiatives must be fulfilled as prescribed in this Business Rescue Plan.

25. KEY CONDITIONS PRECEDENT

25.1 The success of this Business Rescue Plan is conditional upon receiving the remaining balance of the R2.4 billion appropriation and the additional R3.8 billion equity funding being approved and made available from National Treasury.

25.2 That Section 189A of the LRA will not take a substantially long period of time. The BRPs anticipate that the Section 189A of the LRA process will be completed by 31 March 2024;

25.3 That the DCDT continues providing the USO subsidy and will increase these amounts in accordance with the SA Post Office's formal application made to increase this amount to R728 million per annum.

25.4 Approval of the Minister of Communications and Digital Technologies and Minister of Finance (to the extent necessary), as executive authority in terms of the PFMA for the implementation of those aspects of the Business Rescue Plan which involve transactions requiring such approval in terms of section 54(2) of the PFMA.

25.5 Approval of the Minister of Communications and Digital Technologies, as representative Shareholder of SA Post Office, for the implementation of those aspects of this Business Rescue Plan which involve transactions requiring such approval in terms of the SA Post Office MOI.

26. KEY ASSUMPTIONS

26.1 That there are no unforeseen economic circumstances that negatively impact the SA Post Office's ability to operate as planned and to generate revenue as forecasted.

26.2 Upon substantial implementation of the Business Rescue Plan, suitably qualified and competent management and directors will be appointed to continue with the implementation of the strategy.

26.3 SA Post Office does not get embroiled in litigation that may hamper and/or delay the adoption of the Business Rescue Plan.

Part E: Administrative Provisions

27. EFFECT ON CLAIMS

27.1 After the adoption and implementation of this Business Rescue Plan, Creditors will lose all their rights to enforce their Claims or any part of such Claims against the Company.

27.2 The provisions of Section 154(1) shall accordingly apply to the Claims upon the implementation of this Business Rescue Plan, save and except for any Creditor that has a valid and lawful Claim against a surety or guarantor in respect of any obligations of the Company will retain a Claim under such suretyship or guarantee to the extent of any loss it may suffer on its Claim as a result of the adoption and implementation of this Business Rescue Plan.

27.3 For the avoidance of any doubt a Creditor shall not, after the adoption and implementation of this Business Rescue Plan, be entitled to enforce any Claim or any part thereof against the Company, except for any payment that is to be made to the Creditor in respect of its Claim pursuant to this Business Rescue Plan.

28. EFFECT ON EMPLOYEES

28.1 According to Section 150(2)(c)(ii), this Business Rescue Plan must set out the effect, if any, that it contemplates on the number of Employees, and their terms and conditions of employment.

28.2 The Retrenchment Process will be initiated immediately after the Adoption Date in terms of which the BRPs anticipate approximately 6000 Employees will be retrenched.

28.3 The remaining Employees, after the implementation of the Retrenchment Process, will continue to be employed on no less favourable terms of employment that are applicable to them at the Adoption Date.

28.4 The BRPs, Advisors, and Management will consult with the Employees that will be affected by the Retrenchment Process.

29. CIRCUMSTANCES IN WHICH THE BUSINESS RESCUE WILL END

29.1 According to Section 150(2)(c)(iii), this Business Rescue Plan must include the circumstances in which the Business Rescue will end.

29.2 Should this Business Rescue Plan be adopted in accordance with the provisions of Section 152(2), it will end upon:

29.2.1 the BRPs filing a notice of Substantial Implementation of Business Rescue Plans as contemplated in Section 132(2)(c)(ii); or

29.2.2 the BRPs filing a notice of the termination of the Business Rescue as contemplated in Section 132(2)(b).

30. PROJECTED BALANCE SHEET AND PROJECTED INCOME STATEMENT (SECTION 150(2)(C)(IV))

30.1 As required in terms of section 150 (2) (c) (iv) of the Companies Act, the projected balance sheet and statement of income and expenditure for the ensuing three years, limited to the potential 1 year forecast time horizon for the implementation of this Business Rescue Plan, prepared on the assumptions that this Business Rescue Plan is adopted. Refer to **Annexures 5A, 5B, 5C and 5D**.

30.2 In compliance with section 150(3)(a) of the Companies Act, the projected statement of income and expenses, reflected in **Annexure 5A**.

