



## **Amended Business Rescue Plan**

Prepared in terms of section 150 of the Companies Act 71 of 2008 (as amended)

In respect of

### **MANGO AIRLINES SOC LIMITED**

(Registration Number 2006/018129/30)

Prepared by the business rescue practitioner Siphiso Sono of OPIS Advisory Proprietary Limited

**Published on 25 November 2021**

## **Corporate Information and Advisors**

### **Company**

Mango Airlines SOC Limited (in business rescue)

### **Business Rescue Practitioner**

Sipho Eric Sono

### **Independent Liquidation Calculation**

SNG Grant Thornton

### **Legal Advisor to the Business Rescue Practitioner**

Cliffe Dekker Hofmeyr Inc.

### **Restructuring and Corporate Advisory**

OPIS Advisory Proprietary Limited

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## **CHAPTER 1 - INTRODUCTION**

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### **1. Important Notice and Actions to be taken by Affected Parties**

- 1.1 This document is important and is being sent to all known Affected Persons of Mango Airlines SOC Limited in accordance with the provisions of the Companies Act 71 of 2008 ("the Act").
- 1.2 The document contains the business rescue plan, prepared in accordance with the requirements of Chapter 6 of the Act, in particular Section 150(2) of the Act.
- 1.3 Your rights as a Creditor of the Company will be affected in the manner outlined herein and you are entitled to be present or represented, and vote, at a meeting of creditors to be convened in terms of Section 151 of the Act, for the purposes of considering the business rescue plan.
- 1.4 If any Affected Person is in doubt as to what action should be taken arising from the contents of this business rescue plan, such Affected Person is advised to consult an independent attorney, accountant or other professional advisor in addition to any consultation with or direction received from the business rescue practitioner.

### **2. Interpretation and Preliminary**

The headings of the clauses in this business rescue plan are for the purpose of convenience and reference only and shall not be used in the interpretation of nor modify nor amplify the terms of this plan nor any clause hereof. Unless a contrary intention clearly appears:

- 2.1 words importing:
- 2.1.1 any one gender includes the other gender;
- 2.1.2 the singular includes the plural and vice versa; and
- 2.1.3 persons include natural persons, created entities (corporate and unincorporated and

the State) and vice versa.

2.2 In this plan, the following words shall have the meanings ascribed to them and cognate expressions shall have a similar meaning:

2.2.1 **“Acquittance”** means a document executed by a Creditor in terms of which that Creditor notifies the BR Practitioner that it will not, to the extent of the amount stated in that document, look to the Company for any distribution or other benefit under this BR Plan;

2.2.2 **“Act”** or **“Companies Act”** means the Companies Act 71 of 2008 (as amended), including the regulations promulgated thereunder;

2.2.3 **“Adopted”** and/or **“Adoption”** means that a business rescue plan has been approved in accordance with section 152(2), read with sub-sections 3(b) and 3(c)(ii)(aa) of the Act;

2.2.4 **“Advisor”** means advisor to the BR Practitioner and/or the Company, including the employees of the advisor(s);

2.2.5 **“Affected Persons”** shall bear the meaning ascribed thereto in section 128(1)(a) of the Act and in relation to the Company means shareholders, creditors, employees of the Company and any registered trade union representing employees of the Company;

2.2.6 **“ATNS”** means Air Traffic and Navigation Services SOC Limited;

2.2.7 **“Board”** means the board of directors of the Company as at the Commencement Date;

2.2.8 **“BR Plan”** means this amended business rescue plan together with all its annexures, prepared and published by the BR Practitioner for consideration and possible adoption by Creditors in accordance with Part D of Chapter 6 of the Act;

2.2.9 **“BR Practitioner”** or **“BRP”** means the business rescue practitioner of the Company appointed in terms of the provisions of section 129 (3)(b), being Siphiso Sono;

2.2.10 **“Business Day”** means any day which is not a Saturday, Sunday or public holiday in the Republic of South Africa;

2.2.11 **“CCMA”** means the Commission for Conciliation, Mediation and Arbitration established in terms of section 112 of the LRA;

2.2.12 **“CIPC”** means the Companies and Intellectual Property Commission of South Africa, established by section 185 of the Act;

- 2.2.13 **"Claims"** means the secured, statutory, preferent or concurrent claims of Creditors of the Company, irrespective of when the cause of action arose, including claims, actual and contingent, prospective, conditional and unconditional, liquidated or unliquidated, assessed or unassessed, whether or not due for payment or performance, including for the avoidance of any doubt all claims arising out of any agreements entered into by the Company, all such claims to be determined, calculated and admitted as secured, statutory preferent or concurrent in accordance with the same ranking as envisaged by the Insolvency Act, and attached to them upon the issue of a winding-up order against the Company, whether or not such claims are proved;
- 2.2.14 **"Cliffe Dekker Hofmeyr"** or **"CDH"** means Cliffe Dekker Hofmeyr Incorporated, a firm of attorneys practicing as such at 1 Protea Place, Sandown;
- 2.2.15 **"Commencement Date"** means 28 July 2021, being the date on which the Proceedings commenced in terms of section 132 (1)(a)(i) of the Act;
- 2.2.16 **"Commencement Date Creditors"** means Creditors with Claims against the company as at the Commencement Date;
- 2.2.17 **"Company"** or **"Mango"** means Mango Airlines SOC Limited with registration number 2006/018129/30, incorporated as a state owned company with limited liability in accordance with the laws of South Africa, herein duly represented by the BR Practitioner and currently in business rescue;
- 2.2.18 **"Competition Act"** means the Competition Act 89 of 1998 (as amended);
- 2.2.19 **"Contingent Claims"** means, as the context may require, a Claim that may or may not become due and payable during the Proceedings depending on the occurrence of a future event or determination of the claim;
- 2.2.20 **"Creditors"** and/or **"Concurrent Creditors"** and/or **"Pre-commencement Concurrent Creditors"**, as the context may require, means Commencement Date Creditors or all persons, including legal entities and natural persons, having unsecured claims against the Company;
- 2.2.21 **"Creditors Committee"** means the committee formed in terms of section 145(3) of the Act;
- 2.2.22 **"Customers"** means persons in possession of an unused Mango ticket or voucher;
- 2.2.23 **"Disputed Claim"** means any Claim, or part thereof, that is disputed by the Company



and not recorded as a Claim in this BR Plan;

- 2.2.24 **"Disputed Creditor"** means a person with a Disputed Claim, alleging to be a Creditor for an amount higher than is reflected in this BR Plan, alleging to be a Secured/Preferent Creditor contrary to what is reflected in this BR Plan, or disputing the value of their security as reflected in this BR Plan;
- 2.2.25 **"DPE"** means the Department of Public Enterprises of South Africa;
- 2.2.26 **"Employees"** means all employees of the Company that were in its employ as at Commencement Date, and who will be in its employ as at the Implementation Date;
- 2.2.27 **"Employee Representatives Committee"** means the committee formed in terms of section 144(3)(c) of the Act;
- 2.2.28 **"Fleet"** means the aircraft operated by the Company;
- 2.2.29 **"Government"** means the Government of the Republic of South Africa;
- 2.2.30 **"Insolvency Act"** means the Insolvency Act 24 of 1936 (as amended);
- 2.2.31 **"Investor"** means an equity investor in the Company;
- 2.2.32 **"Investor Process"** means the process contemplated in paragraph 6.3;
- 2.2.33 **"Lessors"** means the lessors of aircraft to the Company;
- 2.2.34 **"LRA"** means the Labour Relations Act 66 of 1995 (as amended);
- 2.2.35 **"Macquarie"** means Macquarie Aircraft Leasing Services (Ireland) Limited, an Irish tax resident and a member of the Macquarie group of companies;
- 2.2.36 **"Management"** means pre-existing members of the Company's management and board as at the Commencement Date;
- 2.2.37 **"Month"** means –
- 2.2.37.1 in reference to a number of months, from a specific date, a period commencing on that date to the immediately preceding day on the same date of any subsequent month; and
- 2.2.37.2 in any other context, a month of the calendar, that is, one of the 12 months of the calendar,
- and **"Months"** and **"Monthly"** has a corresponding meaning;

