

27 September 2022

CIRCULAR 16

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 AUGUST 2022 IN TERMS OF SECTION 132 OF THE COMPANIES ACT, 71 OF 2008

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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.
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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

5. FINANCIAL SITUATION

	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
	<u>-559 526</u>	<u>576 127</u>	<u>213 123</u>	<u>221 776</u>	<u>512 630</u>	<u>187 301</u>	<u>1 151 431</u>
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
	<u>-756 965</u>	<u>415 510</u>	<u>13 609</u>	<u>-59 740</u>	<u>214 792</u>	<u>-31 995</u>	<u>-204 788</u>

Trade Creditors : R16 m (127 Creditors/37 claims received)

Secured Claims (9) : R 5 144 319,01

Concurrent Claims : R 2 659 028,72

Disputed Claims : R 3 061 650,51

(Wrong entity – not secured – amounts don't correspond – claiming for additional and "potential" debt)

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

6. UPDATE

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 a investor prospectus and to allow time for the potential investors to do proper and adequate due diligence.

Should you wish to check the full details of the meetings held, all minutes and outcomes of these meetings is on the website at <https://pattinson.biz/document-library>

7. 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: 27 September 2022

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:

