

4 May 2023

CIRCULAR 34

BUSINESS RESCUE STATUS REPORT

THIS DOCUMENT IS A CIRCULAR TO THE AFFECTED PERSONS RELATING TO THE BUSINESS RESCUE PROCESS OF **SERVELEC (PTY) LTD** WITH REGISTRATION NUMBER **1965 / 006007 / 07** IN TERMS OF SECTION 129 OF THE COMPANIES ACT, 71 OF 2008 AS AMENDED (THE ACT).

BUSINESS RESCUE STATUS REPORT FOR THE MONTH OF APRIL 2023 IN TERMS OF SECTION 132 OF THE COMPANIES ACT, 71 OF 2008

Table of Contents

1. INTRODUCTION.....	1
2. DEFINITIONS	2
3. SALIENT FACTS.....	3
4. OVERVIEW OF THE BUSINESS RESCUE PROCESS	4
5. CONTACT DETAILS	7

1. INTRODUCTION

The appointed **business rescue practitioner** of the **business** hereby, as required by the **Companies Act**, provides the creditors, and affected persons with the monthly report on the business rescue proceedings of the business.

The practitioner will provide an update to the status reports on a monthly basis together with the prescribed form to all affected persons in the prescribed manner.

Please read and consider this status report together with all previous status reports and other circulars pertaining to the business prior to the monthly meeting where these reports will be discussed.

2. DEFINITIONS

“**Act**” means the Companies Act 71 of 2008 as amended;

“**Affected Persons**” means affected persons as defined in Section 128 (1) of the Act and in relation to the Company means a shareholder, a creditor and the employees of the Company;

“**Assets**” means all assets of the Business as reflected in the books of account of the Business as at the commencement date;

“**BRP**” means Mr. Quinton Pattinson as a Senior Business Rescue Practitioner and Mr. David Masterton as an Experienced Business Rescue Practitioner as defined in Regulation 126 to the Act;

“**Business Rescue**” means the proceedings in terms of Chapter 6 of the Act and as defined in Section 128 (1)(b);

“**Business Rescue Plan**” means a document which is a business rescue plan prepared in terms of Section 150 of the Act;

“**Claims**” means secured, preferent or concurrent claims as envisaged in the Insolvency Act, against the Business, the cause of action in respect of which arose, prior to or on the commencement date, of whatsoever nature and from whatsoever cause, including claims, arising from contract or delict, actual and contingent, prospective, conditional and unconditional, liquidated and unliquidated, assessed and unassessed and whether or not due for payment of performance, specific or otherwise, and including all claims arising out of any agreements entered into by the Business on or prior to the commencement date, all such claims to be determined, calculated and admitted as secured, preferent or concurrent in accordance with the same ranking, as envisaged in the Insolvency Act, that attached to them upon the issue of a winding up order in respect of the Business, whether or not such claims are proved;

“**BR 360**” means Business Rescue 360 Cape (Pty) Ltd which contracts Quinton Pattinson and David Masterton as the Business Rescue Practitioners to the Company;

“**Creditor/s**” means all legal entities, including natural persons, having secured, preferment and/or concurrent claims against the Business as at the commencement date as envisaged in the Insolvency Act;

“**Concurrent Creditors**” means creditors having concurrent claims as envisaged in the Insolvency Act;

“Corporation/Business” means Servelec (Pty) Ltd (in business rescue), a Company duly incorporated company in terms of the Laws of South Africa under registration number 1965 / 006007 / 07;

“Commencement Date” means **29 March 2022** being the date upon which the resolution to voluntarily begin with business rescue proceedings was filed with the Commission;

“Commission” means the Companies and Intellectual Property Commission of South Africa which is a division of the Department of Trade and Industry and is responsible for the register of companies in South Africa;

“Director” means
 Vivien De Lange (ID no – 751007 5041 088) (Managing Director)
 Victor Vukile Zwane (ID no – 770327 5652 081) (Director)

“Disputed Claim” means a claim that was submitted, but not approved by the practitioner. These claims will be confirmed or amended prior to distribution.

