

11 November 2022

CIRCULAR 20

THIS IS A CIRCULAR TO ALL THE AFFECTED PERSONS OF **SERVELEC PTY LTD** RELATING TO THE OUTCOME OF THE 7TH MEETING OF CREDITORS, HELD IN TERMS OF THE COMPANIES ACT, 71 OF 2008 AS AMENDED (THE ACT).

OUTCOME OF THE 7TH MEETING OF CREDITORS

The business rescue practitioner wishes to advise all the affected parties of the outcome of the 7th meeting of creditors held on **7th of November 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.

Creditors Information

SUMMARY BY CREDITOR ACRONYM		Count	Amount Due	%
SC	Secured Creditors	9	R 2 659 122,49	31,06%
CC	Concurrent Creditors	32	R 3 501 029,70	40,89%
PC	Post Commencement Finance	-	-	0,00%
D-SC	Disputed Secured Creditors	6	R 2 402 083,65	28,05%
D-CC	Disputed Concurrent Creditors	-	-	0,00%
D-PC	Disputed Post Commencement Finance	-	-	0,00%
TOTAL		47	R 8 562 235,84	100,00%

As shown above, the original claims received against the business were in the region of R16 million, but this has been reduced to the R8 562 235.84 as above due to the scrutinization of the creditor's claims and the adjudication process.

The amount has also been further reduced as illustrated in the image above, 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.

Currently, there is an agreement in place with Standard Bank regarding the usage of the cession funds, but as discussed during the meeting this will be looked at and addressed accordingly.

It must also be noted that the shareholders loans have also been excluded from this list as these loans will be subordinated to the rest of the creditors claims and will not be paid as part of the initial repayment schedule.

Since the Filing for Business Rescue: Debtors vs Creditors

Creditors currently = R4 624 049.65 and Debtors = 10 051 783

Showing clearly that currently, the business has more debtors than it does creditors. This is causing some severe problems such as;

1. The inability to pay SARS in full for post BR indebtedness (to the tune of around R1.4m)
2. Directors have not been paid in full for at least the last 3 months
3. Practitioners have not been paid at all for the last 3 months

The situation of waiting for debtors to pay the business is currently what is causing the cash flow constraints.

Possible Investors:

As confirmed in the previous meeting, the business is actively looking for an investor as an ordinary organic turnaround will simply take too long. Three investors have officially commenced with a due diligence (have signed NDA's and have been provided with the business prospectus) and others are awaiting some more information. We need to remain patient with the investors so that they can make an informed decision with regards to investing in the business.

Request for an extension

Based on the discussions had in this meeting, it is proposed that the business rescue plan is published on the 5th of December 2022.

A unanimous vote was achieved in this regard and therefore the business rescue plan will be published on the 5th of December 2022.

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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