



## MANGO AIRLINES SOC LIMITED (in business rescue)

Registration Number 2006/018129/30

("Mango" or "the Company")

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31 May 2022

### Status Report in terms of section 132(3) of the Companies Act 71 of 2008, as amended, ("Companies Act"), read with Regulation 125

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#### 1. INTRODUCTION

In terms of section 132(3) of the Companies Act, a company whose business rescue proceedings ("BR Proceedings") have not ended within three months after the start of those proceedings, or such longer time as the court, on application by the business rescue practitioner ("BRP"), may allow, the BRP must:

- (a) prepare a report on the progress of the BR Proceedings, and update it at the end of each subsequent month until the end of those proceedings; and
- (b) 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 Companies and Intellectual Property Commission ("CIPC"), in any other case.

The BRP accordingly submits the seventh status update report.

#### 2. SALIENT DATES

The following table sets out certain key events that took place during the BR Proceedings of the Company:

Events	Date
Board resolution commencing the BR Proceedings filed with the CIPC	16 April 2021
Commencement of the BR Proceedings	28 July 2021
Appointment of the BRP	3 August 2021
First meeting of the creditors of the Company	18 August 2021
Extension of time to publish the business rescue plan ("BR Plan")	29 October 2021
Meeting to consider the BR Plan	15 November 2021
Publication of the amended BR Plan	25 November 2021
Meeting to consider the amended BR Plan	2 December 2021



### 3. FUNDING

Following the delay by South African Airways SOC Limited (“**SAA**”) to transfer the balance of the funds appropriated from government in the amount of R310 million to Mango, the BRP instructed his attorneys to issue an urgent application in the High Court, Gauteng Division, Pretoria on 9 May 2022, seeking to compel the Department of Public Enterprises (“**DPE**”) and/or SAA to release the balance of the funds. On the same day, the BRP met with the Minister of Public Enterprises (“**Minister**”) to explore the possibility of resolving the matter amicably. At that meeting, the Minister, among other things, indicated that due to various pressures on the fiscus, there was a desire to achieve a certain saving from the funds initially allocated to Mango and for that saving to be redirected to other needs of government. At the end of the meeting, the Minister undertook to revert to the BRP with a proposal on how the impasse could be resolved. The application was formally issued on 10 May 2022 and was going to be served on affected persons on 11 May 2022, should there have been no positive outcome from the BRP's engagements with the Minister.

On 11 May 2022, the DPE and SAA met the BRP and proposed that an amount of R100 million be retained by SAA for the purposes alluded to by the Minister. After careful consideration, the BRP agreed to SAA retaining a lesser amount of R85 million, subject to the proviso that a proper motivation be prepared for the retention and tabled at a meeting of the Creditors' Committee. On that basis, an amount of R225 million was paid to Mango and the BRP agreed to withdraw the application. The application was therefore not served on affected persons due to it having been overtaken by the events outlined above. The application was formally withdrawn on 18 May 2022.

### 4. CREDITORS' COMMITTEE MEETING

The BRP convened a meeting of the Creditors' Committee on 25 May 2022, at which meeting the Creditors' Committee was updated on the status of the investor process, as well as the progress on securing the balance of the funds as already articulated above. At that meeting, SAA was given an opportunity to address the Creditors' Committee, which address was substantively in accordance with the letter attached to this report as Annexure A.

After deliberation, the members of the Creditors' Committee and the BRP resolved to put the issue of the retained funds and whether an amendment to the BR Plan will be necessary to the wider group of creditors for consideration. The BRP's preliminary view is that there is very little he can do to insist on the payment of the R85 million without engaging in litigation where the outcome is unpredictable. Having said that, the BRP does not believe it would be in the best interests of affected persons to proceed with legal action over the funds retained by SAA in circumstances where the outcome is not guaranteed, considering that the BRP is in fact in a position to implement the BR Plan without the R85 million in terms that do not vary materially from those currently contained in the BR Plan. In reaching this conclusion, the BRP has determined that a probable business rescue dividend of approximately 10 cents in the Rand, on a wind down basis should the investor process not yield a positive outcome, is likely to be achieved and paid to creditors (without the R85 million), which is substantially more than what was initially determined



as the minimum probable dividend in the BR Plan. For completeness, with the inclusion of the R85 million, the probable dividend may increase by approximately 3 cents in the Rand, but in all likelihood would require the BRP to institute litigation which comes with its own risks such as the uncertainty of an outcome and costs associated with litigation, as well as the possibility of the litigation delaying the finalisation of the investor process and completion of the business rescue process.

## **5. INVESTOR PROCESS**

The investor process is progressing according to the time frame agreed with the preferred bidder and, accordingly, the BRP anticipates the purchase consideration will be deposited in to the escrow account before the end of June 2022 after which the Section 54 application would be completed and submitted to SAA and DPE in accordance with the adopted BR Plan.

In the event that the transaction cannot be concluded, the BRP will have to implement the wind-down plan that is incorporated in the BR Plan and further details in this regard will only be communicated in future status reports.

## **6. UPDATE ON EMPLOYEE MATTERS**

All retrenchment packages have been processed following the conclusion of the retrenchment process executed in terms of section 189 of the Labour Relations Act 66 of 1996. The Company is attending to final administrative staff matters.

## **7. PROOF OF CLAIMS**

As indicated in the previous status reports, the deadline for submission of claims was 3 March 2022, after which no new claims will be entertained. The BRP continues to evaluate the claims and has disputed some claims as he is entitled to do so.

## **8. CONCLUSION**

The BRP remains of the opinion that there is a reasonable prospect of rescuing the Company, or that the BR Proceedings would result in a better outcome for Creditors and the shareholder of the Company than would otherwise be achieved should the Company be placed in liquidation.

**Sipho Sono**

**Business Rescue Practitioner, Mango Airlines SOC Limited**