“Insolvency Act” means the Insolvency Act 24 of 1936 as amended;

“Legal Moratorium” means the moratorium granted by section 133 of the Act in terms of which no legal **action** against the Business can be commenced;

“Proceedings” means business rescue proceedings as provided for in Chapter 6 of the Act;

“Secured Creditors” means creditors having secured claims as envisaged in the Insolvency Act;

“Substantial Implementation” means in terms of section 132(2)(c)(ii) of the Act, the notice that is to be filed by the BRP confirming that a Business Rescue Plan has been implemented;

3. SALIENT FACTS

2.1	BRP’s	:	Mr Quinton (Pat) Pattinson as Senior Business Rescue Practitioner and Mr David Masterton as an Experienced Business Rescue Practitioner
2.2	The Business	:	Servelec (Pty) Ltd
2.3	Registration No	:	1965 / 006007 / 07
2.4	Published to	:	https://pattinson.biz/document-library
2.5	Displayed at	:	The registered offices of the Business being 9 Brassel Street, North End, Port Elizabeth, Eastern Cape, 6056

2.6	Distributed to	:	The affected persons and the CIPC via Email.
-----	----------------	---	--

4. OVERVIEW OF THE BUSINESS RESCUE PROCESS

3.1	29 March 2022	:	Business Rescue Resolution passed
3.2	29 March 2022	:	Resolution adopted by CIPC
3.3	05 April 2022	:	Business Rescue Practitioners Appointed
3.4	11 April 2022	:	Business Rescue notice submitted to affected persons
3.5	20 April 2022	:	First meeting of Creditors and Staff
3.6	20 April 2022	:	Second meeting of Creditors
3.7	31 May 2022	:	Third Creditors Meeting
3.8	4 July 2022	:	Fourth Creditors Meeting
3.9	5 August 2022	:	Fifth Creditors Meeting
3.10	September 2022	:	Business Prospectus Sent to Creditors
3.11	September 2022	:	Invite sent to participate in public auction of certain assets
3.12	7 November 2022	:	7 th Creditors Meeting
3.13	26 January 2023	:	Circulated an update on the BR process to the affected persons
3.14	13 February 2023	:	Eighth Creditors Meeting
3.15	24 April 2023	:	Published BR Plan to affected persons

5. UPDATE

Repeat per previous Notices

At the first and second meeting of creditors, the practitioners introduced themselves and the rest of the business rescue team. They gave their initial reports to the creditors regarding the business and their belief that a reasonable prospect of a successful rescue does exist. The fees of the practitioners were also discussed, a full breakdown of same can be found on the practitioner's website under circular 05 which has the outcome of the 2nd meeting of creditors.

The practitioners have at the date of this report, implemented various operational improvement measures for the business to focus on which will see a measurable increase in overall profits generated and simplify many processes that are currently taking up far too much time and are not effective.

The practitioners have also engaged various potential investors for the business as it is believed based on the initial findings that an investment may be necessary to secure the future of the business.

At the 4th meeting of creditors, further update was given regarding the financial position of the business. It was also confirmed that the business has a spidersweb of interconnected parties that needs to be resolved in order to correctly allocate debt obligations. It is clear that certain claims that are being

submitted to Servelec (Pty) Ltd. Are not intended for that business and should in fact be allocated to one of the other connected entities. The practitioners are in the process of dealing with this confusion.

The practitioner requested an additional extension for the publication of the business rescue plan for the reason stated above and the time required to complete the task and resolve the issues.

As can be noted from the above creditor's information, the indebtedness of the business has decreased significantly since the inception of the business rescue proceedings. This has happened in a variety of ways but largely due to the cession of book debt that is validly held by Standard Bank as security for their indebtedness. Other manners in which the indebtedness of the business has decreased is by means of an adjudication process whereby the practitioners have reviewed all claims received and have compared them to the accounting records of the business and have accordingly resolved any disputes that have arisen as a result.

It is also clear from the above financial information provided that the business continues to experience the cash flow problems by means of the one month showing a profit and the next month showing a loss as this is the direct result of buying materials on a COD basis and having to sell on terms, which has been a major hindering factor for this business and the business rescue process.

A further extension was requested at this time for the completion of AFS, preparation of an investor prospectus and to allow time for the potential investors to do proper and adequate due diligence.

The abovementioned investor prospectus has since been drafted, and sent out to potential investors. This has also been sent out to all creditors in an effort to secure as many possible offers for investment into the business so that the best fit can be selected for the company.

