



## Annexure 6. Independent Liquidation Report

# The South African Post Office SOC Limited (SAPO) (In Business Rescue)

Independent determination of the  
anticipated dividend in the event of  
liquidation

21 November 2023

# CONTENTS

## RFP Requirements

- ▶ Introduction
- ▶ Message
- ▶ Understanding this Report
- ▶ Executive Summary
- ▶ Key Aspects and Assumptions
- ▶ Detailed Determination
- ▶ References and Notes
- ▶ Closing



# INTRODUCTION

## The South African Post Office



Dear Sir/s

In accordance with your instructions, confirmed in our engagement letter dated 7 November 2023 (the “Engagement Letter”), we have prepared this report on The South African Post Office SOC Ltd ( “SAPO” or the “Company”).

Section 150 (2)(a)(iii) of the Companies Act, 71 of 2008 (“The Act”) requires of the appointed Business Rescue Practitioners (“BRPs”), as part of their proposed business rescue plan (“BR Plan”), to advise affected parties of the probable dividend that each such creditor would receive, having regard to their various classes, upon insolvency, if the SAPO were to be placed in liquidation (the “Liquidation Calculation”).

The BRPs require an independent determination of the Liquidation Calculation and our role is to provide the BRPs with such independent determination.

This report is addressed to and intended for the use of the BRPs only in connection with their proposed BR Plan. Save as expressly provided for in our Engagement Letter with SAPO and the BRPs, this report is not to be referred to or quoted, in whole or in part, in any other context without our prior written consent.

This is an amended report, updated from our initial report dated 9 November 2023, amended based on the latest information made available to us as at the completion of our work on 23 November. We accept no responsibility to update it for events that take place after the date of its issue.

We prepared this report under significant time pressure, from information supplied to us, from discussions with the BRPs and/ or their representatives and information supplied by the management of SAPO. We have not verified the accuracy, reliability or completeness of the information supplied and we have accepted all information at face value. The procedures that we used to perform the work did not constitute an audit or review made under any generally accepted auditing standards.

This report includes an executive summary. The body of the report contains key aspects and issues that may not have been captured in the abbreviated executive summary and accordingly, BDO accepts no responsibility for any reliance placed on the executive summary only.

If you require any clarification or further information, please contact Dawie van der Merwe at [dvandermerwe@bdo.co.za](mailto:dvandermerwe@bdo.co.za).

Yours faithfully


A handwritten signature in black ink, appearing to read 'Dawie van der Merwe'.

Dawie van der Merwe  
BDO Business Restructuring



## MESSAGE

### Notice to any person not authorised to have access to this report



Any person who is not an addressee of this report or who has not signed and returned to BDO either a “no-reliance” or an “assumption of duty” release letter is not authorised to have access to this report. We do not accept or assume responsibility to any unauthorised person to whom this report is shown or any other person who may otherwise gain access to it.

If any unauthorised person chooses to rely on the contents of this report, they do so entirely at their own risk. Should any unauthorised person obtain access to and read this report, such person accepts and agrees that:

- This report was prepared in accordance with instructions provided by the BRPs exclusively for the sole benefit and use of the BRPs and inclusion in their BR Plan.
- BDO, its partners, employees and agents neither owe, nor accept any duty or responsibility to the reader, whether in contract or otherwise (including without limitation, negligence and breach of statutory duty), or howsoever otherwise arising. We make no representations regarding this report or the accuracy of the contents including that the information has not changed since the date of this report.
- We shall not be liable in respect of any loss, damage or expense of whatsoever nature which results from any use the reader may choose to make of this report, or any reliance the reader may seek to place on it, or which is otherwise consequent upon access to this report by the reader.
- This report is not to be referred to or quoted, in whole or in part, in any other document, other than the BR Plan or made available to any third party, without our express written consent.

# UNDERSTANDING THIS REPORT

## Purpose of this report



The report has only 1 function and that is to provide an independent view on what the anticipated liquidation dividend would have been if SAPO was liquidated rather than filing for business rescue. It aims to provide independent context to creditors when assessing the proposals made by the BRPs in their proposed BR Plan.

