



The  Factor in the Fashion Industry

Fashion X Manufacturing (Pty) Ltd

First Creditors' Meeting

23 September 2020

*Pierre Berrange – Business Rescue
Practitioner*

AGENDA

1. WELCOME
2. BUSINESS RESCUE PROCESS
3. REASONS FOR FINANCIAL DISTRESS
4. CURRENT FINANCIAL POSITION
5. OPINION OF THE BUSINESS RESCUE PRACTITIONER
6. PROOF OF CLAIMS
7. COMMITTEES
8. CONCLUSION

1 WELCOME

The main objectives of today's meeting are as follows:

- The Business Rescue Practitioner (“BRP”) needs to inform creditors as to whether or not the BRP believes there is a reasonable prospect of rescuing Fashion X Manufacturing (Pty) Ltd (in business rescue) (“FXM” or “Company”);
- The receipt of proof of claims by creditors; and
- The determination of whether or not a committee of creditors should be appointed.

AGENDA

1. WELCOME
2. BUSINESS RESCUE PROCESS
3. REASONS FOR FINANCIAL DISTRESS
4. CURRENT FINANCIAL POSITION
5. OPINION OF THE BUSINESS RESCUE PRACTITIONER
6. PROOF OF CLAIMS
7. COMMITTEES
8. CONCLUSION

2 THE BUSINESS RESCUE PROCESS

- Business Rescue involves proceedings to facilitate the rehabilitation of a company that is financially distressed by providing for:
 - A temporary supervision of the company, and of the management of its affairs, business and property;
 - A temporary moratorium on the rights of claimants against the company or in respect of property in its possession; and
 - The development and implementation, if approved, of a Business Rescue Plan to rescue the company by either:
 - A** Restructuring its affairs, business, property, debt and other liabilities and equity in a manner that maximizes the likelihood of the company continuing in existence on a solvent basis; OR
 - B** A process that results in a better return for the company's creditors or shareholders than would result from the immediate liquidation of the company.

2 THE BUSINESS RESCUE TIMELINE

Event	Date
Board resolution to commence Business Rescue Proceedings	10 September 2020
Commencement of Business Rescue Proceedings	10 September 2020
Appointment of BRP	10 September 2020
Notice published to all affected persons	14 September 2020
Notice of first meeting of creditors and employees	18 September 2020
First meeting of creditors and employees	23 September 2020
Publication of the business rescue plan	16 October 2020
The meeting to consider and vote on the business rescue plan	28 October 2020

2 THE BUSINESS RESCUE WATERFALL

1. Costs of business rescue (including BRP's remuneration and expenses)
2. Pre-Commencement secured creditors, in respect of such encumbered asset.
3. Employees for their employment during business rescue (Post-commencement finance employees).
4. Secured post-commencement finance creditors.
5. Unsecured post-commencement finance creditors.
6. Remuneration, reimbursement or expenses relating to employment prior to business rescue.
7. Pre-commencement concurrent creditors and unsecured claims.

*Claims and expenses
will be paid out in the
priority indicated
alongside*

2 DUTIES OF THE BUSINESS RESCUE PRACTITIONER

- Investigate the affairs of the Company including voidable transaction, reckless trading and fraud
- Report any transgressions and rectify, if possible
- Determine if there is a reasonable prospect of rescuing the Company
- Raise Post-Commencement Finance to preserve the business, pending a Plan to rescue the Company by restructuring its affairs, or do an orderly wind down which results in better return than liquidation
- Produce the Plan

AGENDA

1. WELCOME
2. BUSINESS RESCUE PROCESS
3. REASONS FOR FINANCIAL DISTRESS
4. CURRENT FINANCIAL POSITION
5. OPINION OF THE BUSINESS RESCUE PRACTITIONER
6. PROOF OF CLAIMS
7. COMMITTEES
8. CONCLUSION

3 REASONS FOR FINANCIAL DISTRESS

- The reasons for distress are detailed in the sworn statement delivered with the notice to commence Business Rescue Proceedings and summarized below:
 - **Edcon Limited** (Edcon) and the Edcon Group is FXM's largest customer and commenced Business Rescue Proceedings on about 29 April 2020
 - FXM had approximately R37 million worth of unpaid invoices in respect of goods supplied to the Edcon Group which remain unpaid
 - FXM anticipate a distribution of 4 cents in the Rand in respect of its claim in the Edcon BR (R1.4 million)
 - **COVID-19** forced FXM to cease trading for seven weeks, impacting the Company's financial position and making the recovery from the Edcon write off more difficult
 - In August 2020, **Credit Guarantee Insurance Corporation of Africa Limited** (CGIC) withdrew any credit insurance to persons supplying goods to FXM on credit
 - Majority of FXM's suppliers rely on CGIC for credit insurance.
 - FXM was unable to obtain its critically needed supplies on credit
 - FXM did not have sufficient cash flow to obtain further supplies on a cash-on-delivery basis
 - FXM was unable to fulfil orders placed by customers

AGENDA

1. WELCOME
2. BUSINESS RESCUE PROCESS
3. REASONS FOR FINANCIAL DISTRESS
4. CURRENT FINANCIAL POSITION
5. OPINION OF THE BUSINESS RESCUE PRACTITIONER
6. PROOF OF CLAIMS
7. COMMITTEES
8. CONCLUSION