31. ADOPTION OF THIS BUSINESS RESCUE PLAN

31.1 The BRPs has published the Business Rescue Plan and convened separate meetings of Creditors and Shareholder for the purpose of considering the Published Plan in accordance with the provisions of Section 151.

31.2 At the meeting convened by the BRPs in terms of Section 151, this Business Rescue Plan will be tabled, in accordance with the provisions of Section 152(1)(d) if a motion to amend the BR Plan, in the manner set out in this Business Rescue Plan, is adopted by a majority of the voting rights exercised by Creditors at the meeting or voting by proxy.

31.3 This Business Rescue Plan will then be approved, in accordance with the provisions of Section 152(2), if:

- 31.3.1 it is supported by the holders of more than 75% of the creditors' voting interests that are voted; and
- 31.3.2 the votes in support of this Business Rescue Plan include at least 50% of the independent creditors' voting interests, if any, that are voted; and
- 31.3.3 approval of the Minister of Communications and Digital Technologies and Minister of Finance (to the extent necessary), as executive authority in terms of the PFMA for the implementation of those aspects of the Business Rescue Plan which involve transactions requiring such approval in terms of section 54(2) of the PFMA; and
- 31.3.4 Approval of the Minister of Communications and Digital Technologies, as representative Shareholder of SA Post Office, for the implementation of those aspects of the Business Rescue Plan which involve transactions requiring such approval in terms of the SA Post Office MOI.

31.4 This Business Rescue Plan will be regarded as finally approved and adopted, in accordance with the provisions of Section 152(3)(c) if it is supported by the majority of the voting rights of the Shareholder.

32. REJECTION OF THIS BUSINESS RESCUE PLAN

Should this Business Rescue Plan not be adopted in its entirety and without deviation, in accordance with the provisions of Section 152(2), no Affected Person shall establish any right or legitimate expectation in respect of this Business Rescue Plan, or otherwise be entitled to rely on any information in this Business Rescue Plan or any part thereof.

33. IMPLEMENTATION OF THIS BUSINESS RESCUE PLAN

33.1 Following the adoption of this Business Rescue Plan as contemplated in Section 152, the BRPs, having been authorized to do so by the holders of the requisite majority of the Creditors' voting interest, shall complete and execute all agreements, and such documents, resolutions, powers of attorneys and proxies, in order to implement this Business Rescue Plan.

33.2 According to Section 154(1), a Business Rescue Plan may provide that, if it is implemented in accordance with its terms and conditions, a Creditor who has acceded to the discharge of the whole or part of a Claim will lose the right to enforce the Claim or any part of it.

33.3 According to Section 154(2), if a Business Rescue Plan has been approved and implemented in accordance with the provisions of Chapter 6 of the Companies Act, a Creditor is not entitled to enforce any Claim except to the extent provided for in this Business Rescue Plan.

33.4 For the avoidance of doubt it is expressly recorded that:

33.4.1 this Business Rescue Plan is an offer for the settlement of all Claims, in all cases where the Claims existed as at the Commencement Date or the end of the Additional Claims Period;

33.4.2 any Creditor with a Claim against a surety or guarantor in respect of any obligations of the Company in respect of the Claim to the Creditor will retain a claim under such suretyship or guarantee to the extent of any loss it may suffer as a result of the adoption and implementation of this Business Rescue Plan;

33.4.3 any reference to the "settlement consideration" means the total amount paid to each Affected Person in accordance with the order of preference set out in this Business Rescue Plan; and

33.4.4 upon implementation of this Business Rescue Plan, and the payment of Distributions under this Business Rescue Plan, the Affected Persons shall have no further claims of any nature whatsoever against the Company.

34. BINDING NATURE OF AN ADOPTED BUSINESS RESCUE PLAN

34.1 The BRPs draw the attention of Creditors to the provisions of Section 152(4). It provides that a Business Rescue Plan that has been adopted in accordance with the provisions of Section 152(2) is binding on the Company, and on each Creditor, whether or not such a person:

34.1.1 Was present at the meeting to determine the future of the Company in terms of Section 151;
34.1.2 Voted in favour of the adoption of the Business Rescue Plan; or
34.1.3 In the case of Creditors, had proven Claims against the Company.

