

SOUTHERN AFRICAN TYRE DISTRIBUTORS (PTY) LTD

REGISTRATION NUMBER: 2014/174250/07

**BUSINESS RESCUE STATUS REPORT IN TERMS OF SECTIONS 132 AND 141 OF THE COMPANIES ACT, 2008 READ WITH REGULATION 125 OF COMPANIES ACT FILED BY THE BUSINESS RESCUE PRACTITIONER J F KLOPPER.**

	Date
Board of directors passes resolution for Business Rescue on	2019-09-26
File notice of resolution with CIPC on	2019-09-26
Publish notice to affected parties-within 5 days from Filing	2019-09-27
Company nominates a BRP within 5 days of filing	2019-09-26
CIPC confirms the appointment of BRP	2019-09-26
File notice to CIPC on BRP appointment within 2 days	2019-09-26
Publish notice to affected parties of BRP within 5 days	2019-09-27
First meeting of creditors-10 days from appointment	2019-10-03
First meeting of employees-10 days from appointment	2019-10-03
Publish Business Plan	0000-00-00
Notice of meeting to determine Business Plan	0000-00-00
Meeting to determine Business Plan 10 days after publication	0000-00-00

1. Southern African Tyre Distributors (Pty) Ltd ('the company') was placed under Business Rescue in terms of Section 129(1) of the Companies Act 2008 ("the Act") on 26 September 2019.
2. The company complied with the requirements of Section 129(3)(a) and (b) of the Act.
3. Johannes Frederick Klopper was licensed by the Commission in respect of the company and appointed as Business Rescue Practitioners (BRP) to this company on 26 September 2019 in terms of Section 138 of the Act.

4. The major creditors afforded an extension until 21 February 2020 to publish the business rescue plan. The business rescue plan was however published on Monday 24 February 2020 and creditors adopted the business rescue plan on 2 March 2020.
5. As you will be aware, since the adoption of the business rescue plan by the Company's creditors on 2 March 2020 ("the March Plan"), an unprecedented sequence of events occurred worldwide and in South Africa which resulted in the conditions to the March Plan not being fulfilled. The March Plan is accordingly incapable of being implemented.
6. As creditors were informed in our previous status update on the matter, we have, along with the Company's management, been engaging with financiers and other parties with a view to developing an alternative restructuring proposal to be presented to the Company's creditors.
7. The Company's operations are presently suspended as it does not have the funds to cover its operating expenses. We have therefore been working urgently to try come up with a plan which will enable the Company to commence trading as soon as possible and which will be acceptable to the Company's creditors.
8. Discussions have reached the point where we are now able to present creditors with an alternative proposal which, in our view, offers creditors the best possible outcome when considering the present circumstances and which furthermore will enable the Company to resume operations and to continue as a going concern.
9. A summary of the alternative proposal to be presented to creditors in a business rescue plan is as follows:
  - 9.1. agreements have already been finalised with Grindrod Bank and DG Capital whereby the Company's indebtedness to those parties have been or will be settled and those parties have agreed to release their respective cessions of the Company's book debts to be utilised for a new invoice finance facility;
  - 9.2. terms have been agreed to for an invoice finance facility between the Company and Merchant Factors. This facility will provide the Company with the cashflow to resume operations, but can only be finalised once the restructuring of the Company is completed through the adoption of the new business rescue plan and the Company's business rescue proceedings being terminated;
  - 9.3. balances still owing to local premium tyre suppliers who are secured creditors by virtue of their reservation of ownership over trading stock ("Reservation Creditors") will be settled by agreement between the Company and each respective Reservation Creditor being Continental, Sumitomo, Goodyear, Michelin and Pirelli. Discussions between the Company and each Reservation Creditor have taken place and the settlement terms have been agreed to in principle;
  - 9.4. the Company will continue to purchase stock from most of the local premium tyre suppliers post business rescue on terms and conditions which have already been agreed to in principle;
  - 9.5. with regards to the other creditors of the Company, it is proposed that:

- 9.5.1. Savino Del Bene, which is a secured creditor by virtue of the trading stock in its possession in terms of a creditors/debtors lien, will be paid in full from future trading;
  - 9.5.2. landlords will be paid R210 000 for July 2020 rent and the balance of their claims will be settled in terms of the proposed payments to concurrent creditors as specified in 9.5.5 below;
  - 9.5.3. post commencement finance creditors will be settled in full from future trading;
  - 9.5.4. employees will receive R1,3m in full and final settlement of the arrears owing to them by the Company, half of which is payable immediately and the other half which will be paid once the Company exits from business rescue;
  - 9.5.5. the Company will repay its concurrent creditors (which include landlords for rental arrears), who as at 30 June 2020 are owed c R53,3 million, a total sum of R2,66 million, repayable in equal monthly instalments over the course of 24 months, with the first payment being made at the start of February 2021, when it is expected that the Company will have the available cash to make such payments. Concurrent creditors will receive their pro rata share of the monthly repayments, which amounts to a return of 5 cents in the Rand on their claims.
10. It is intended that the above proposal will be published in a formal business rescue plan as soon as possible. As specified above, in order for the Company to procure the invoice financing facility, it is a condition that a new business rescue plan be adopted by the Company's creditors and that the Company's business rescue proceedings be terminated. We are therefore working urgently in order to have the new business rescue plan finalised and published.
11. Without the buy-in of concurrent creditors, the only alternative will be for me to conclude that there is no longer a reasonable prospect of rescuing the Company and to apply for its liquidation. A liquidation will be disastrous for concurrent creditors, who will receive no dividend on their claims while it will also result in the loss of employees' jobs and the loss of future trading opportunities for suppliers.
12. An amended business plan was adopted on 21 July 2020 and a Notice of Substantial Implementation will be filed during August 2020.

Yours sincerely,



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J F (HANS) KLOPPER

**BUSINESS RESCUE PRACTITIONER**

**Date: 31 July 2020**