- 2.2.38 “**Moratorium**” means the automatic and general moratorium, as contemplated in Section 133(1) of the Act, on legal proceedings, including enforcement action, against the Company, or in relation to any property belonging to the Company, or lawfully in its possession;
- 2.2.39 “**National Treasury**” means the Department of National Treasury of South Africa;
- 2.2.40 “**OPIS**” means OPIS Advisory Proprietary Limited registration number 2007/012055/07, incorporated as a private Company in accordance with the laws of South Africa;
- 2.2.41 “**PCF**” means post commencement finance as defined in section 135 of the Act;
- 2.2.42 “**PFMA**” means the Public Finance Management Act 1 of 1999;
- 2.2.43 “**Post Commencement Claims**” means the secured, statutory preferent or unsecured claims of creditors of the Company, the cause of action in respect of which arose after the Commencement Date, including claims, actual and contingent, prospective, conditional and unconditional, liquidated or unliquidated, assessed or unassessed, whether or not due for payment or performance, including for the avoidance of any doubt all claims arising out of any agreements entered into by the Company after the Commencement Date, all such claims to be determined, calculated and admitted as secured, statutory preferent or unsecured in accordance with the same ranking as envisaged by the Insolvency Act, and attached to them upon the issue of a winding-up order against the Company, whether or not such claims are proved;
- 2.2.44 “**Post Commencement Period**” means the period from the day immediately succeeding the Commencement Date up to and including the Substantial Implementation Date;
- 2.2.45 “**Preferent Creditor**” means, as the context may require, a Commencement Date Creditor or a Post Commencement Claim, that would rank in whole or in part as a statutory preferent claim as defined in section 2 of the Insolvency Act;
- 2.2.46 “**Proceedings**” means the business rescue proceedings of the Company that commenced on Commencement Date;
- 2.2.47 “**SAA**” means South African Airways SOC Limited with registration number 1997/022444/30, a state owned company incorporated in accordance with the laws of South Africa;
- 2.2.48 “**SAA SMF**” means the Significance and Materiality Framework developed and agreed

upon between SAA and its executive authority;

2.2.49 “**SAAT**” means SAA Technical SOC Limited with registration number 1999/024058/30, a state owned company incorporated in accordance with the laws of South Africa;

2.2.50 “**SACAA**” means South African Civil Aviation Authority;

2.2.51 “**SARS**” means the South African Revenue Services;

2.2.52 “**Secured Creditor**” means, as the context may require, a Creditor whose Claim would rank in whole or in part as a secured claim as defined in section 2 of the Insolvency Act;

2.2.53 “**Shareholder**” means the shareholder of the Company at the Commencement Date;

2.2.54 “**SMF**” means the Significance and Materiality Framework developed and agreed upon between the Company and its executive authority;

2.2.55 “**SNG Grant Thornton**” means SizweNtsalubaGobodo Grant Thornton Advisory Services Proprietary Limited, a firm of accountants and auditors practicing as such at 20 Morris Street East, Woodmead;

2.2.56 “**Special Appropriation Act**” means the Special Appropriation Act 11 of 2021;

2.2.57 “**Substantial Implementation Date**” means the date on which the BR Practitioner files a notice with the CIPC in accordance with the requirements of section 152 (8) of the Act and as further articulated in clause 7.2;

2.2.58 “**UIF**” means the Unemployment Insurance Fund of South Africa administered by the Department of Labour;

2.2.59 “**Un-flown Ticket Liability**” and “**Forward Sales Liability**” means liability incurred as a result of payments received from customers for which the customers have not flown due to the Company not being operational;

2.2.60 “**Unsecured Creditors**” means a Commencement Date Creditor or a Creditor with a Post Commencement Claim, as the context may require, which is not a Secured Creditor or Preferent Creditor;

2.2.61 “**VAT**” means value-added tax in terms of the Value-Added Tax Act 89 of 1991; and

2.2.62 “**VSP**” means Voluntary Severance Package.

2.3 Any reference to:

2.3.1 a “**clause**” shall, subject to any contrary indication, be construed as a reference to a clause in this plan.

- 2.3.2 “law” shall be construed as any law (including common or customary law), or statute, constitution, degree, judgment, treaty, regulation, directive by-law, order or any other legislative measure of any government, supranational, local government, statutory or regulatory body or court.
- 2.3.3 a “person” shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality, of two or more of the foregoing).
- 2.4 If any provision in a definition is a substantive provision conferring rights or imposing obligations on any party, notwithstanding that it is only in the definition clause, effect shall be given to it as if it were a substantive provision of this BR Plan.
- 2.5 Unless the context dictates otherwise, an expression which denotes any gender includes both the others; and to a natural person includes an artificial person and to the singular includes the plural, and vice versa in each case.
- 2.6 The annexures to this BR Plan form an integral part hereof and words and expressions defined in this plan shall bear, unless the context otherwise requires, the same meaning in such annexures.
- 2.7 When any number of days is prescribed in this BR Plan same shall be reckoned exclusively of the first and inclusively of the last day unless the last day falls on a day which is not a Business Day, in which the last day shall be the next succeeding Business Day.
- 2.8 In the event that the day for payment of any amount due in terms of this arrangement shall fall on a day that is not a Business Day, the relevant date shall be the immediately succeeding Business Day.
- 2.9 Where any term is defined within the context of any particular clause in this BR Plan, the term so defined, unless it is clear from the clause in question that the term so defined has limited application to the relevant clause, shall bear the same meaning as ascribed to it for all purposes in terms of this BR Plan, notwithstanding that the term has not been defined in the definitions clause.
- 2.10 Any reference in this BR Plan to an enactment is reference to that enactment as at the BR Commencement Date and as amended or re-enacted from time to time.

- 2.11 Words and expressions defined in the Act which are not defined in this BR Plan shall have the same meanings in this BR Plan as those ascribed to them in the Act.
- 2.12 Save where the contrary is indicated, any reference to this BR Plan shall be construed as a reference to this BR Plan as it may have been, or may from time to time be, amended, varied, novated or supplemented in terms of the Act.
- 2.13 Whilst every effort has been made to present an accurate and complete overview of the affairs of the Company the BR Practitioner has not independently verified all of the information contained herein. None of the BR Practitioner, the Company nor their respective affiliates, employees, officers, directors or agents make any representations or warranties (express or implied) as to the accuracy or completeness of the information contained in this BR Plan or any statements, estimates or projections contained herein. Consequently, none of those parties will have any liability for the recipient's use of the information contained herein. This BR Plan will include certain statements, estimates and projections.

### **3. Structure of the Business Rescue Plan**

For the purposes of section 150(2) of the Companies Act, this BR Plan is divided into 3 parts as follows:

#### **3.1 Chapter 1 - Introduction**

This chapter sets out general information about the BR Plan, including the structure of the BR Plan and with whom Affected Persons should engage for independent advice.

#### **3.2 Chapter 2 – Business Rescue Proposal**

This chapter provides the detailed proposal, set out in the form required by the Companies Act.

##### **3.2.1 Part A - Background**

This part sets out the background to the Company, the circumstances that resulted in the Company's financial distress and an overview of the Proceedings.

##### **3.2.2 Part B - Terms of the Proposal**

This part describes the terms of the BR Plan and includes, inter alia, the benefits, for Affected Persons, of adopting the BR Plan as opposed to the Company being placed into liquidation.

##### **3.2.3 Part C – Assumptions And Conditions**

This part sets out, inter alia, what conditions need to be fulfilled in order for the BR Plan to become effective, and to be implemented.

#### **3.3 Chapter 3 - General**

This chapter sets out certain administrative and general matters pertaining to the Proceedings and the BR Plan.

#### **3.4 Chapter 4 – Conclusion and the BRP's Certificate**

The chapter contains the BRP's recommendation and the certificate that is required to accompany each business rescue plan in terms of the Companies Act.

**4. Notifications**

- 4.1 Insofar as possible, notice has been given to the Affected Persons, in terms of the Companies Act and the Regulations thereto, that the Company has been placed under the Proceedings and placed under the control and supervision of the BR Practitioner, in accordance with the Companies Act.
- 4.2 In terms of section 132(3) of the Companies Act, a company whose business rescue proceedings have not ended within three months after the start of those proceedings, or such longer time as the court, on application by the practitioner, may allow, the practitioner must:
- 4.2.1 prepare a report on the progress of the business rescue proceedings, and update it at the end of each subsequent month until the end of those proceedings; and
- 4.2.2 deliver the report and each update in the prescribed manner to each affected person, and to the court, if the proceedings have been the subject of a court order; or the Commission, in any other case.
- 4.3 As these Proceedings have not ended within three months from Commencement, the BR Practitioner will prepare and file the progress reports in accordance with clause 4.2.

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## CHAPTER 2 – BUSINESS RESCUE PROPOSAL

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### 5. Part A – Background Information

#### 5.1 Corporate and shareholding structure

5.1.1 SAA is the sole shareholder of Mango and owns 100% of the shares in the Company.

5.1.2 The SAA group structure is depicted in 5.4 below.

5.1.3 The issued share capital of the Company comprises 1 120 (one thousand one hundred and twenty) shares.

5.1.4 The authorised but unissued share capital of the Company is 8 880, (eight thousand eight hundred and eighty) shares.