35. ARBITRATION

35.1 A dispute which arises in regard to:

35.1.1 the interpretation of; or
35.1.2 the amendment of; or
35.1.3 the implementation of; or
35.1.4 the BRPs assessment of Claim and/or the BRPs determination of the recognized quantum of a Claim for purposes of; or
35.1.5 any of the BRPs or Affected Persons' rights and obligations arising from,
this Business Rescue Plan, or out of, or pursuant to this Business Rescue Plan (other than where an interdict is sought or urgent relief may be obtained from a court of competent jurisdiction) shall be submitted to and decided by arbitration.

35.2 The arbitration shall be held:

35.2.1 with only the parties and their legal representatives present;
35.2.2 before a single arbitrator only; and
35.2.3 at Pretoria, South Africa.

35.3 It is the intention that the arbitration shall, where possible, be held and concluded within 25 Business Days after it has been demanded. The parties to the dispute shall use their best endeavors to procure the expeditious completion of the arbitration.

35.4 The arbitration shall be subject to, and shall be held in accordance with, the expedited rules of the Arbitration Foundation of South Africa (AFSA).

35.5 The arbitrator shall be, if the matter in dispute is principally:

35.5.1 a legal matter, an impartial practicing advocate with commercial law experience of not less than 15 years' standing, or an impartial practicing attorney of not less than 15 years' standing;
35.5.2 an accounting matter, an impartial practicing-chartered accountant of not less than 15 years' standing.

35.6 If the parties to the dispute fail, within 5 Business Days after the arbitration has been demanded, to agree whether the dispute is of a legal or accounting nature, it shall be considered to be of a legal nature.

35.7 If the parties to the dispute fail to agree on the arbitrator within 5 Business Days after the arbitration has been demanded, the arbitrator shall be appointed, at the request of either of the parties to the dispute, by the AFSA Secretariate.

36. SEVERABILITY PROVISIONS

Any provision in this Business Rescue Plan, which is or may become illegal, invalid or unenforceable shall be ineffective to the extent of such prohibition or unenforceability and shall be treated *pro non scripto* and severed from the balance of this Business Rescue Plan, without invalidating the remaining provisions of this Business Rescue Plan or affecting the validity or enforceability of such provision.

Part E: Conclusion and BRPs Certificate

37. RECOMMENDATIONS BY THE BRPS

37.1 The BRPs recommend that this Business Rescue Plan be adopted by Creditors and Shareholder for the reasons advanced and stated herein.

37.2 The BRPs are of the view that the implementation of this Business Rescue Plan will provide for a better return for the Creditors than what would result from the immediate liquidation of the Company.

37.3 The BRPs request that Creditors and Shareholder adopt this Business Rescue Plan and authorize the BRPs to take all steps required for the implementation of this Business Rescue Plan including, inter alia, the negotiation and conclusion of all agreements necessary to execute the transactions contemplated in this Business Rescue Plan.

38. BRPS CERTIFICATE IN TERMS OF SECTION 150(4) OF THE COMPANIES ACT

38.1 We, Mr Rooplal and Mr Damons, the BRPs of the Company confirm that:

38.1.1 the information contained herein is based on information provided to us by Management and upon which we have relied and such information appears to be reasonably accurate, complete and up to date;

38.1.2 in preparing this Business Rescue Plan no audit of any of the information provided by the BRPs for the purposes of this Business Rescue Plan has been undertaken by the BRPs or any of their Advisors.

Anoosh Rooplal	Juanito Damons
Joint Business Rescue Practitioners	**Joint Business Rescue Practitioners**

Action required:

- This Business Rescue Plan will be submitted to Creditors at a meeting of Creditors convened by the BRPs on 7 December 2023 to determine the future of the Company.
- The BRPs have delivered a notice of meetings to all Affected Persons setting out –
  - the date, time and place of the meetings;
  - the agenda of the meetings; and
  - a summary of the rights of Affected Persons to participate in and vote at the meetings.
- Creditors are entitled to vote at the meeting and are encouraged to do so.

IF THIS BUSINESS RESCUE PLAN IS ADOPTED, IT SHALL BE BINDING ON THE COMPANY AND ON EACH CREDITOR AND SHAREHOLDER, WHETHER OR NOT SUCH PERSON WAS PRESENT AT THE MEETING, VOTED IN FAVOUR OF THE ADOPTION OF THIS BUSINESS RESCUE PLAN OR, IN THE CASE OF CREDITORS, HAD PROVEN THEIR CLAIMS AGAINST THE COMPANY.