

MERODA FOOTWEAR (PTY) LIMITED **(IN LIQUIDATION) - *"The Company"***

MASTER'S REFERENCE NUMBER : C170/2011

LIQUIDATORS REPORT TO BE SUBMITTED AT A SECOND MEETING OF CREDITORS AND CONTRIBUTORIES TO BE HELD BEFORE MASTER OF THE WESTERN CAPE HIGH COURT, CAPE TOWN, ON FRIDAY 15 JULY 2011 AT 9H00 IN TERMS OF SECTION 402 OF THE COMPANIES ACT NO 61 OF 1973, AS AMENDED.

ORDERS OF COURT AND MEETINGS

The Company was, at the instance of Mervyn Lester Bloom, placed in Provisional Liquidation by Order of the Western Cape High Court, Cape Town, on 18 February 2011 which Order was made final on 31 March 2011. The undersigned were appointed as Joint Provisional Liquidators by the Master of the Western Cape High Court, Cape Town, on 3 March 2011.

Two claims amounting to R6,461,619.75 were admitted to proof at the First Meeting of Creditors which was held before the Master of the Western Cape High Court, Cape Town, on 27 May 2011. The undersigned were nominated for the appointment as Liquidators and duly appointed by the Master of the High Court on 27 May 2011.

FORMATION OF THE COMPANY

The Company was incorporated on 29 April 2002 under Certificate of Incorporation Number 2002/010003/07.

CAPITAL STRUCTURE

The authorised share capital of the company is R1,000 divided into 1,000 ordinary shares of One Rand each, of which 540 have been issued.

REGISTERED OFFICE

The registered office of the company is at 5TH Floor, SA Reserve Bank Building, 60 St George's Mall, Cape Town.

DIRECTORS, AUDITORS AND SECRETARY

The directors of the Company as at the date of Provisional Liquidation were Judith Bloom and Mervyn Lester Bloom.

The Auditors of the Company were H Tarley and Company.

NATURE OF THE BUSINESS OF THE COMPANY

The Company was engaged in the manufacture of fashion shoes for ladies. Initially the Company was a small factory making ladies unconstructed sandals with a staff complement of 65. In 2010, the Company started manufacturing leather sandals for Woolworths and as a result increased its staff complement to 150 to meet the demands of its client. The factory premises were situated at 9, 16th Avenue, Maitland. The Company also ran a small factory shop at nearby premises being at Unit 1 of the complex on the corner of 10 Dapper Road and 17th Avenue, Maitland. The factory shop sold all completed shoes that did not meet Woolworths' quality requirements.

CAUSES OF THE FAILURE OF THE COMPANY

At the time that the Company started manufacturing goods for Woolworths, it was becoming increasingly difficult to compete with the Chinese imports, which were being landed here at considerable lower costs than was being produced by the Company. As a result, the Company was obliged to cut costs and increase production. This proved extremely difficult and in addition, staff absenteeism was running at almost 20% per day. Staff were taking extended toilet and smoke breaks and all of the above led to the decline of good workmanship which resulted in the return of finished goods from the customer due to quality issues.

Numerous attempts were made by the Company to rectify the increasing staff issues by negotiating with both the Unions and the employees themselves. Unfortunately, all efforts failed.

ASSETS AND LIABILITIES

The Statement of Affairs (Form CM 100) has not been lodged but from information made available to the undersigned it would appear as though the Company's financial position as at the date of its provisional liquidation was approximately as follows.

ASSETS

MOVABLE ASSETS		NOTE	VALUATION / REALISATION
- Stock	Realisation value	1	114,000
- Equipment and Machinery	Realisation value	2	706,365
- Debtors		3	Unknown
- Insurance Policy		4	200,000
TOTAL ESTIMATED VALUE OF ASSETS			R1,020,365

LIABILITIES

<u>Secured Creditors</u>			
- The Robart's Flagship Trust		1 & 2	9,000
- Central Properties (Pty) Limited		2	45,000
- ABSA Bank Limited		2	430,000
- Nedbank Limited		2	330,000
- Absa Bank Limited		3	6,428,000
<u>Preferent Creditors</u>			
- Staff			34,000
- South African Revenue Service			Unknown
- Workmens Compensation			Unknown
<u>Concurrent Creditors</u>			
- Trade Creditors			5,000,000
- Loan from M Bloom			1,500,000
TOTAL LIABILITIES			R13,776,000

NOTES

- On 22 March 2011, the undersigned made application to the High Court for an extension of their powers to enable them to, inter alia, sell the assets of the Company. Pursuant thereto, the branded Woolworths shoe stock was sold by private treaty. This stock is subject to a landlord's legal hypothec in favour of The Robart's Flagship Trust.

2. The Company's equipment, machinery and leather sheets were sold by public auction on 5 May 2011. These assets are subject to a landlord's legal hypothec in favour of both Central Properties (Pty) Limited and The Robart's Flatship Trust. Some of the assets are also subject to instalment sale agreements in favour of ABSA Bank Limited and Nedbank Limited.
3. The debtors records were stored on the Company's computer systems. We have subsequently transferred the data onto an external system to extract the information required. We are in the process of obtaining the necessary software applications to produce the debtors records. The recoverability of the debtors book is unknown. The debtors book is ceded to ABSA Bank.
4. It would appear that the Company is the owner of a Universal Lifestyle Liberty Policy and we are investigating whether we can surrender this policy for the value reflected above.