At the last creditors meeting, the practitioner also made mention of certain assets that are of no benefit to the company and are currently only seen as liabilities, permission was requested to sell off these few identified assets, with was subsequently granted. A notice was sent to all affected parties as to the manner in which these assets would be sold off (public auction). An invite was also sent to all affected persons who might wish to attend this auction.

There was little material change to the stance of the business rescue process during the month of October. The practitioner did however call for a further creditor's meeting early in November in order to discuss the process with the affected parties.

The meeting took place on the 7th of November where the practitioner gave an update on the current stance of the business rescue process. To date, the biggest struggle has been locating a solid investor who will be able to lead the business through its continued turnaround strategy. As discussed previously, the business does not appear to be in a position to turn itself around organically and thus the need for an investor, or even a buyer for the business

in order to make a meaningful contribution towards historic debt of the business and to secure the future of the business going forward. This was discussed at length during the meeting and as always a circular was sent out, so should any creditor require specifics, they are welcome to view circular 20.

There have been no material changes for Servelec since the last update was given. With regards to the search for an investor, the search is ongoing. There is a potential buyer/investor for the business, and this will be updated to the creditors as soon as there is an offer made. The full details will of course be included in the business rescue plan so that the creditors have an apt idea of what the full deal will entail and will be able to accurately apply their minds in the voting process.

The update, as sent out to the affected persons was that an investor had been found that would be willing to put in PCF into the business and as a result we would be convening another creditors meeting soon to discuss the options available and the proposed offer and what the creditors may want to see in addition to what has been presented.

At the eighth creditors meeting, the practitioners were present to address the creditors and to give a further update on the rescue process.

The practitioners gave additional information pertaining to the investor and the potential offer that was to be made by said investor and gave a proposed date for a draft offer letter to be received from the investor. After which, the practitioners would promptly finalise the business rescue plan and publish same to the affected persons for perusal and then voting.

The draft offer letter was received from the investor and was again discussed with some key decision makers for scrutinizing and potential approval.

The business continued to operate throughout this entire process and made good strides in getting to a position where the practitioners are confident a rescue plan is imminent and will be published shortly.

Update for the Month of April:

The business rescue practitioner, and their team worked diligently with the affected persons, the investors, key decision makers in the business and other stakeholders to successfully publish a proposed business rescue plan to the affected persons on the 24th of April 2023. The meeting to vote has been called for the 5th of May 2023 in terms of Section 151 of the Act. The outcome of this meeting will be circulated to the affected persons and a follow up status report will be delivered to the CIPC come the beginning of June 2023 should the business remain in rescue.

Should you wish to check the full details of the meetings held, resolutions published, notices, and any other business rescue documentation, all of this information is freely available at the website <https://pattinson.biz/document-library>

6. CONTACT DETAILS

If there are any affected persons who require further information, please feel free to contact Quinton Pattinson via email at patp@businessrescue360.co.za.

**Companies and Intellectual Property Commission
Republic of South Africa**

Business Rescue Status Report

Form CoR 125.1

About this Form

- This form is issued in terms of section 132 and 141 of the Companies Act, 2008, and Regulation 125 of the Companies Regulations, 2011.
- This Notice and the attached report must be published to every affected person, and to-
 - a) The Commission, if the business rescue proceedings were started by the company; or
 - b) The court, if the proceedings were ordered by the court.
- A report and Notice must be issued at the end of the first three months of the business rescue proceedings, and at regular monthly intervals after that

**Contacting the
Commission**

The Companies and Intellectual Property Commission of South Africa

Postal Address
PO Box 429
Pretoria
0001
Republic of South Africa
Tel: 086 100 2472

www.cipc.co.za

Date: 4 May 2023

Customer Code: 45445P

Concerning

(Name and Registration Number of Company)

Name: Servelec (Pty) Ltd

Registration No: 1965 / 006007 / 07

The above-named company commenced business rescue proceedings on 29 March 2022.

Because the business rescue proceedings have not concluded within three months, the appointed business rescue practitioner provides the attached report in terms of section 132 (3).

Name and Title of person signing on behalf of the Practitioner:

Quinton (Pat) Pattinson Senior Business Rescue Practitioner

Authorised Signature:

