

CIRCULAR 28

THIS IS A CIRCULAR TO ALL THE AFFECTED PERSONS OF **SERVELEC (PTY) LTD** RELATING TO THE OUTCOME OF THE 8TH MEETING OF CREDITORS, HELD IN TERMS OF THE COMPANIES ACT, 71 OF 2008 AS AMENDED (THE ACT).

OUTCOME OF THE 8TH MEETING OF CREDITORS

The business rescue practitioner wishes to advise all the affected parties of the outcome of the 8th meeting of creditors held on the **13th of February 2023**.

Mr Pattinson welcomed the attendees and notified the attendees that the meeting would be recorded and a circular pertaining to the outcome of the meeting will be circulated to the affected persons.

Update on the business

The business has made great strides throughout the business rescue process, the business is currently showing an invoice based profit. We are however still in the same cash flow cycle problem, in that we are buying on COD and selling on account. A special thank you to the creditors who have continued to support the business during the BR process and to those who have assisted by continuing to support on account.

As mentioned before, the business does not have a route to an organic turnaorund as the repayment period would simply be too long.

Possible Investor and the plan

With an organic turnaround not being an option for Servelec, it has been decided to look for an investor who will be able to put some money into the business. In terms of the Wedgewood case, it is not possible to have a mystery investor in terms of a business rescue process.

As expressed throughout the process, we have had some difficulties with potential investors who have seemed as though they would invest but then withdrew their interests. We currently have a potential who has proof of funds and has made a formal intent of purchase but is in the final stages of their due diligence in the matter.

The practitioner introduced Mr Boucher, the potential investor to the creditors so that he could give a formal update. Mr Boucher gave a brief update and confirmed that he is in negotiation with the banks with regards to terms and has confirmed that some funds will be available for the settling of creditors over 24-months and have agreed with SARS to make arrangements with them going forward.

It is envisaged that the due diligence process would be completed as soon as early March 2023 and further feedback will be provided as soon as a more formal update can be provided.

As soon as the final proposal and offer is received from the investor, we will publish a business rescue plan within a week of receiving same. This means that we are looking at an extension of about 3-4 weeks from date of the meeting. – Potentially around the 20th of March 2023 (subject to all commitments being met)

Questions

- Has a formal offer been made and accepted?
 - o In Business rescue, the offer will be made and “in principle” accepted by the directors and the business rescue practitioner. However, for this offer to become binding and in full force and effect, it needs to form part of the business rescue plan and be considered and voted on by all affected parties. There are many ways in which an offer to invest/purchase differs in a business rescue process as opposed to the ordinary course of business, but this is one of the major ones.

- Why is the investor negotiating with the bank and staff and SARS?
 - o The practitioner explained that in such a situation, the practitioner is not responsible to assist the investor with securing the funding for the investment to be made. With regards to the negotiations with staff and SARS, Mr Masterton has assisted the investor in these “discussions” rather than negotiations regarding the current indebtedness and the best way to settle these debts going forward.

- Will the offer for investment settle the current post-business rescue debt that Servelec currently have? What other debts will be settled by this investment?
 - o The majority of the post-br debt is already being covered by post-commencement finance or project based finance. Should there however be any post-br debts that have not been settled in the ordinary course of business or that are not subject to an arrangement – these will be settled first out of the investment funds before any pre-br debts.
 - o This was further elaborated on and it was mentioned that this includes the SARS post-br debt. There are already arrangements in place with SARS for the repayment of the post-br indebtedness and as mentioned before, the business is currently in a position to be making regular payments towards same.

- Will the pre-br creditors be anticipating a compromise on their debts or will they be settled in full?
 - o The practitioner confirmed that at this point and without all the exact figures in front of him, it is nearly impossible to give an accurate answer as to what is to be anticipated. It is however, in the practitioners professional opinion, a near certainty that some form of compromise will be anticipated as the indebtedness of the business exceeds the actual value of the business and for an investor to put more money in than what the asset is worth is non-sensical from an investment point of view. The full details of the investment, the proposal, any anticipated compromises and the likes will be contained in the proposed business rescue plan.

All forms and circulars relating to the Business Rescue process for Servelec (Pty) Ltd can be accessed at <https://pattinson.biz/document-library>