4

CURRENT FINANCIAL POSITION

As at 10 September 2020	Rands	Notes
Fixed Assets		
Computer equipment	158,908	
Equipment and Machinery	228,332	
Furniture and Fittings	249,236	
Motor vehicles	1,092,000	Secured against Vehicle Asset Finance
Plant and machinery	534,019	
Sub Total	<u>2,262,495</u>	
Current assets		
Fabric and Trims	20,045,513	Includes excess fabric, trims and obsolete stock
Debtors - Standard Bank	9,085,264	
Edcon SARS (VAT) refund - Standard Bank	4,828,681	Edcon bad debt VAT recovery
Edcon recovery - Standard Bank	1,480,000	Edcon BR anticipated recovery (4c in the Rand)
Staff loans - TERS refunds	831,300	Not fully recoverable
Deposits - Landlord	622,755	Secured by landlord
Cash - Standard Bank	2,211,099	Debtors payments not yet cleared to Std Bank
Sub Total	<u>39,104,611</u>	
TOTAL ASSETS	<u>41,367,107</u>	
Secured liabilities		
Standard Bank	16,666,357	
Unsecured liabilities		
Trade and other	45,999,331	
TOTAL LIABILITIES	<u>62,665,688</u>	
Shortfall	<u>-21,298,581</u>	

AGENDA

1. WELCOME
2. BUSINESS RESCUE PROCESS
3. REASONS FOR FINANCIAL DISTRESS
4. CURRENT FINANCIAL POSITION
5. OPINION OF THE BUSINESS RESCUE PRACTITIONER
6. PROOF OF CLAIMS
7. COMMITTEES
8. CONCLUSION

5 OPINION OF THE BUSINESS RESCUE PRACTITIONER

- It is the view of the BRP that, notwithstanding inevitable risks and challenges, there is a reasonable prospect of rescuing the Company, based on the following:
 - The Company has a blue chip order book of R70 million, having recently acquired 2 additional customers
 - The Company has completed its restructuring process, resulting in a more streamlined operation
 - Greater demand as economy opens up post COVID-19 lockdown
 - Post Commencement Funding (PCF) has been secured enabling the Company to complete its order book and accept new orders
 - The PCF funder wishes to acquire an equity stake at market related value
 - The Company is currently operating and meeting its order book obligations
 - We believe that the business rescue process will achieve a better outcome for all stakeholders than a liquidation
-

5 TERMINATION OF BUSINESS RESCUE PROCEEDINGS

The Business Rescue Proceedings can be terminated under the following circumstances:

- The Business Rescue Plan proposed is rejected and proceedings are not extended.
- The court orders the conversion of the business rescue proceedings into liquidation proceedings.
- The BRP concludes that the Company is no longer in financial distress and files a notice of termination of the business rescue proceedings.
- The BRP files a notice of substantial implementation of the approved business rescue plan.
- In terms of the Companies Act, 71 of 2008 (“Companies Act”), should the BRP at any time conclude that there is no longer a reasonable prospect of rescuing the Company, the BRP must advise affected persons and apply to court for an order discontinuing the proceedings and placing the Company into liquidation.

AGENDA

1. WELCOME
2. BUSINESS RESCUE PROCESS
3. REASONS FOR FINANCIAL DISTRESS
4. CURRENT FINANCIAL POSITION
5. OPINION OF THE BUSINESS RESCUE PRACTITIONER
6. PROOF OF CLAIMS
7. COMMITTEES
8. CONCLUSION

6 PROOF OF CLAIMS

- Outstanding amounts for services rendered and goods delivered prior to 10 September 2020, being the date of commencement of business rescue, are subject to the moratorium.
- A claim form will need to be submitted for such amounts - these claims will be reconciled to the Company's records and any discrepancies investigated.
- The claim form is available at the following link: www.fashionX.co.za
- Manual claims can be submitted to the BRP at vanessa@b-inc.co.za
- The payment of these amounts will be dealt with in terms of the business rescue plan
- The Company will respond within a reasonable period on receipt of the claim forms
- Pending acceptance of a disputed or rejected claim, the Company will use its quantum for all calculations

AGENDA

1. WELCOME
2. BUSINESS RESCUE PROCESS
3. REASONS FOR FINANCIAL DISTRESS
4. CURRENT FINANCIAL POSITION
5. OPINION OF THE BUSINESS RESCUE PRACTITIONER
6. PROOF OF CLAIMS
7. COMMITTEES
8. CONCLUSION

7

CREDITOR'S COMMITTEES

- A committee, appointed in terms of s147 of the Companies Act, may:
 - Consult with the BRP about any matter relating to the business rescue proceedings;
 - Receive and consider reports relating to the business rescue proceedings; and
 - Acts independently of the BRP to ensure fair and unbiased representation of creditors' interests.
- It is the view of the BRP that the input of a pro-active creditors' committee will add significantly to the process and will be helpful in achieving the goals set out in the business rescue plan.
- Nominations for the creditors' committee will be called for at the meeting

AGENDA

1. WELCOME
2. BUSINESS RESCUE PROCESS
3. REASONS FOR FINANCIAL DISTRESS
4. CURRENT FINANCIAL POSITION
5. OPINION OF THE BUSINESS RESCUE PRACTITIONER
6. PROOF OF CLAIMS
7. COMMITTEES
8. CONCLUSION

8 CONCLUSION

- The BRP will communicate timeously with all stakeholders, in writing, as required by the Companies Act.
- The secured line of PCF will ensure the continued operation of FXM
- If you have any queries relating to any operational issues, including ongoing trading and payment please continue to engage through the normal channels at FXM.
- For any queries specifically related to business rescue, please do not hesitate to contact us at vanessa@b-inc.co.za