### Basic Premise:

- That a liquidator was appointed and commenced his process of realisation of the assets of the company on the same day that SAPO commenced business rescue proceedings.
- That the liquidator will elect not to operate the business of SAPO, but rather to immediately commence with securing and disposing the assets of SAPO.

### Assets:

- Predicting the exact extent of what the realisation of the assets of SAPO would be in a liquidation, is influenced by a wide range of unpredictable factors.
- Considering the significant value of the assets of SAPO, even the smallest adjustments to value has a significant impact on the final realisation. The outcome of this report represents what is referred to as the “forced sale values” of assets, reflecting the low end of any expected realisation of assets and consequential distribution to creditors.

### Assumptions:

- To provide an assessment of anticipated future events, one is required to make certain assumptions. These assumptions relate both the anticipated realisation of assets as well as the extent of the expenses a liquidator would incur during the liquidation process.
- Assumptions are subjective by nature, but in this report based on the information available to management of SAPO and our collective experience of the liquidation process and the laws of Insolvency.

# EXECUTIVE SUMMARY

	Liquidation Scenario	
	R' 000	
<b>Gross proceeds from the realisation of assets by a liquidator</b>	<b>2 183 646</b>	
Immovable property	1 338 940	
Movable assets	70 103	
Intangibles	75 466	
Investment in subsidiaries	45 316	
Debtors & other receivables	114 328	
Cash and Cash Equivalents	539 493	
<b>Less-Expenses incurred by a liquidator during liquidation process</b>	<b>675 128</b>	
<b>Balance of proceeds after expenses- available for distribution to creditors</b>	<b>1 508 518</b>	
<b>Order of preference- Application of gross proceeds of realisation of assets</b>		
1st payment by law- Secured Creditor	0	
2nd payment by law- Statutory preferent creditors	1 005 078	
Available for distribution to concurrent creditors	503 440	
	Cents in the Rand	c/R
		4.08

# KEY ASPECTS AND ASSUMPTIONS

▶ The information and calculations contained in this report represents the position as it would have been had SAPO been liquidated on the date of the commencement of business rescue proceedings. The information therefore reflects the position as it was as at the end of July 2023.

▶ That the appointed liquidator will not operate the business in liquidation, but rather elect to immediately suspend all operation, secure the assets and without delay commence with the liquidation of all assets.

▶ The assets reflected in this report have been verified by the BRPs.

▶ The values attributed to immovable properties, represents the anticipated value from the realisation of these assets, as determined by an independent expert, on a forced sale basis, during a liquidation process by a diligent and experienced liquidator.

▶ The extent of the amounts owing to creditors, secured, preferent and concurrent have been verified by the BRPs.

▶ The total costs of liquidation, represents such costs to be deducted from the gross proceeds of all assets, pursuant to the provisions of section 89 of the Insolvency Act, 24 of 1936, including statutory costs such as liquidator's fees, Master's fees and the cost of the appointed liquidators bond of security.

▶ The total cost incurred further includes the cost incurred incidental to the nature of the asset realisation , include, inter alia, continued monthly operating expenses, rates and taxes and cost of securing such assets. The costs so incurred assumes the actions of a diligent and experienced liquidator attending to the administration of the liquidated estate in an expeditious manner.

▶ The liquidator will have to re employ staff of SAPO, over the period of his administration of the liquidated estate to assist with its effective finalisation of the liquidation.

▶ That a liquidator would require 3 ½ years to dispose of all the assets and finalise the liquidation process witing 5 years

# DETAILED DETERMINATION

		Liquidation Scenario
		R' 000
<b>Gross proceeds from the realisation of assets by a liquidator</b>	<b>Note</b>	<b>2 183 646</b>
Immovable property	1	1 338 940
Movable assets	2	70 103
Intangibles	3	75 466
Investment in subsidiaries	4	45 316
Debtors & other receivables	5	114 328
Cash and Cash Equivalents	6	539 493
<b>Less-Expenses incurred by a liquidator during liquidation process</b>		<b>675 128</b>
Liquidators fees	7	74 272
Master's fees	8	245
Bond of Security	9	31 390
Monthly running cost during the administration of the liquidated estate	10	26 000
Outstanding rates & tax clearance	11	45 977
Valuation cost	12	8 000
Auctioneers & Consultants commission to dispose assets	13	56 362
Additional cost of security	14	51 500
Cost of Employees during admin	15	321 791
Storage of records	16	5 000
Legal fees	17	54 591
<b>Balance of proceeds after expenses- available for distribution to creditors</b>		<b>1 508 518</b>

