

30 September 2024

SAPO Joint Business
Rescue Practitioners

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Delivered by Email To:

- All known Affected Persons of the South African Post Office SOC Ltd (in business rescue) (including: all known creditors, employees, trade unions and shareholders)
- Companies and Intellectual Property Commission

Published:

- On the website maintained by the Company and accessible to Affected Persons

To All Affected Persons,

**SOUTH AFRICAN POST OFFICE SOC LIMITED (IN BUSINESS RESCUE) WITH
REGISTRATION NUMBER 1991/005477/30 – BUSINESS RESCUE STATUS
REPORT IN TERMS OF SECTIONS 132 OF THE COMPANIES ACT, 71 OF 2008
READ WITH REGULATION 125 OF THE COMPANIES ACT**

1. Introduction

1.1 In accordance with section 132(3)(a) and section 132(3)(b) of the Companies Act 71 of 2008, as amended (“**Act**”), when business rescue proceedings of a company have not concluded within 3 months of the date on which they started, a business rescue practitioner is required to –

1.1.1 prepare a report on the progress of the business rescue, and update it at the end of each subsequent month until the end of the business rescue proceedings; and

1.1.2 deliver the report and each update to each affected person and to the CIPC.

1.2 This requirement is applicable to South African Post Office SOC Limited (in business rescue) (“**Company or Post Office**”).

1.3 Accordingly, the joint business rescue practitioners (“**BRPs**”) hereby provides the status report of the Company’s business rescue proceedings.

1.4 Since Commencement of the business rescue proceedings, we record the historical sequence of events in **Annexure A** attached below.

2. Continued Trading Activities

2.1 The Company continues to operate and trade in the ordinary course of business.

2.2 The BRPs have assumed full management and operational control over the business, conducted various site visits and conducted numerous engagements with key stakeholders, customers and with potential partners.

2.3 The BRPs continue to attend regular progress update meetings with the Department of Communications and Digital Technologies (“**DCDT**”) to update them on the progress of the business rescue proceedings. In addition, the BRPs continue to hold regular exco-meetings with management to keep abreast of ongoing matters and to align the business rescue process with the exco team.

2.4 The BRPs continue to implement various initiatives to date and that essential aspects are addressed to ensure that operations continue.

3. Business Rescue Plan and Implementation

3.1 On 2 January 2024, the BRPs entered into a section 189(A) process to commence with the retrenchment of employees. Following a section 189A retrenchment process, which was facilitated by the CCMA, 4 875 employees were dismissed for operational reasons (retrenchment) and will be paid their retrenchment packages over three (3) tranches.

- 3.2 The first tranche was paid in June 2024. The second tranche of the employee's severance pay was paid in August 2024 and the remaining tranche will be paid by November 2024.
- 3.3 The BRP team are finalising the job interviews to fill necessary and key positions which were affected by the retrenchments.
- 3.4 The BRPs are actively exploring partnerships in various areas of the business and will provide further updates in this regard. The BRPs have managed to clean up six dormant SA Post Office companies which are now available to house possible partnerships on separate SPV structures. Additionally, the BRPs have commenced with a last mile pilot project and have procured motorbikes as a solution for route optimization.
- 3.5 As contemplated in the Plan, the BRPs have embarked on a branch rationalisation process to reduce the number of Post Office branches nationwide. We have identified 657 branches that will be retained as part of our branch network. In this regard we have notified the respective landlords that form part of the 657 branches to be retained. The branch closure process has commenced and remains ongoing. We anticipate the branch closure process to be finalised by December 2024.
- 3.6 Additionally, the process of engaging the top 20 key customers to assist in strengthening the relationship and to ensure a positive and smooth working relationship for the SA Post Office remains ongoing.
- 3.7 Operationally, the BRPs have secured 422 leased vehicles which have been deployed for the movement of mail between the major mail processing centers for the purpose of collection and delivery of mail to branches and for the transportation of mail and postman to the delivery depots and street delivery.
- 3.8 The BRPs have fully drawn down on the remaining balance of the funding of the R2.4 billion which was allocated to the Post Office in 2023. The BRPs are still uncertain as to the quantum and timing of the additional funding of R3.8 billion requested from National Treasury. There was no mention of funding for the SA Post Office in the Minister of Finance's budget speech presented on 21 February 2024. The BRPs will continue to engage the DCDT in relation to the request for the R3.8 billion as set out in the business rescue plan and will, with the guidance of the DCDT explore other alternatives in the interim.

3.9 The BRPs together with management have completed the MTEF submission for the R3.8 billion in July 2024, for National Treasury's consideration.

4. Creditor Claims and Payments

4.1 A total of 99,6% of creditor dividends of 12 cents amounting to R1.015 million have been paid at 31 August 2024. The top up dividend of 18 cents in the Rand remains subject to the R3.8 billion funding from the Fiscus.

5. Pending Litigation

5.1 The BRPs have applied for permission in terms of section 54 of the Public Finance Management Act ("PFMA") to liquidate Courier Freight Group ("CFG"). The reason for this is that the entity has been dormant for several years and operations of CFG (assets, liabilities and employees) have been absorbed into SA Post Office.

5.2 An order placing SAPO under provisional liquidation was granted on 9 February 2023, the return date for this ongoing liquidation application is the 18th of November 2024.

5.3 SA Post Office is the only entity that has the exclusive license to deliver mail items less than 1kg. SA Post Office is requesting the DCDT and/or ICASA to enforce or compel illegal private sector operations (e.g. Postnet) to pay a monthly fee to SA Post Office for the illegal use of the license.

5.4 Alternatively, the regulator should impose fines, and whereby monies derived from such fines should be ring-fenced for the use of SA Post Office.

6. An extensive amount of work has gone into preparing a digital strategy which was presented to the DCDT. The BRPs continue to implement the Plan despite funding constraints.

7. The BRPs continue to report to the DCDT, being the oversight committee, to keep the DCDT abreast with new developments as it relates to the implementation of the BR Plan.

8. Closing Remarks

9.1 We appreciate your assistance and co-operation during the business rescue proceedings. The BRPs still believe that the Company can be rescued, within

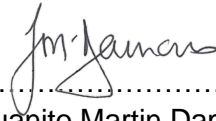
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the meaning of section 128(1)(h) of the Companies Act, in a manner that will balance the rights and interests of all Affected Persons.

9.2 If you have any further queries, please direct them to the business rescue email address at SAPO.BR@sng.gt.com and/or sapo@legaeturnarounds.co.za.



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Annexure A – Events Timeline

Court Order granted for the commencement of Business Rescue proceedings on	10 July 2023
Confirmation from the CIPC to commence BR Proceedings on	12 July 2023
CIPC confirmed BRP appointment on	14 July 2023
First meeting of creditors held on	24 July 2023
First Status Report issued on	27 October 2023

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Business Rescue Plan published on	23 November 2023
Second Status Report issued on	4 December 2023
Section 151 meeting held on	7 December 2023
Business Rescue Plan adopted on	7 December 2023
Section 189A(3) Labour Relations Act process commenced on	2 January 2024
First Consultation ito S189A(3) of the LRA	26 January 2024
Second Consultation ito S189A(3) of the LRA	19 February 2024
Third Consultation ito S189A(3) of the LRA	6 March 2024
Fourth Consultation ito S189A(3) of the LRA	7 March 2024
Conclusion of branch analysis	31 January 2024
Branch closure process to commence	30 June 2024
Payment to creditors per the approved BR Plan	April 2024 – July 2024
Retrenchment process finalised	March 2024
Service of notice period for retrenched employees ends	April 2024