

27 March 2023

CIRCULAR 08

THIS IS A CIRCULAR TO ALL THE AFFECTED PERSONS OF **SUBROYAL FRANCHISE COMPANY (PTY) LTD** RELATING TO THE OUTCOME OF THE MEETING TO VOTE ON THE PROPOSED BUSINESS RESCUE PLAN, HELD IN TERMS OF THE COMPANIES ACT, 71 OF 2008 AS AMENDED (THE ACT).

OUTCOME OF THE MEETING TO VOTE ON THE PROPOSED BUSINESS RESCUE PLAN

The business rescue practitioner¹ wishes to advise all the affected parties of the outcome of the meeting to vote on the proposed business rescue plan, held on the 24th of March 2023. The purpose of this meeting was solely to discuss the published business rescue plan and to vote on the adoption of same.

The business rescue practitioner's confirmation of a reasonable prospect – the practitioner confirmed the stance that there is a reasonable prospect as provided for in the Act.² The plan proposed does not envisaged an organic rehabilitation, but rather a sale of the business in its entirety. The new ownership and the continued assistance of key creditors provides the reasoning for the practitioner's belief that this plan gives the business the best chance to survive.

If the plan is adopted:³

- The purchaser and seller will have 14 days in which to conclude the offer and to transfer the funds (subject to the various suspensive conditions as mentioned at the meeting – such as the payment of post-BR arrears to SARS and the franchisor [the practitioner is confident that this can be covered in terms of the ordinary course of business])
- Once the funds are transferred, the practitioner will need less than three business days to ensure disbursements are made to the creditors in terms of the plan.
- Thereafter, the practitioner will file for substantial implementation.

¹ Quinton Pat Pattinson, Senior Business Rescue Practitioner.

² The Companies Act 71 of 2008.

³ Section 154 of the Companies Act.

If the plan is not adopted:⁴

- Potential for an amended business rescue to be published – the meeting will be adjourned for a minimum of five working days for the amendments to be made.
 - o The plan will then be re-published to the affected persons with a vote to take place no longer than ten business days thereafter.
- If no request for an amended plan to be published
 - o The business rescue practitioner will file a notice of termination of the business rescue proceedings and the business will be returned to the control of the directors/shareholders.
 - Contrary to popular belief, the practitioner is not obliged to file for the liquidation of the entity failing the adoption of a business rescue plan. The only instance in which a practitioner is obliged to file for liquidation is when during the Section 141⁵ investigations, the practitioner becomes of the belief that a reasonable prospect of a rescue no longer exists. This is not the case however, as the practitioner has already stated his belief of a reasonable prospect existing in terms of the proposed rescue plan.

The first vote cast was to determine whether the attendees wished to adjourn the meeting and receive an amended business rescue plan in the future, or if they wish to continue to vote number two on this proposed business rescue plan.

A 100% vote from affected persons at the meeting and those who had given proxy was achieved, they did not wish to delay the process and were happy to vote on the plan.

The second vote cast was to determine whether the attendees wished to accept or reject the business rescue plan.

A 100% vote from affected persons at the meeting and those who had given proxy was achieved in favour of the adoption of the business rescue plan.

The result of the above votes thus entail that the business rescue plan is adopted.

The practitioner will file for substantial implementation of the business rescue plan as detailed above to avoid any unnecessary delays in the process.

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⁴ Section 153 of the Companies Act.

⁵ Companies Act 71 of 2008.