#### 5.2 Directors and Officers

5.2.1 As at the Publication Date, the directors and officers of the Company were as follows:

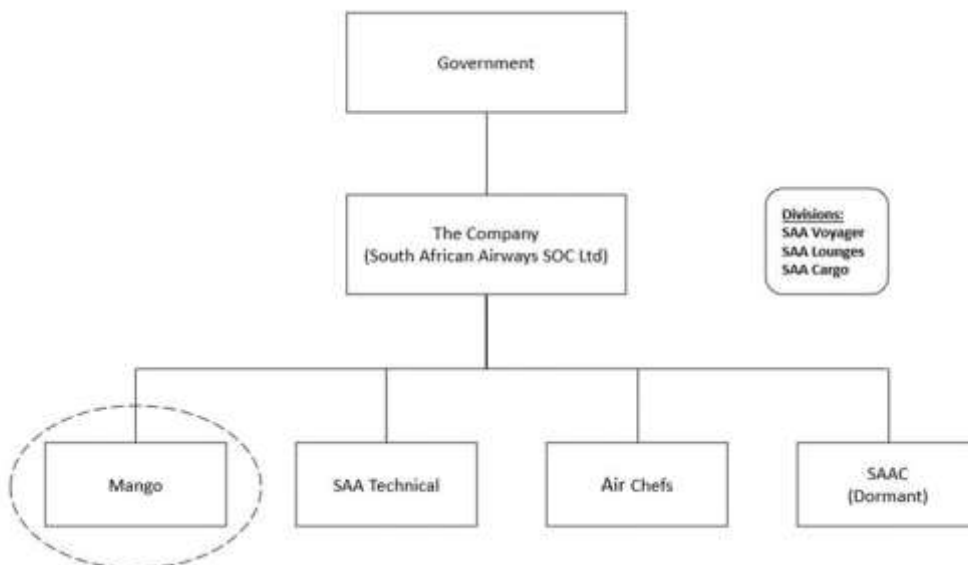
Name of Director	Role	Status	Date Appointed
Ndlovu, Moshabe William	Director	Active	20/08/2020
Zwane, Moretlana Martha Bembe	Non-Executive Director	Active	29/07/2021
Van Harte, Edna Lorraine	Non-Executive Director	Active	07/07/2021
Fadugba, Nicholas Olawande	Non-Executive Director	Active	07/07/2021



5.3 **Company Information at Commencement Date**

- 5.3.1 Financial year end: 31 March
- 5.3.2 Registered address: Mezzanine Level  
Domestic Departures Terminal  
Or Tambo International Airport  
Kempton Park 1627
- 5.3.3 Business address: Mezzanine Level  
Domestic Departures Terminal  
Or Tambo International Airport  
Kempton Park 1627
- 5.3.4 Postal Address: Mezzanine Level  
Domestic Departures Terminal  
Or Tambo International Airport  
Kempton Park 1627
- 5.3.5 Auditors: Auditor General South Africa  
4 Daventry Street,  
Lynnwood Bridge Office Park  
Lynnwood Manor  
Pretoria, SA

5.4 **SAA Group Structure**



5.5 **Company Background**

5.5.1 Mango is a state owned company and is a subsidiary of SAA. As a state owned entity it is governed in accordance with the prescripts of the PFMA and applicable regulations.

5.5.2 The Company commenced business in 2006 as a low-cost domestic airline facilitating business and tourism air travel in South Africa and regionally. Over the years Mango has built a recognisable brand in the local aviation sector.

5.5.3 Mango currently has a staff complement of 708 active employees and 10 additional employees on disability.

5.5.4 The announcement of a hard lock-down in response to the Covid-19 pandemic impacted the tourism and travel industries and resulted in the ceasing of all air traffic travel from 26 March 2020. Mango resumed operations on 20 June 2020 after traveling restrictions were relaxed due to the lockdown. In the no-flight period, Mango's Un-Flown Ticket Liability continued to increase.

5.5.5 Mango's liabilities have since grown to over R2.85 billion (Commencement Date Creditors), and a Forward Sales Liability and Un-flown Ticket Liability of approximately R183 million.

5.5.6 On 16 April 2021 the board of directors adopted the resolution to place the Company in business rescue in terms of section 129 of the Act. Approval from Minister Gordhan (the Executive Authority) was received on 22 July 2021 and on 28 July 2021 the Company was placed in voluntary business rescue.

5.5.7 Before the commencement of business rescue, Mango had a fleet of only 8 aircraft, all leased from Macquarie, down from a total of 14 aircraft in 2019. The fleet is all nearing the end of life and some of the aircraft and/or engines require significant repairs and maintenance and will thus not be returned to service. Accordingly, the leases in respect of aircraft for which there is no intention to operate will be cancelled by mutual consent.

5.5.8 Mango was allocated funding of R819 million from the Government funds granted to parent company SAA to implement SAA's business rescue plan, by way of the Special Appropriation Act. The funding allocation was to cover legacy debt and to provide for the restructuring of Mango.

**5.6 Reasons for the Financial Distress of the Company**

5.6.1 According to the affidavit filed with CIPC by the Mango board of directors, the financial distress of the Company was largely influenced by a number of key factors as follows:

5.6.1.1 The Company has been significantly affected by the unprecedented economic effects of the COVID-19 pandemic, the travel bans imposed by the President of South Africa in order to flatten the curve of infections of COVID-19, and the nationwide lock-down ordered by the President on Monday, 23 March 2020, in terms of the Disaster Management Act 57 of 2002 and the regulations promulgated thereunder.

5.6.1.2 The Company was forced to suspend all flights operated by it for almost 3 months, from 26 March 2020 due to the lock-down, until 15 June 2020, when essential business travel between Johannesburg, Cape Town and Durban then became possible. The Company generated no revenue during this period.

5.6.1.3 South Africa has continued to be under varying levels of lock-down over the course of more than 16 months. The Pandemic has had unprecedented adverse financial consequences for the tourism industry, and the Company was unfortunately not spared as passengers could at first not fly at all, and now, whilst domestic flights are allowed, choose to fly only in exceptional circumstances in order to avoid exposure to the COVID-19 virus. In addition, limitations on international travel has also had a significant impact on the Company's number of passengers.

5.6.1.4 The Company's financial issues were exacerbated by the inability of its shareholder, namely SAA who only exited its Business Rescue proceedings on 30 April 2021, to fund the Company.

5.6.1.5 Consequently the Company's board of directors adopted the Resolution on 16 April 2021, and reduced its flight schedule from 1 May 2021 and operated only 2 aircrafts, whilst compliance with the PFMA was awaited. It has generated limited revenue during this time, whilst it continued to incur certain fixed operational costs, such rentals on leased aircraft.

5.6.1.6 Notwithstanding the above, the directors of the Company believe that there is a reasonable prospect of rescuing the business of the Company, if the Company

commences Business Rescue immediately and receives post-commencement finance and the Company is placed under the supervision of a senior Business Rescue practitioner.

5.6.2 Furthermore, the Practitioner has also through his investigations into the affairs of the Company established the following additional reasons for the financial distress of the Company:

5.6.2.1 There were issues around technical reliability and in the 2019 and 2020 financial years technical delays attributed for more than 47% of total delay hours with sales impacted by the consequential irregular operations.

5.6.2.2 The combination of operational, technical and competitive challenges resulted in Mango's on-time performance deteriorating to the second worst from being one of the best domestically.

5.6.2.3 Mango suffered significant turnover in management during the period of instability. Loss of resources in key positions within the Board and executive management levels further impacted deliverables and decision making. In addition, as a subsidiary, Mango was not always able to make independent fleet decisions beneficial to the Company and in some cases was burdened with fleet that had significant maintenance costs that contributed to cash out flows. Mango was not in a position to adequately provide for the large cost associated with the maintenance events.

5.7 **Business Rescue Timeline**

EVENT	DATE
Directors' resolution passed to commence Proceedings	16 April 2021
Resolution of directors filed with CIPC	28 July 2021
Order of the Court	10 August 2021
Notice of appointment of BR Practitioner filed with CIPC	10 August 2021
Notice of commencement of Proceedings published	12 August 2021
Notice of appointment of BR Practitioner published	12 August 2021
First meeting of creditors held	18 August 2021
First meeting of employee representatives held	18 August 2021
Last date to publish the BR Plan	8 September 2021
Extended last date to publish the BR Plan	29 October 2021
Second meeting of creditors and shareholder to consider and vote on the Plan	15 November 2021
Adjourned meeting of creditors and shareholder to consider and vote on the Plan	2 December 2021

5.8 **Management Control**

- 5.8.1 In terms of section 140(1)(a) of the Act, the BR Practitioner took over full management control of the Company in substitution for its Board and pre-existing management, but as he was entitled to do, the BR Practitioner delegated certain functions to pre-existing senior management of the Company, as well as the Board where considered appropriate.
- 5.8.2 The BR Practitioner has paid particular attention to the functions entailing the administration of the affairs of the Company and to protect its assets, to ascertain the viability of the Company and to ascertain whether the Company could be rescued or whether it was necessary to dispose of certain of the Company's assets to achieve a better dividend for Creditors in business rescue as compared to the dividend that would accrue to Creditors in a liquidation.