# DETAILED DETERMINATION

Continued

		Liquidation Scenario	
		R ' 000	
<b>Order of preference- Application of gross proceeds of realisation of assets</b>		<b>Note</b>	<b>1 508 518</b>
1st payment by law- Secured Creditor	18	0	0
	Balance thereafter		1 508 518
<b>2nd payment by law- Statutory preferent creditors</b>			<b>1 005 078</b>
Employees	19	307 078	307 078
SARS	20	698 000	698 000
	Balance thereafter		503 440
<b>Available for distribution to concurrent creditors</b>		<b>21</b>	<b>503 440</b>
Trade Creditors		11 863 259	
Balance of Employees	22	474 959	
Total concurrent creditors	23	12 338 218	503 440
<b>Estimate dividend to concurrent creditors- cents in the rand</b>		<b>24</b>	<b>4.08</b>

## LIST OF REFERENCES AND NOTES

1. SAPO owns 427 properties and occupies a further 279. These properties were last comprehensively valued in 2017. As part of their process, the BRPs have commissioned a detailed updated valuation of these properties by Jones Lang Lasalle (JLL). JLL completed their valuation on 17 November 2023, necessitating the update of our earlier (9 November) report. JLL estimates the forced value of these assets at R1 285,663,336, representing a value of 58% of the stated book value. For purposes of this report, we have utilised the values attributed to the immobile properties by JLL, assuming that a prudent liquidator, over time, in a forced sale market will realise the forced sale value as determined by JLL.
2. Movable assets consists of Machinery and Equipment, Furniture and Fittings, Motor Vehicles, Data processing Equipment, Heritage Assets and Inventory. Considering the sheer volume of the assets and the time constraints these assets have not been independently valued and the values attributed to each of these items in this report represents the fair expectation of the value of these assets by management.
3. The only Intangible Assets considered to have value in the event of the liquidation of SAPO is its interest in the Centriq Cell Captive. Allowing only for some discounts due to some outstanding premiums, we have, with the guidance of management, provided for a realisation by a competent liquidator of 80% of the stated book value.
4. The value of the investments of the Company in its subsidiaries is reflected at a book value of R31,993,000, while the combined NAV of these subsidiaries, obtained from their respective audited annual financial statement, amounts to R77,527,409. In the absence of a formal, independent valuation of these subsidiaries, the following values in respect of each of these subsidiaries have been applied for purposes of this report:

**Continued on the next slide**

# LIST OF REFERENCES AND NOTES

Continued



Subsidiary name	NAV	Liquidation Scenario	
The Document Exchange	17 803 700	10 682 220	60%
SAPOS Properties Bloemfontein	4 445 268	2 573 065	58%
SAPOS Properties East Rand	34 770 490	20 126 284	58%
SAPOS Properties Cape Town	16 274 353	9 420 122	58%
SAPOS Properties Port Elizabeth	4 343 234	2 514 004	58%
The Courier & Freight Group	-	-	
	<b>77 637 045</b>	<b>45 315 694</b>	

5. The value of all amounts owing to the Company (debtors), includes normal Trade- and International Debtors. The bulk of the amount owing however represents the collective amounts owing by the branches of the SAPO and is considered mostly irrecoverable by management, providing for a 10% recovery.
6. The actual balance of cash available in the accounts of SAPO as at the commencement of business rescue.
7. The fees that a liquidator would be entitled to, based on the mandatory statutory provisions as set out in Tariff B of the Insolvency Act, 24 of 1936.
8. Master's fees payable, representing the maximum amount as prescribed in the Third Schedule of the Insolvency Act.

# LIST OF REFERENCES AND NOTES

## Continued



9. The statutory bond of security required of liquidators in all insolvent estates, calculated as an annual premium at a rate of 0, 575% of the value of the assets of a company in liquidation. It is assumed that the entire liquidation process will take at least 5 years to conclude and that a prudent liquidator will reduce the cost of the bond over this period, in doing so reducing the cost of the bond over time.
10. Monthly running cost during the administration of the liquidated estate represents the ongoing expenses that a liquidator would have to incur during the period of the administration of the insolvent estate:
  1. It is assumed a diligent and experienced liquidator would require at least a 5 years, considering the extent of the portfolio of the assets and the complexities in having to dispose of such large quantities of property, to liquidate or realise ( dispose, transfer or collect) all the assets of SAPO and to distribute such proceeds to creditors.
  2. It is assumed that a prudent liquidator will immediately reduce the operating cost, excluding salaries and security, to 20% of its pre liquidation value and to 10% within 1 year of his appointment and further reducing the holding costs evenly thereafter until the final realisation of all the assets.
  3. Salaries- All contracts of employment are suspended upon the liquidation of a Company. It is however assumed that the appointed liquidator would, post the liquidation of SAPO require the assistance of key employees to assist him to secure and maintain the assets whilst planning for and executing the disposal process. It is assumed that the cost would initially represent 20% of the monthly payroll of SAPO and reduce systematically over the anticipated 3 ½ year disposal period.
11. We are advised that SAPO was at the commencement of business rescue proceedings, in arrears in respect of the rates and taxes in the amount of R15.1 million, escalating monthly at a rate of R1.5 million. We estimate that the disposal and subsequent transfer of all the immovable properties of SAPO will require a period of 3 ½ years with rates and taxes accruing during this period. The liquidated estate remains responsible to settle these outstanding rates and taxes to secure transfer of the properties following its disposal. We have for purposes of this report assumed that the 1<sup>st</sup> transfer of properties will take place 6 months after the commencement of the liquidation and then systematically over the next 3 years, reducing the extent of the rates and taxes proportionately.

# LIST OF REFERENCES AND NOTES

## Continued



12. A liquidator is required to obtain an independent valuation of all the assets of a company in liquidation. The amount provided takes into consideration the extent- and complexity of the property portfolio.
13. It is anticipated that a diligent liquidator will negotiate a competitive rate of remuneration for all auctioneers or sales agent at a rate of 4% of realisation of those assets that would be required to be disposed of by public auction.
14. Considering the extensive nature and geographic location of most of the assets and our experience it is anticipated that significant additional security will be required to secure the assets of the Company whilst the liquidators disposes of the assets over the anticipated period of 3 ½ years. Not securing these assets will no doubt expose creditors to massive value destruction.
15. At the date of the commencement of business rescue, the salaries of SAPO's employees amount to R124 million per month. Although the contracts of employment of all the employees of SAPO would be suspended upon its liquidation, it is common practice for liquidators to temporarily re-employ key staff members to assist with the administration of the liquidation process. As such it is assumed that the liquidator would have to initially incur at least 20% of the cost of employment, reducing this to 15% by month 4, 10% by the 7<sup>th</sup> month and down to 5% by month 13, thereafter proportionately reducing over the anticipated 3 ½ year period required to dispose of all the assets.
16. It is anticipated that the liquidator would at some stage be required to vacate the existing offices of the Company in liquidation and would then be required to arrange for the storage of significant books and records whilst attending to the administration of the insolvent estate.
17. Considering the extent- and the anticipated complexities of various legal matters, provision is made for significant legal expenses calculated at an estimated 2.5% of the assets realised.

