

11 August 2022

CIRCULAR 12

THIS IS A CIRCULAR TO ALL THE AFFECTED PERSONS OF **SERVELEC PTY LTD** RELATING TO THE OUTCOME OF THE 5TH MEETING OF CREDITORS, HELD IN TERMS OF THE COMPANIES ACT, 71 OF 2008 AS AMENDED (THE ACT).

OUTCOME OF THE 5TH MEETING OF CREDITORS

The business rescue practitioner wishes to advise all the affected parties of the outcome of the 5th meeting of creditors held on **5th of August 2022**.

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.

Statement of Profit and Loss

	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Tot Actual
Revenue	1 070 649	4 496 108	3 524 162	1 878 411	2 631 325	1 553 518	15 154 174
Cost of Sales	1 630 175	3 919 980	3 311 039	1 656 635	2 118 695	1 366 217	14 002 742
	-559 526	576 127	213 123	221 776	512 630	187 301	1 151 431
Other Income	75 535	110 175	46 541	37 424	11 723	121 191	402 590
Other Expense	176 703	184 369	171 451	185 719	159 421	157 307	1 034 970
Practitioners' Expense	-	-	-	80 305	97 250	135 926	313 481
Finance Cost	96 271	86 423	74 604	52 916	52 890	47 254	410 359
	-756 965	415 510	13 609	-59 740	214 792	-31 995	-204 788

The practitioner confirmed that at the time of the meeting, it is clear that the cash flow of the business goes up and down in cycles. This is due to the problem explained – the fact that the business is buying on COD basis and is selling on payment terms. This means that even though the business invoices more in a single month, the cash flow only becomes available 30-60 days later. Then the profits shown in the next month are used to generate new business and in turn generate more profits.

This is illustrated above by means of the months showing profit, and the next showing a loss. We are however happy to note that the months where the business is still showing a loss, that these losses have become smaller.

This is due to the implementation of various corrective measures and improvements to standard operating procedures.

Creditors Information

Secured Creditors	9	R	5 144 319,01	R	-
Concurrent Creditors	31	R	4 472 469,79	R	1 615 285,78
Post Commencement Finance	-	R	-	R	-
Disputed Secured Creditors	5	R	3 067 760,18	R	55 794,42
Disputed Concurrent Creditors	-	R	-	R	-
Disputed Post Commencement Finance	-	R	-	R	-
Total	45	R	12 684 548,98	R	1 671 080,20

As shown above, the original claims received against the business were in the region of R16 million, but this has been reduced to the R12 684 548.98 as above due to the scrutinization of the creditor's claims and the adjudication process.

The amount has also been reduced by the cession of funds to Standard Bank in terms of their cession agreement and therefore this cannot be construed as a prejudice in favour of one creditor.

Potential Investors

There have been 7 verifiable investors who have genuine interest in potentially investing in the future of Servelec.

Some of the offers/suggestions received from potential investors were discussed in the meeting and the practitioner confirmed that an offer can only be accepted if voted for in terms of the business rescue plan, no mystery investor may play a role in business rescue and the full terms of any such investment will be detailed in the business rescue plan for the creditors to consider before voting thereon.

Should the creditors be aware of any other potential investors into the business, please feel free to make contact with the practitioner directly.

Why request an Extension?

Pat Pattinson

BR360

Why Request Additional Extension

Clear that business needs investor
AFS not yet completed
Needs to prepare and provide Prospectus and NDA
Investors needs time for due Diligence
Wedgewood - No mystery investor


Turnover	40.08%
Expenses	-10.34%

May 2022

- 5 Projects
- Behind on 5

June 2022

- 7 Projects
- Behind on 1




Pat Pattinson

BR360

Why Request Additional Extension

- Access to Bank Account to fund operations
- Resolve spider-web of connected parties
- Details pertaining to collection of loan accounts
- Feedback from accountant re: current stance
- Only received 45 claims from 127 Creditors
 - Disputed Claims to be resolved
- Resolve claims between Servelec – Servelec Holdings and Servelec Electrical Assemblies
- Disputes around cross securities of entities
- Prepare Investors Prospectus
- Updating and finalising management accounts
 - Complete 2022 AFS's
- Investors to Complete Due Diligence
- ~~Stipulated timelines relating to Section 189 retrenchment process~~



The practitioner discussed the above. The need for an investor is clear - an organic turnaround is clearly possible but will take a long time and the best interests of the creditors and all affected persons will be better served if the matter is resolved in as swift a manner as possible. Should any investor however be interested in investing in this business, they will require time to complete a proper due diligence, the practitioner confirmed that a prospectus has been completed for potential investors to review.

The practitioner also noted the positive changes with regards to the current projects of the business and made mention of the fact that the business is no longer behind on most of the projects. The business is operating at full capacity

and the only delay on the single project is also outside the control of the business.

Request for an extension

Based on the discussions had in this meeting, it is proposed that another meeting similar to this one is held on the 7th of September 2022 so that we can provide further feedback to assist in the drafting of a business rescue plan.

At this meeting, if required, the practitioner will ask for further extension on the publication date for the business rescue plan. Should that extension not be granted, the business rescue plan will be due for publication no later than 10 business days after the meeting

A unanimous vote was achieved in this regard and therefore the next meeting will be on the 7th of September 2022 where a further update will be given.

Questions and Comments

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

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