5.9 **Tax Affairs**

5.9.1 At the date of publication, all tax debt that arose during the Proceedings, other than in respect of the PAYE for October 2021, has been paid as and when it became due for payment.

5.9.2 All returns for various taxes are up to date at the date of publication.

5.10 **Status of the Fleet**

5.10.1 In 2019, ahead of the grounding of operations due to the Covid-19 lockdown, Mango operated a fleet of 14 aircraft owned by three Lessors. Two Lessors have since cancelled their leases, resulting in a reduced fleet which is entirely owned by Macquarie.

5.10.2 With the assistance of Macquarie, the BRP had selected a fleet of 3 aircraft that would be leased on a six-monthly basis, by amending the existing leases to provide for amended terms for the agreed interim period. The leases would be renewable by providing a notice of extension.

5.10.3 The optimal number of aircraft in the short to medium term is approximately 8. Currently the Company does not have a balance sheet that can accommodate the targeted fleet and accordingly will require investment.

5.11 **Status of Trading During the Post Commencement Period**

5.11.1 The Company's operations have not resumed since they ceased on 27 July 2021 as Mango has not been in any position to operate its fleet.

5.11.2 Multiple engagements and negotiations were held with Lessors and service providers to explore options going forward.

5.11.3 The Government allocated R819 million to Mango via its parent company, SAA, in terms of the Special Appropriation Act, to implement its business rescue plan. The Company drew down an amount of R100 million to largely fund salaries.

5.11.4 On receipt of the R819 million from SAA, the Company will issue shares to SAA.

5.11.5 A further drawdown of the balance of R719 million has been requested and it is anticipated that R320 million will be received prior to the adoption of the BR Plan. The

R320 million will be utilised to cover restructuring costs.

5.11.6 It is expected that the balance of R399 million will be advanced to Mango shortly after adoption of the BR Plan.

5.11.7 Where possible, contracts have been suspended or renegotiated to cut back on costs. The contracts will be reviewed on the resumption of operations to ensure that they are in line with the restructured organisation.

5.11.7.1 A comprehensive project plan has been put in place for a restart of operations. Included in the plan are the regulatory aspects that have to be carefully monitored to ensure that when operations do resume, there are no barriers.

5.11.8 The BRP also engaged other Lessors for future re-fleeting purposes.

## 5.12 **Creditors**

5.12.1 The Company's known Creditors as at Commencement Date are set out in **Annexure A** hereto, and in aggregate amounted to R2.85 billion, all of which are unsecured.

5.12.2 Total Post Commencement Claims due at date of publication amount to R22,5 million, as reflected in **Annexure B** hereto.

5.12.3 There are currently no Disputed Claims.

5.12.4 There are currently no Contingent Claims that have come to the attention of the BR Practitioner.

5.12.5 Claims that are denominated in foreign currencies will be translated to the South African Rand at the spot exchange rate at BR Commencement Date and will be settled based on the Rand amount translated on this basis.

## 5.13 **Material Assets and Security**

5.13.1 The material assets of the Company at Commencement Date are reflected below:

## List of Assets

Description	R000's
Aircraft Engine	97 039
Furniture and Equipment	4 823
<b>Total assets</b>	<b>101 862</b>

5.13.2 The Company leases the significant assets required to operate the business. Therefore, the only material asset on the balance sheet is a spare engine that was acquired from SAA with a current book value of R97 million.

### 5.14 Probable Liquidation Dividend

5.14.1 In accordance with the report prepared by SNG Grant Thornton, attached hereto as **Annexure D**, in the event of liquidation, Concurrent Creditors are unlikely to receive a dividend.

5.14.2 Only the preferred claims of SARS and Employees are likely to receive a partial dividend.

### 5.15 Creditors Committee

5.15.1 Section 145(3) of the Act provides that the creditors of a company are entitled to form a Creditors' Committee, and through that committee are entitled to be consulted by the business rescue practitioner during the development of the business rescue plan.

At the first meeting held in terms of section 147 of the Companies Act, the Creditors of the Company decided to form a Creditors' Committee, and the following members were appointed:

Member	Name of Creditor
Michael Mpanza	South African Airways Technical
Paula de Sousa, Neville Kelly	Amadeus
Andreas Liagos, Silke Sorgenfrei	Lufthansa Technik (LHT)
Lara Kahn, Ryan Smith, Neerasha Singh	Macquarie - represented by Webber Wentzel
Scott Edmundson, Lara Kahn, Ryan Smith	Carlyle / Aergen - represented by Webber Wentzel



Scott Edmundson, Lara Kahn, Ryan Smith	GECAS - represented by Webber Wentzel
Gareth Cremen, Anil Ranchod	Aviation Co-Ordination Services
Heinrich Trizahn Marais	Setcom (Pty) Ltd
Mpolaheng Kekana, Anton Wykmans	Lanseria International Airport
Lwazi Gumede, Elize Mabinya, Alett Crouse	ATNS

5.15.2 The Creditors' Committee held meetings on 2 September 2021 to discuss progress of the business rescue of Mango, and again on 20 October 2021 to discuss the proposed restructuring of the Company and the BR Practitioner's indicative business rescue plan.

5.15.3 A further meeting was held on 5 November 2021 to discuss SAA's letter dated 30 October 2021 (received on 3 November 2021), as well as the BRP's response thereto. The BRP was informed in the SAA letter that:

5.15.3.1 Mango cannot resume sustainable operations before the introduction and on-boarding of a strategic equity partner with requisite funding; and

5.15.3.2 any funding injected into Mango's rescue process should not be applied to or fund working capital aimed at supporting the restart of Mango airline.

## 5.16 **Engagement with Creditors**

5.16.1 The BR Practitioner engaged with Macquarie, the only active Lessor, to renegotiate the aircraft lease rates and structure. With the assistance of Macquarie, the BRP had selected a fleet of 3 aircraft that would be leased on a six-monthly basis, by amending the existing leases to provide for amended terms for the agreed interim period. The leases would be renewable by providing a notice of extension.

5.16.2 In addition to engagements with the Shareholder and the Lessor, the BR Practitioner dealt with queries from various Creditors, pertaining to their individual claims as and when necessary.

5.16.3 The BR Practitioner engaged with SAAT and agreed on terms to secure the repair and maintenance of 3 aircraft.

## 5.17 **Engagement with Shareholder and DPE**

5.17.1 On 9 September 2021 the Practitioner wrote to the board of SAA to establish the

intention of SAA with regards to its continued ownership of Mango by SAA in view of the potential change of control in SAA, as well as possibility that Mango might still need funding support from its Shareholder.

- 5.17.2 On 6 October 2021 the Practitioner received official confirmation from the Chairperson of the SAA Interim Board on behalf of the Board, that no further financial support would be directed to Mango other than the funding already allocated via the Special Appropriation Act. The Minister of Public Enterprises was copied into the correspondence.
- 5.17.3 On 22 October 2021, the BR Practitioner wrote to SAA to request that the remaining funds in terms of the Special Appropriation Act be drawn and made available. On 26 October 2021, SAA wrote to the DPE to request the transfer of the funds in accordance with the BR Practitioner's request.
- 5.17.4 On 3 November 2021, the Practitioner received the SAA letter referred to in paragraph 5.17.2 indicating that Mango must not resume operations before the introduction of an Investor with requisite funding
- 5.17.5 The BR Practitioner has also held several engagements with the DPE to update them on the status of the Proceedings as well as the contemplated restructuring proposals to be funded from the allocated funding.

5.18 **Investigation of the Affairs of the Company**

- 5.18.1 In terms of section 141(1) of the Act, the business rescue practitioner is required to investigate the affairs, business, property, and financial situation, and after doing so, consider whether there is any reasonable prospect of the company being rescued.
- 5.18.2 Furthermore, if in the course of such an investigation, a business rescue practitioner concludes that there is evidence of misconduct as contemplated in section 141(2)(c) of the Companies Act, then the business rescue practitioner must forward that evidence to the relevant authorities for further investigation and direct the management of the company to take any necessary steps to rectify the matter.
- 5.18.3 The BR Practitioner has carried out the investigations contemplated in section 141(1) for the specific purpose of determining whether there are reasonable prospects, and has concluded that there are indeed reasonable prospects of the Company being

rescued in the manner dealt with in this BR Plan.

