

24 August 2023

CIRCULAR 05

THIS DOCUMENT IS A CIRCULAR TO THE AFFECTED PERSONS RELATING TO THE BUSINESS RESCUE PROCESS OF **MACHINECORP DIESEL (PTY) LTD T/A JEG DIESEL** IN TERMS OF THE COMPANIES ACT, 71 OF 2008 AS AMENDED (THE ACT).

OUTCOME OF THE 2ND MEETING OF CREDITORS

The business rescue practitioners¹ wish to advise all the affected parties the outcome of the 2nd meeting of creditors of **MachineCorp Diesel (Pty) Ltd t/a JEG Diesel** (Herein after referred to as “JEG Diesel” or “The Business”) - held on 23 August 2023.

Mr. Durandt gave a brief introduction of the Business Rescue team and welcomed all of the affected persons to the meeting.

REASONS FOR THE FINANCIAL DISTRESS:

Mr. Durandt commenced the meeting and confirmed per the first meeting of creditors what the reasons were for the company experiencing financial distress. These are, amongst others:

1. COVID – 19 effects (Such as inability to obtain spares)
 - a. Availability of spares became a big problem. Resulting in purchasing from suppliers at above-average prices. Increase in operational costs as a result – declining margins (causing a cash flow problem).

2. Moved away from doing pumps & Injectors which used to be the core focus of the business – shifted to more focused-on servicing of vehicles.
 - a. Services provided smaller margins, continued cash flow problem.

¹ Jaco Durandt, Junior Business Rescue Practitioner and David Masterton, Experienced Business Rescue Practitioner.

3. Some operational issues have been identified and are in the process of being addressed.

INFORMATION PROVIDED:

- **Liabilities**

- A detailed list of the liabilities/creditors of the business will be provided in the proposed business rescue plan – below will be a list of the creditors who have submitted claims in terms of the claims procedure thus far.

- **Debtors**

- This information has been received and is being carefully reviewed, any debtors that are outside of their payment arrangements will immediately stop being serviced and assisted until accounts are brought up to date. A tighter grip is being placed on granting of any form of credit, and as the business is operating on a COD basis during rescue – we have started to insist on COD wherever possible.

David Masterton & Jaco Durandt

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Important Dates

Board Resolution Submitted	:	30 June 2023 (133 Protection date)
Practitioners Appointed	:	3 July 2023
1 st Meeting of Creditors	:	13 July 2023
2 nd Meeting of Creditors	:	23 August 2023

RESCUE TO DATE:

1. The practitioners have during their Section 141 investigations into the affairs of the business noted the following concerns and have made meaningful strides towards the resolution thereof:
 - 1.1. The need to get back to the work that was being done before the Covid-19 years such as the pumps and injectors.
 - 1.1.1. As a result, the practitioners have approved PCF for the upgrading of the pump room so that this type of work may be done efficiently again.
 - 1.1.1.1. The practitioners would again like to thank the shareholders who have continued to support the process by means of providing this PCF.
 - 1.2. As a follow on from the above, the practitioners have approved and adopted a new marketing strategy and schedule which will assist in the increase in this type of work.
 - 1.2.1. Unfortunately, due to the Taxi Strike in Cape Town in August, these marketing efforts did not yield the return as expected and we are unable to state sufficiently whether or not these marketing efforts have made a substantial difference in the turnover and operations of the business.
 - 1.3. The practitioners have spoken to various suppliers during the course of the business rescue process and are enlightened to note that many of these suppliers expressed their willingness to continue to support the business throughout the rescue process.
 - 1.3.1. Discussions are ongoing and certain suppliers will still need to be contacted as the shift from servicing of vehicles is brought about and the implementation of continued pump-room work is brought back.
 - 1.4. Lastly, during the practitioner's investigations into the affairs of the business, further inspection of the Yoco loan agreement was done. The loan is of course note favourable for the business in terms of the rescue process and the continued operations as it limits the cash flow even further – over and above the issues already being experienced.
 - 1.4.1. Upon reviewing the agreement, it was however determined that we are unable to suspend the agreement, and we are further obliged to uphold the terms of the agreement throughout the rescue process.
 - 1.4.2. A priority for the practitioners at this stage, would be to find a manner in which this loan can be settled. The loan, albeit not the largest portion of the debt, is by far the biggest inhibitor of cash flow in the business as approximately 15% of total turnover is absorbed by the structure of the agreement.

1.4.3. Additional information will be presented on this topic at the next meeting of creditors and the manner in which the loan will be settled/addressed will be contained in the proposed business rescue plan once it is published.

1.5. A rather substantial information request was received from SARS and was discussed very briefly during the meeting and again afterwards. This information will be presented to SARS as per their request – majority of which will in any event be included in the proposed business rescue plan.

RESCUE GOING FORWARD:

1.1. Mr. Masterton further confirmed the new direction that the business will be adopting in terms of the type of work that will be pursued. The type of work being that which is concluded in the pump room – the margins of which are far more favourable for the business and its future. This approach will of course be detailed in the proposed plan at length.

1.2. As an ongoing process, Mr. Masterton has assisted the business in building and maintain some key/strategic relationships within the industry – such as with clients and the aforementioned suppliers.

1.3. The business has received and continues to receive PCF from the shareholders of the business and these funds have been used to pay post-rescue rent, paying for the purchase of spares, marketing efforts and continued upgrades to the pump room so that the type of work sought will be able to be completed in an effective manner.

1.4. Mr. Masterton is furthermore assisting in great deals with the continued marketing efforts. The business is currently looking for an experienced technical sales person to assist in driving sales and work through the pump room – as mentioned, servicing work will not be turned away if presented, but it will no longer be the primary focus of the business to the detriment of the higher yielding portions of work.

REQUEST FOR AN EXTENSION

1. The plan is currently due to be published on the 6th of September 2023.
2. Based on the discussions had in this meeting, it is proposed that another meeting similar to this one is held on the 27th of September 2023 so that the practitioners can provide further feedback to the creditors. At this meeting, the practitioners will request a further extension if required and should this not be granted, the plan will be due within 10 business days thereafter.
3. A unanimous vote was achieved in this regard and therefore the next meeting will be on the 27th of September 2023 where a further update will be given, and further extensions be given should it be necessary.

PROOF OF CLAIMS

1. The practitioners confirmed that Jaco has sent out the proof of claim forms and these proof of claim forms must be completed and returned to him on the prescribed document. Same is also available – along with all other documentation relating to the business rescue – on the website of the practitioners at <https://pattinson.biz/> under the “Business Rescue” tab at the top right of the page.

CLAIMS HAVE BEEN RECEIVED FROM THE FOLLOWING CREDITORS:

1. Should your name not be on the list below, this means that a claim has not been received by the practitioners and you should please submit one soonest, on the prescribed form as mentioned above.

Brandwacht Diesel and Turbo
Alert Engine Parts
ABSA Checque Account (4093066166)
ABSA Credit Card (4570 2300 7040 0010)
ABSA Mortgage Loan (8079733000)
MIBCO

VMS Direct
Cape Auto Electric
Marchios Service Station
Diesel-Electric
McKenzies Diesel
Automotive Dynamix Engine Rebuilders
Motus Ford Paarden Eiland
SARS

Kind Regards

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