# LIST OF REFERENCES AND NOTES

## Continued



18. Secured creditors- We are advised by management that none of the assets of SAPO are encumbered as security to any creditor. This is unusual, but consistent with the fact that SAPO is a state-owned entity. All assets are therefor considered to be free residue assets, as provided for in the Insolvency Act.
19. The Company had, as the commencement of business rescue proceedings, 11,457 individuals in its employee. Section 98A, read with Appendix V, of the Insolvency Act, provides for a limited statutory preference for employees in respect of outstanding salary, leave pay and severance to a maximum preference of R28,000 per employee. Based on the information supplied by management the collective preferent entitlement of employees amounts to R307 million at an average of R26 800 per employee. The balance of the claims of employees amounting to R475 million, rank as concurrent claims together with all other concurrent creditors.
20. In terms of Section 99 of the Insolvency Act, the South African Revenue Services enjoys a preference, after employees, to the full extent of its claim. We are advised that an amount of R698 million was due to the SARS as at the commencement of business rescue proceedings.
21. The balance of the proceeds of the realisation of the assets, after payment of all the costs of the liquidation process, payment of the statutory preferent creditors and therefor available for distribution to the concurrent creditors, in proportion to their claims against SAPO.
22. The remaining portion of the collective claims of the employees of SAPO, that is not considered to be preferent in terms of the Insolvency Act.
23. The total value of concurrent creditors as determined by the practitioners.
24. The expected distribution to concurrent creditors , expressed as “Cents in the Rand”.

## IN CLOSING

- A liquidation of SAPO would represent the single largest insolvency in the history of South Africa Insolvency Law. Never before has a liquidator had to deal with the extent and complexity of a liquidation of this nature.
- This report represents our best effort to anticipate the outcomes of such a process. We have for purposes of this report assumed that the liquidation process will be concluded within 5 years, whilst it is not inconceivable that it may take decades to finally wind up the affairs of a company of this size and complexity.
- SAPO being a national asset it is further unlikely, that a liquidator, as we assume for purposes of this report, will be able to simply discontinue operations and immediately commence with the process of realisation of assets. Any decision to continue to operate SAPO in liquidation will significantly impact the ultimate outcome for creditors.
- The model utilised in compiling this report and determining the values reflected are sensitive to the various assumptions made in this report. Applying an acceptable level of sensitivity of 15%, both positive and negative, influences our final determination as follows:

	Liquidation Scenario	Sensitivity of +15%	Sensitivity of -15%	
Gross proceeds from the realisation of assets by a liquidator	2 183 646	2 511 193	1 856 099	
Less-Expenses incurred by a liquidator during liquidation process	675 128	707 620	642 636	
Statutory preferent creditors	1 005 078	1 005 078	1 005 078	
Available for distribution to concurrent creditors	503 440	798 495	208 386	
Cents in the Rand	c/R	4.08	6.47	1.69

# IN CLOSING

## Conclusion

- Based on the information supplied, the reasonable assumptions articulated in this report and providing for a reasonable level of variance we conclude that:
  - upon the liquidation of SAPO a prudent and diligent liquidator ought to be able to realise assets to the value of R2.18 Billion;
  - the cost associated with the administration of the winding down the affairs of SAPO will amount to an estimated R675 million;
  - in distributing the net proceeds of the assets realised, statutory preferent creditors, amounting to an estimated R1 Billion, can expect payment to the full extent of their combined preferences; and thereafter
  - concurrent creditors, allowing for a sensitivity adjustment of 15%, can expect to receive between 1.69 and 6.47 cents in the Rand with our estimated dividend being 4,08 cents in the Rand.



**FOR A CLEAR PERSPECTIVE  
PLEASE CONTACT US:**

**Buhle Hanise**  
Chief Operating Officer  
M +27 83 364 0709  
E [bhanise@bdo.co.za](mailto:bhanise@bdo.co.za)

**Dawie van der Merwe**  
Director  
M +27 83 444 5026  
E [dvandermerwe@bdo.co.za](mailto:dvandermerwe@bdo.co.za)

**Christopher Rey**  
Director  
M +27 72 287 9875  
E [crey@bdo.co.za](mailto:crey@bdo.co.za)



[/BDOSouthAfrica](#)



[/bdoafrica](#)



[/bdo\\_sa](#)



[/company/bdo-south-africa](#)

[www.bdo.co.za](http://www.bdo.co.za)

BDO South Africa Services (Pty) Ltd, a South African company, is a member of BDO International Limited, a UK company limited by guarantee. BDO is the brand name for the BDO International network and for each of the BDO Member Firms.