5.18.4 With regards to misconduct contemplated in section 141(2)(c), the BR Practitioner has not come across any evidence of reckless trading, fraud or voidable transactions that occurred in the last 12 months.

#### 5.19 **Moratorium**

5.19.1 The moratorium imposed by section 133 (as read with section 150(2)(b)(i)) of the Companies Act prohibits any legal proceedings, including enforcement action, 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 Proceedings.

5.19.2 This means that Creditors will not be able to take action against a Company for non-payment of debts during the Proceedings.

5.19.3 In the current circumstances, the moratorium in relation to the Company commenced on the BR Commencement Date and will remain in place until the BR Practitioner files a notice of Substantial Implementation of the BR Plan with the CIPC.

#### 5.20 **Conversion of Claims to Equity**

This BR Plan proposes that the Claims of Concurrent Creditors that are ceded to the Investor, in terms of the Investor Process, may be converted to equity (or quasi equity instrument), subordinated or otherwise be dealt with in such manner that the Company will be restored to solvency.

#### 5.21 **Creditors Voting Interest**

5.21.1 A Creditor has a voting interest equal to the value of the amount owed to that Creditor by the Company on the date of the commencement of business rescue.

5.21.2 A Creditor who would have a subordinated claim in liquidation has a voting interest, as independently appraised and valued at the request of the BR Practitioner, equal to the amount, if any, that the Creditor could reasonably expect to receive in a liquidation of the Company.

5.21.3 A Creditor who has a Disputed Claim or a Contingent Claim, will only be allowed to vote

to the extent of the undisputed or non-contingent portion of their claim. For the avoidance of doubt, this will not affect the final distribution to such Creditors as the quantum of their Claims will be finalised mutually between the parties or through the dispute resolution mechanism as set out in clause 9.

5.21.4 All liquid proven Claims, including Contingent and suretyship or guarantee Claims will be allowed to vote if the claim has been accepted and approved by the BR Practitioner. The decision of the BR Practitioner in this regard will, subject to any manifest error, be final and binding on the Creditor concerned.

5.21.5 If the value of a Claim of a Commencement Date Creditor has reduced since Commencement Date, that Creditor's voting interest will be the amount of the Claim as at Publication Date.

## 5.22 **Fee Agreement**

5.22.1 The BR Practitioner's remuneration is at the hourly tariff for a large company based on the Company's public interest score at the Commencement Date.

5.22.2 A company is regarded as a large company if its public interest score is above 500.

5.22.3 The public interest score of the Company, calculated in terms of Regulation 26(2) of the Companies Act, was 4101 points at Commencement Date.

5.22.4 Regulation 128 of the Companies Act sets out the hourly tariffs that a practitioner is entitled to charge, in accordance with section 143(1). The hourly tariff applicable for large companies is R2 000 (including VAT).

5.22.5 In terms of Regulation 143, a practitioner can propose further remuneration, contingent on achievement of a particular outcome. To this extent, the BR Practitioner proposes remuneration of R4 000 per hour contingent on the adoption of the BR Plan and subject to approval in terms of section 143(3) of the Companies Act.

5.22.6 A fee agreement was negotiated with the Board of Mango shortly after commencement of Proceedings and an engagement letter was concluded, which inter alia provides for the tariff applicable to the BRP to be adjusted to R4 000 (excluding VAT) per hour.

5.22.7 The reason for this adjustment is that BRP hourly tariffs have effectively regressed since

promulgation in 2008, as initially the BRP fees were benchmarked against the Department of Public Service Administration's Hourly Fee Rate for Consultants.

5.22.8 The same guideline currently reflects that if the fees were adjusted in accordance with the initial benchmark, the tariff applicable for large matters would currently be more or less R4 000 per hour.

5.22.9 The tariff adjustment, which requires approval of creditors and the shareholder, is contingent upon the adoption of the BR Plan

5.22.10 In terms of Regulation 143, a practitioner can propose further remuneration, contingent on achievement of a particular outcome. To this extent, the BR Practitioner hereby proposes a success fee of 2.5% of the capital introduced by the successful bidder (inclusive of any assumed pre-existing liabilities).

5.22.11 The success fee will only be payable if the effect of the transaction with the Investor improves the dividend payable to concurrent creditors by more than 30%.

5.22.12 The BR Practitioner's remuneration agreement is attached hereto as **Annexure E**.

#### 5.23 **Proposals Made Informally by a Creditor**

5.23.1 This BR Plan does not include any informal proposals made by a Creditor of the Company.

#### 5.24 **Voting by Proxy**

5.24.1 Voting by proxy will be allowed as long as the form of proxy attached to the Notice of the Meeting is lodged with the BR Practitioner in terms of section 152 of the Companies Act.

5.24.2 All forms of proxy given on behalf of a company, a legal entity or a trust must be accompanied by a valid and duly authorised resolution supporting the appointment of the signatory to the proxy.

#### 5.25 **General**

5.25.1 Any reference hereinabove with regards to the potential resumption of operations of Mango are no longer relevant. This is as a result of the restrictions placed on the R719

million funding by SAA, that:

- 5.25.1.1 Mango cannot resume sustainable operations before the introduction and on-boarding of a strategic equity partner with requisite funding; and
- 5.25.2 any funding injected into Mango's rescue process should not be applied to or fund working capital aimed at supporting the restart of Mango airline.

## **6. Part B – Terms of the Proposal**

### **6.1 Objective of the Proposal**

6.1.1 The main objective of business rescue, as set out in section 128(1)(b)(iii) of the Act, is to develop and implement a plan that either:

6.1.1.1 rescues the Company by restructuring its affairs, business, property, debt and other liabilities, and equity in a manner that maximises the likelihood of the Company continuing in existence on a solvent basis (“**Primary Objective**”); or

6.1.1.2 if the aforementioned is not possible, results in a better return for the Company’s creditors or shareholders than would result from the immediate liquidation of the Company (“**Secondary Objective**”).

6.1.2 The proposal set out in this BR Plan seeks to achieve the Primary Objective of business rescue, failing which the Secondary Objective is targeted as indicated herein.

6.1.3 The main restructuring proposal is as outlined below.

### **6.2 Restructuring Process**

6.2.1 Having been informed by SAA that Mango will not form part of the SAA Group, and that an Investor with requisite funding is required, it is clear that SAA wishes to dispose of its entire interest in Mango. Accordingly, the BR Practitioner has determined that for Mango to be rescued and for it to remain sustainable into the future, the Company requires an Investor that would fund ongoing operations beyond the restructuring of the Company. Securing an Investor will trigger a transaction that would require approval in terms of the PFMA, read with the SMF and the SAA SMF.

6.2.2 Section 54(2) of the PFMA provides for mandatory ministerial permission (through the Minister of Public Enterprises ("**the Minister**") in this instance) and general oversight (through National Treasury) when, for example, a public entity's shareholding will be materially altered through the disposal of a significant shareholding in the entity. Furthermore, compliance with the SMF and the SAA SMF also becomes mandatory.

6.2.3 On 8 October 2021, the BR Practitioner furnished the DPE with a memorandum which served to satisfy the pre-notification requirement that is prescribed by the SMF and the

SAA SMF intended to provide early notification and sharing of information regarding the concept of a significant transaction that is contemplated.

6.2.4 In accordance with SAA's intention, this BR Plan therefore proposes that the Company secures an Investor ("**Investor Process**").

6.2.5 In summary, in terms of the Investor Process, this BR Plan proposes that:

6.2.5.1 the Company pays the residue of the funds injected by the Shareholder (net of Employee Claims and restructuring costs) to Concurrent Creditors, in part settlement of their Claims (currently estimated at 4.43 cents to the Rand);

6.2.5.2 all of the shares in the Company be sold to the Investor for nominal consideration, the date of such sale being the "Sale Date";

6.2.5.3 immediately after the Sale Date, the Investor will subscribe for additional shares in the Company in order that there are funds available in the Company to ensure that:

6.2.5.3.1 the Concurrent Creditors (save for SARS and the creditors in respect of the Un-flown Ticket Liability) will be paid a "top up" settlement payment for their Claims in addition to the payment referred to paragraph 6.2.5.1; and

6.2.5.3.2 SARS will be paid its pro-rated equivalent to the payment received by other Concurrent Creditors in terms of paragraph 6.2.5.3.1, whereafter the entire of the remaining SARS debt will be compromised through settlement/expunged.

6.2.6 On payment to the Creditors as contemplated in paragraph 6.2.5.3.1, all of the remaining balance of the Claims of the remaining Concurrent Creditors are ceded to the Investor at face value thereof but for nominal consideration.

6.2.7 Thereafter the debt acquired by the Investor through the cession of Claims of Concurrent Creditors may be converted to equity (or quasi equity instrument), subordinated or otherwise be dealt with in such manner that the Company will be restored to solvency.

6.2.8 In the interim, as required by SAA, the Company will not resume operations. However, it is important that route rights and licences be preserved as it may be critical for the Investor. The Investor Process must be concluded swiftly.

6.2.9 All creditors in respect of the Un-flown Ticket Liability will be issued vouchers for the



value of their Claims to be redeemed over a maximum period of 12 months from a date determined with reference to the resumption of operations of the Company.

### 6.3 **Investor Process**

6.3.1 In accordance with SAA's decision (in consultation with the Minister) as recorded in SAA's letter dated 6 October 2021 attached as Annexure I, and SAA's further letter dated 30 October 2021, indicating that Mango will not form part of the SAA group going forward and that Mango cannot resume sustainable operations before the introduction and onboarding of a strategic equity partner with requisite funding, it is accordingly envisaged in this BR Plan that an Investor must be sought to acquire all of the issued shares in the Company from the Shareholder.

6.3.2 Due to the urgency of ensuring that Mango is rescued and in accordance with SAA's intention, the BRP will commence with the process to search for a suitable Investor immediately after the adoption of the BR Plan, which process is conditional on the adoption of the BR Plan.

6.3.3 The BRP and his team will manage the process of attracting potential Investors and handle all negotiations to yield the transaction on the basis set out in paragraph 6.2.5 above.

6.3.4 The BRP is of the considered view that the Mango brand, available route rights (domestic and regional), the aircraft engine, distribution channels and the operating license all constitute a considerable value for which an Investor will pay fair value.

6.3.5 The Investor Process, will comprise of a two-phased process whereby the BRP will issue an initial invitation calling for interested parties that meet predetermined qualifying criteria, to submit expressions of interest (Phase 1) following which qualifying parties will be granted access to the virtual data room containing relevant information in order to submit a binding offer (Phase 2).

#### **Phase 1**

6.3.6 The BRP will issue a public invitation calling for formal expressions of interest from interested parties.

6.3.7 The BRP will issue a bid process letter ("**Process Letter**") to all interested parties which

will set out the qualifying requirements to progress to Phase 2, bid protocols, terms, timelines, requirements and process to be followed and adhered to by interested parties.

6.3.8 The qualifying requirements set out in the Process Letter will include, but not be limited to:

6.3.8.1 signature of a confidentiality agreement; and

6.3.8.2 demonstration to the BRP that the interested parties have the operational and financial capacity to implement the proposed transaction.

### **Phase 2**

6.3.9 Following the satisfaction of the requirements set out in Phase 1 above, the qualifying bidders who have met all requirements in the Process Letter and timeously submitted their expression of interest, will be provided with an information memorandum setting out the technical, commercial and financial information regarding the proposed transaction, and will be granted access to the virtual data room to allow the qualifying bidders to conduct their due diligence investigations, meetings with the BRP and management as required, in order to submit binding offers within 30 days of access to the data room.

6.3.10 Factors such as the price, timing, proof of funding, operational ability to implement, support from management, impact on staff, ability to operate a domestic air service as contemplated in the Air Services Licensing Act, No 115 of 1990, and other relevant requirements will be taken into account in the evaluation of the binding offers, as will be further set out in the Process Letter.

6.3.11 Upon receipt of the binding offers, the BRP will evaluate these, select the Investor and negotiate relevant transaction agreement/s with the Investor.

6.3.12 In order to streamline the PFMA approval processes required for the conclusion of the transaction agreement/s, the BRP will in parallel with the bidding process:

6.3.12.1 prepare and submit a request for approval in terms of section 54(2)(c) of the PFMA and the SAA SMF on behalf of SAA based on the decision to dispose of Mango as recorded in the SAA letter dated 6 October 2021. The BRP will present the SAA section 54 request

for approval to SAA for consideration for a period of 7 (seven) business days prior to the submission thereof by the BRP to the DPE on behalf of SAA for approval; and

6.3.12.2 prepare and submit (to the extent necessary) a request for approval in terms of section 54(2) of the PFMA and the SMF relating to the structuring of the Company as contemplated by this BR Plan.

6.3.13 Upon receipt of the necessary regulatory approvals required to implement the transaction, the transaction will be implemented in accordance with the transaction agreement/s.

#### 6.4 **Structured Wind Down**

In the event that an Investor is not secured and the Company is not able to continue trading for whatever reason, the Proceedings will be converted into a structured wind down which will entail the following:

6.4.1 the partial settlement of the Claims of the Concurrent Creditors, the settlement of the SARS Claim and the cession of the Claims as contemplated in paragraph 6.2.5 would not have occurred as envisaged under the Investor Process and all of the Claims of Creditors as at the Commencement Date will be compromised through settlement/expunged in accordance with the terms of this BR Plan;

6.4.2 all of the Company's remaining assets will be realised by the BR Practitioner through a structured sale of the assets and proceeds of the sale will be applied towards payment of BR Claims in the manner indicated in the BR waterfall;

6.4.3 all contracts of Employment will be terminated and employees retrenched in terms of section 189A, and their Claims paid from the proceeds in the order of preference prescribed in the Companies Act; and

6.4.4 all other contracts will be terminated and any damages arising from the termination can only be claimed in accordance with the procedure set out in paragraph 6.11 hereto.

#### 6.5 **Property Available to Pay Creditors Claims**

6.5.1 Creditors will be paid primarily from funds sourced from the Shareholder for the purposes of restructuring Mango. In the event that an Investor is secured, the proceeds

from the Investor Process will be utilised to improve the dividend paid to Creditors.

6.5.2 In the event of a Wind Down, all of the remaining assets of the Company will be available for sale and proceeds therefrom will be used to pay the Claims of Creditors.

## 6.6 **Effect of the Proposal on the Customers of the Company**

6.6.1 Un-flown Ticket Liability at Commencement was R183 million.

6.6.2 As the customers of Mango are critical stakeholders in the success of the airline, this BR Plan proposes that customers with un-flown liability be awarded vouchers to enable them to fly for the value of their tickets. Accordingly, the options for the treatment of un-flown tickets will be as follows:

6.6.2.1 Mango intends to honour this liability through its full value voucher system. A voucher will be issued to customers to the value of the ticket purchased. The voucher can be used to book and fly on Mango and to fly to any destination where Mango operates. Subject to agreement with the Investor, the vouchers will be valid for 12 months from resumption of operations. The voucher is not transferable and is only redeemable in the customer's name. Customers who have pre-existing vouchers that have not been redeemed and that expire ahead of the resumption of operations will be issued new vouchers valid for the full 12 month period. The vouchers redemption is subject to any differences in rates, fares and taxes;

6.6.2.2 customers who do not wish to be issued a voucher may become creditors of the Company and will be treated as Concurrent Creditors; and/or,

6.6.2.3 customers can forfeit the ticket. In this case any claim is forfeited.

## 6.7 **Effect of the Investor Process Proposal on Concurrent Creditors**

6.7.1 In terms of the Investor Process, Concurrent Creditors will receive an initial settlement estimated at approximately 4.43 cents in the Rand and in accordance with the business rescue waterfall at **Annexure C**, which will be paid at the conclusion of the Investor process. This payment will be deemed to be part payment of the Concurrent Creditors' outstanding Claims.

6.7.1.1 The proceeds from the issue of additional shares in the Company as contemplated in

the Investor Process, as well as any surplus cash available immediately after the Sale Date, will go towards a top-up of the settlement payable to Concurrent Creditors in terms of the payment waterfall, whereafter the remainder of the Claims of the Concurrent Creditors (save for SARS) are automatically ceded to the Investor.

6.7.2 In the event of a Wind Down, all of the Claims of Concurrent Creditors as at the Commencement Date will be compromised through settlement/expunged in accordance with the terms of this BR Plan.

**6.7.3 Effect of the Proposal on SARS**

6.7.3.1 The SARS Claim will be compromised through settlement/expunged in terms of this BR Plan irrespective of whether the BR Plan is implemented in terms of the Investor Process or Wind Down.

6.7.3.2 Any past or prospective Claim which SARS may have against the Company, for any years of assessment preceding the Substantial Implementation Date, will be compromised through settlement/expunged under and in terms of this business rescue plan as a Concurrent Creditor. In other words, SARS will be unable to initiate and/or take any recovery steps to collect such debt.

**6.8 Effect of the Proposal on the Employees of the Company**

6.8.1 Due to the fact that the Company will not be resuming operations, it is necessary that the Company rationalises its workforce.

6.8.2 To mitigate the requirement of the need for retrenchments, a VSP has been initiated and the invitation to employees to apply for the VSP has been sent out.

6.8.3 In the event that the uptake for the VSP is low, there might be a need for the Company to restructure, and subject to consultation, may have to retrench some if not all of its workforce.

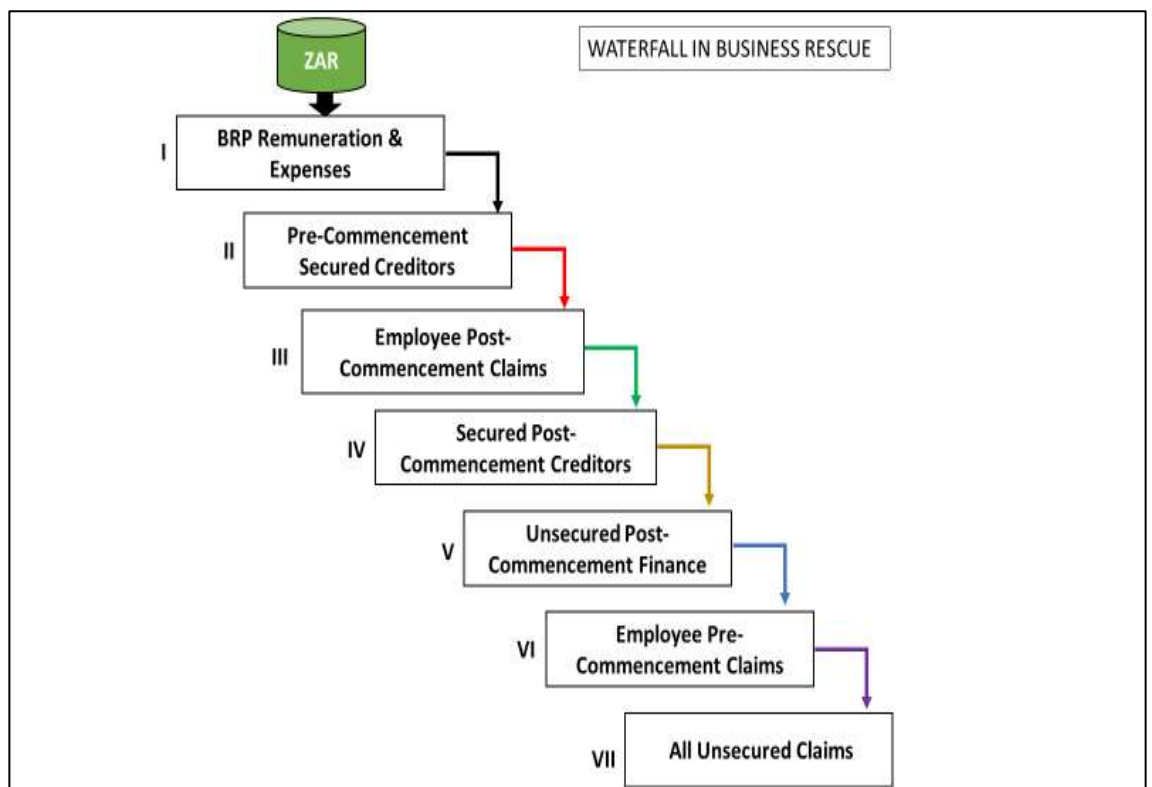
6.8.4 However, subsequent to the conclusion of the Investor Process, some of the employees that have either accepted the VSP or been retrenched, will be considered for re-employment.

6.8.5 Pre-commencement Employee arrear salaries for remaining employees will be settled over a period of 4 months from December 2021 to March 2022.

6.8.6 SACAA post holders and those employees required to assist with the Investor Process and other critical tasks will be re-employed on fixed term contracts.

6.9 **Order of Distribution**

6.9.1 In terms of the Companies Act, Creditors are to be paid the amounts to be distributed in the following order of priority (to the extent that there are funds available to pay all categories of Creditors in terms of the waterfall below):



6.9.2 The probable dividend, as appears in **Annexure C** hereto, which Creditors will receive, in their respective classes, as a result of the adoption of the BR Plan will be as follows:

Class	Dividend
Employee Post Commencement Claims	100 cents
Secured Post Commencement Claims	100 cents
Unsecured Post Commencement Claims	100 cents
Employee Pre Commencement Claims	100 cents
Pre-Commencement Concurrent Creditors	4.43 cents

6.9.3 The additional probable dividend which Concurrent Creditors will receive under the Investor Process cannot be ascertained at this stage, as the Investor Process has not been concluded.

6.10 **Discharge of Debts and Claims**

6.10.1 If the BR Plan is Adopted and implemented in accordance with its terms and conditions as set out in the Investor Process, all Claims (excluding the SARS Claim, which will be compromised through settlement/expunged) will not be compromised.

6.10.2 If the BR Plan is Adopted and implemented in accordance with its terms and conditions as set out in the Wind Down, Creditors will be deemed to have acceded to the discharge of the whole or part of a debt owing to that Creditor and will lose the right to enforce the relevant debt or part thereof in accordance with Section 154(1) of the Companies Act.

6.10.3 Accordingly, in terms of Section 154(2) of the Companies Act, if a BR Plan has been approved and implemented, a Creditor will not be entitled to enforce any debt owed by the Company immediately before the beginning of the Proceedings, except to the extent provided for in this BR Plan.

6.11 **Ongoing Role of the Company and Treatment of Existing Agreements**

6.11.1 Any contracts considered to be onerous to the Company have been or will be renegotiated or cancelled either by (i) agreement between the parties thereto and the BR Practitioner or, (ii) failing agreement, the BR Practitioner will apply to court to cancel all the Company's obligations under such Contracts. In the event that the counterparties to the contracts claim damages against the Company:

6.11.1.1 litigation in respect of such damages must be brought against the Company before the date of Substantial Implementation Date, failing which, a Creditor in these circumstances will be precluded from bringing a Claim for damages against the Company;

6.11.1.2 their Claims shall be deemed to have been compromised in terms of this BR Plan and shall be regarded as Unsecured Claims for the purposes of the BR Plan. As such, the

counterparties to Contracts who bring their damages claim timeously (i.e. before Substantial Implementation Date) shall only be entitled to receive an amount as an Unsecured Creditor pursuant to the provisions of this BR Plan and if the Claim is not disputed. If such Claim is disputed the matter will be resolved in terms of the Dispute Resolution process set out herein; and

6.11.1.3 any Claim for damages will be limited to either the actual direct damages suffered or to an amount equivalent to a maximum of three months' contractual payment, whichever amount is the lower and no claims for contingent or indirect damages will be accepted by the BR Practitioner. Such damages will be treated as Unsecured Claims.

#### 6.12 **Benefits of Adopting the Business Rescue Plan Compared to Liquidation**

6.12.1 Dividends envisaged in this BR Plan are likely to be far better than the dividends that would be paid in liquidation.

6.12.2 The BR Plan will be implemented in a far shorter time-frame than liquidation proceedings. The average time it takes to conclude a liquidation process and pay liquidation dividends can be between 18 – 36 months, or longer depending on the complexity of the estate.

6.12.3 In the event that the business is rescued employees will receive their unpaid remuneration and severance packages in full, whereas in liquidation employee claims are limited to a maximum of R28 000 per employee. In addition, unlike in liquidation where employment contracts are suspended by operation of law, in the event that the Investor Process Plan is implemented, some or all employees may continue their employment.

6.12.4 Some of the Creditors of the Company are likely to resume or continue to trade with the business and thus generate revenue that otherwise would be lost in the event that the business is rescued, unlike in liquidation where the cessation of business is a finality.

#### 6.13 **The Effect of the BR Plan on Holders of the Company's Issued Securities**

6.13.1 This BR Plan will affect the rights of the holders of the Company's issued securities if the Investor Process is implemented successfully.

6.13.2 The BR Plan reflects the intention of SAA as the sole holder of the Company's issued



securities to dispose of its interest in the Company and accordingly SAA's vote in favour of the BR Plan shall constitute a duly authorised consent and delegation by SAA to the BRP to commence and (if applicable) conclude the Investor Process as contemplated in the BR Plan.

**7. Part C – Assumptions and Conditions**

**7.1 Assumptions**

7.1.1 The main assumptions are that:

7.1.2 the total amount of R719 million will be received in order to implement the BR Plan;  
and

7.1.3 an Investor will be secured to acquire the shares of SAA and take cession of the balance of the Claims of Concurrent Creditors as envisaged in terms of the Investor Process.

7.1.4 As regards the amount which Creditors could receive in terms of the BR Plan, the exact quantum could be lower than contemplated herein should the following adverse events, inter alia, occur:

7.1.4.1 Delays in consummating and implementing the Investor Process contemplated in this BR Plan;

7.1.4.2 unforeseen litigation of any nature whatsoever, howsoever arising, from any cause of action whatsoever;

7.1.4.3 late Claims and unforeseen damages Claims arising from the cancellation of any contracts or agreements of any nature whatsoever, howsoever arising;

7.1.4.4 any changes in legislation that impacts business rescue;

7.1.4.5 any challenges to this BR Plan, the rejection thereof of any amendments thereto;

7.1.4.6 any regulatory challenges of any nature whatsoever, howsoever arising;

7.1.4.7 any unforeseen circumstances, outside of the control of the BR Practitioner of any nature whatsoever howsoever arising that impacts on Business Rescue; and

7.1.4.8 material discrepancies in the information made available to the BR Practitioner by the directors and management.

**7.2 Conditions for the BR Plan to come into operation and Substantial Implementation**

7.2.1 The BR Plan will come into operation and Substantial implementation will be deemed

to have occurred under the following circumstances:

- 7.2.1.1 Adoption of the BR Plan;
- 7.2.1.2 Receipt of the balance of the funding from the Shareholder to provide for the restructuring of Mango;
- 7.2.1.3 Obtaining of the necessary approvals or exemptions in terms section 54(2) of the PFMA read together with Mango's SMF (to the extent necessary);
- 7.2.1.4 Completion of the Investor Process; and/or
- 7.2.1.5 Payment to Affected Parties as contemplated in the BR Plan.

### 7.3 **Employee Matters**

- 7.3.1 An Employee Representatives Committee was formed in terms of section 144(3)(c) of the Companies Act for the purposes of consulting with the BR Practitioner. The Employee Representatives Committee was comprised of members from each of the unions represented at Mango and also non-unionised members of staff and management where represented.
- 7.3.2 The Employee Representatives Committee meetings were held as per the schedule below:

Date	ERC Meeting
18 August 2021	First Meeting of Employees
31 August 2021	<ul style="list-style-type: none"> <li>o Proposal and discussion on independent Chairperson of the Committee</li> <li>o Discussions of the business rescue and the ongoing investigations into the affairs of the company</li> </ul>
21 September 2021	Update on the business rescue
30 September 2021	Employee Workshop – presentation and discussion of proposed operating model
5 October 2021	Update on the business rescue
14 October 2021	Operating model presentation and discussion by labour (NUMSA, SACCA, MPA)
19 October 2021	Preliminary discussions on the VSP
20 October 2021	ERC Meeting – presentation of the proposed operating plan and the

	VSP
<b>5 November 2021</b>	ERC Meeting – to discuss the SAA letter

7.3.3 Employees have been paid their full salaries for the months of July, August and September 2021. 50% of salaries have been paid to Employees for the month of October 2021 and the balance will be paid soon after receipt of further funding expected from the Shareholder.

7.3.4 A VSP has been offered to employees. Those employees that do not apply for a VSP, may be retrenched.

7.4 **Termination**

The Proceedings will end:

7.4.1 if the BR Plan is rejected and neither the BRP, nor an Affected Person acts in any manner contemplated in section 153(1) the Act; or

7.4.2 this BR Plan is Adopted and implemented (with the conditions fulfilled) and the BRP has filed a notice of substantial implementation of the BR Plan with the CIPC; or

7.4.3 a court orders the conversion of the Proceedings into liquidation proceedings.

7.5 **Projected Balance Sheet and Income Statement**

The projected balance sheet and income statement are attached as **Annexure F** and **G**.

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## **CHAPTER 3 - GENERAL**

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### **8. Litigation**

There is currently no litigation involving the Company and third parties.

### **9. Dispute Resolution**

9.1 Save as provided for in section 133 of the Companies Act, in respect of all or any disputes by the BR Practitioner on Claims submitted by Creditor, which disputes include, but are not limited to, disputes on the existence or otherwise of a Claim, on quantum of the Claim, security claimed by a Creditor, the nature of the security, the extent and value of the security and the like (“the dispute”), such dispute can only be resolved in accordance with the dispute mechanism outlined below.

9.2 The dispute mechanism procedure will be as follows:

9.2.1 Any Creditor that has received a notification from the BR Practitioner of a dispute must contact the BR Practitioner in order to resolve such dispute within 15 days from the date of the notice.

9.2.2 If the Creditor does not avail itself of this 15-day opportunity then the BR Practitioner’s decision is final. If after having availed itself and the dispute is not resolved within the 15 day period, the Creditor will be afforded 7 days (reckoned from the date of expiry of the 15 days) to nominate a retired judge as an expert (not as an arbitrator or mediator) to preside over and to resolve the dispute. Should the Creditor not make this nomination the BR Practitioner will do so on its behalf and this nomination will be binding on the Creditor.

9.3 The retired judge when nominated and who agrees to accept such appointment (hereinafter referred to as the “expert”) will endeavour to complete his mandate within 30 days of his appointment or within such further time period as he in his sole discretion may determine. To the extent that any expert as nominated by the Creditor refuses to act or is not available to act, the Creditor, or if he refuses or does not do so within three

days of being requested by the BR Practitioner to do so, the BR Practitioner is then entitled to choose another retired judge who is available to act and is agreeable to act.

- 9.3.1.1 The expert will in his sole and absolute discretion determine:
  - 9.3.1.2 the venue at which the dispute is to be resolved;
  - 9.3.1.3 the rules, regulations and procedures that will govern the determination of the dispute;
  - 9.3.1.4 the date(s) for the determination of the dispute;
  - 9.3.1.5 will give his award / determination within 5 days of the completion of the process as determined by him; and
  - 9.3.1.6 will as part of his award / determination determine who is liable for the costs of the determination such costs to include his costs, legal costs, venue costs, recording equipment (if applicable), transcript of evidence (if applicable) and the like.
- 9.4 The Creditor agrees that, save for any manifest error the determination of the expert will be final and binding on the Creditor, the Company and the BR Practitioner and will not be subject to any subsequent review or appeal application / procedure / process.
- 9.5 The expert shall be entitled to make an award for costs in his discretion.
- 9.6 The Creditor, the Company and the BR Practitioner agree to use their utmost endeavours to ensure that the entire dispute is determined by the expert within the 30-day period as set out above.

## **10. Amendment of the Business Rescue Plan Subsequent to Adoption**

- 10.1 Provided that any amendment will not be prejudicial to any of the Affected Persons, the BR Practitioner shall have the ability, in his sole and absolute discretion, to amend, modify or vary any provision of this BR Plan, provided that at all times the BR Practitioner acts reasonably. The Amendment will be deemed to take effect on the date of written notice of the amendment to all Affected Persons.
- 10.2 Should the BR Practitioner wish to effect an amendment to the BR Plan that will be prejudicial to any of the Affected Persons, he will convene a further meeting of creditors and call for a vote to approve the amendment.

10.3 It is specifically recorded that the provisions of business rescue shall mutatis mutandis apply to the extension or reduction of any timeframes by the BR Practitioner.

**11. Late Claims**

11.1 Creditors who, for whatever reason, did not submit their claims to the BR Practitioner prior to the date of Adoption of the BR Plan, may at any time up until 90 calendar days after the date of Adoption, submit to the BR Practitioner, documentation in support of their claim against the Company and upon receipt and acceptance thereof by the BR Practitioner such claims will be considered valid and form part of the Adopted BR Plan.

11.2 Creditors who, for whatever reason, do not submit their claims to the BR Practitioner within 90 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 have no further Claims against the Company.

**12. Severability**

Any provision in this BR 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 BR Plan, without invalidating the remaining provisions of this BR Plan or affecting the validity or enforceability of such provision in any other jurisdiction.

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## CHAPTER 4 – CONCLUSION AND BRP CERTIFICATE

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### 13. Conclusion

For the reasons set out above, it is the view of the BRP that, notwithstanding the inevitable risks and challenges:

- 13.1 there is a reasonable prospect that the Company can be rescued within the meaning of the Companies Act;
- 13.2 this BR Plan balances the rights and interests of all relevant stakeholders; and
- 13.3 should the BR Plan not be Adopted, the Proceedings will have to be converted to liquidation proceedings.

### 14. BRP's Certificate

I, the undersigned, Siphon Sono, hereby certify to the best of my knowledge and belief that:

- (a) any actual information provided herein appears to be accurate, complete and up to date; and
- (b) projections provided are estimates made in good faith on the basis of factual information and assumptions as set out contained in this BR Plan.



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Siphon Sono, in his capacity as the duly appointed  
Business rescue practitioner (in terms of the Act)