REPORT TO THE MASTER

The undersigned will, in due course, be filing a report to the Master of the High Court in terms of Section 400(2) of the Companies Act.

LIABILITY OF DIRECTORS AND OFFICERS

We are still investigating whether any director or officer of the company could be held liable for damages or compensation to the Company or for any debts or liabilities of the Company as provided for in the Companies Act.

PROMOTION, FORMATION AND FAILURE OF THE COMPANY

At this stage the undersigned is not aware of any matter relating to the promotion, formation or failure of the Company or the conduct of its business which requires further enquiry.

LEGAL PROCEEDINGS

The undersigned is not aware of any legal proceedings pending or threatened at the date of liquidation.

BOOKS AND RECORDS

The Company appears to have kept a record of its transactions which were sufficient to disclose most the information required.

PROGRESS AND PROSPECTS OF WINDING-UP

We will continue realising amounts due by debtors once we have successfully extracted the debtors book from our computer system and we will also continue investigating the possibility of realising the surrender value of the Universal Lifestyle Liberty Policy.

LEASES

Lease agreements in respect of the Company's premises at 9, 16th Avenue, Maitland and Unit 1 of the complex on the corner of 10 Dapper Road and 17th Avenue, Maitland were cancelled by the undersigned.

ESTIMATED DIVIDEND

The landlords, who are secured creditors, will be paid in full in respect of their legal hypothecs. The other two secured creditors, namely ABSA Bank and Nedbank, will receive the nett proceeds arising from the realisation of its security. The preferent creditors should be paid in full and the concurrent creditors' dividend will be dependent on the final amount paid to the preferent creditors.

**DATED AT CAPE TOWN
THIS 7th DAY OF
JULY 2011**

**DATED AT
THIS DAY OF
JULY 2011**

**DATED AT
THIS DAY OF
JULY 2011**



**N GORE
JOINT LIQUIDATOR**

**P CAROLUS
JOINT LIQUIDATOR**

**N CLOETE
JOINT LIQUIDATOR**

MERODA FOOTWEAR (PTY) LIMITED **(IN LIQUIDATION) - "*the Company*"**

MASTER'S REFERENCE NO : C1070/2011

RESOLUTIONS TO BE SUBMITTED AT THE SECOND MEETING OF CREDITORS AND CONTRIBUTORIES TO BE HELD BEFORE THE MASTER OF THE WESTERN CAPE HIGH COURT, CAPE TOWN, ON FRIDAY 15 JULY 2011 AT 9H00

IT IS HEREBY RESOLVED :

1. That the report of the liquidator(s) and his/their actions as referred to therein be and are hereby approved, ratified and confirmed.
2. That the actions of the provisional liquidator(s) and liquidator(s) in engaging the services of attorneys and/or counsel on such matters as he/they found necessary in the administration of the company in liquidation to date, are hereby approved, ratified and confirmed. That the costs thereof be paid out of the funds of the company in liquidation as part of the costs of administration. That the liquidator(s) be authorised to conclude written agreements with their attorneys in terms of the provisions of Section 73 of the Insolvency Act No. 24 of 1936 (as amended) as read with the provisions of the Companies Act No. 61 of 1973 (as amended), dispensing with the need for preparation of bills and the taxation thereof, and that the actions of the provisional liquidator(s) and liquidator(s) in concluding such written agreements to date, are hereby approved, ratified and confirmed.
3. That the liquidator(s) be and is/are hereby authorised to engage whatever further legal assistance he/they may require in the interests of the company in liquidation and that the costs thereof be paid out of the funds of the company in liquidation as part of the costs of administration.
4. That the liquidator(s) be and is/are hereby authorised to institute or defend legal actions in order to collect debts owing to the company or in respect of any other matter affecting the company in liquidation including the holding of enquiries or examinations in terms of the Companies Act, 1973, as amended, or as read with the Insolvency Act, 1936, as amended, as he/they may deem fit, and for such purposes to employ the services of attorneys and/or counsel of his/their choice and to pay the costs out of the funds of the company in liquidation as part of the costs of administration.

5. That the liquidator(s) be and is/are hereby authorised to settle or compromise any legal proceedings whether instituted or to be instituted by or against the company, on such terms and conditions and for such amount as he/they in his/their discretion may deem fit.
6. That the liquidator(s) be and is/are hereby authorised to sell any movable or immovable property of the company in liquidation of whatsoever description and including outstanding debts by public auction, public tender or private treaty in such manner, upon such terms and conditions and for such amounts as he/they may deem fit.
7. That the liquidator(s) be and is/are hereby authorised to consent to the cancellation of any bond passed in favour of the company.
8. That the liquidator(s) be and is/are hereby authorised to agree to any reasonable offer of composition made to the company by any debtor, to accept payment of any part of any debt due to the company in settlement thereof, to grant an extension of time for the payment of any debt and to abandon such amounts due to the company as he/they has/have been unable to recover or dispose of as he/they may deem fit.
9. That the liquidator(s) be and is/are hereby authorised to engage the services of auctioneers or agents to sell the assets of the company in liquidation and to determine the conditions of sale and manner of advertising in his/their discretion.
10. That the liquidator(s) be and is/are hereby authorised and empowered in his/their discretion to compromise or admit any claim against the company, whether liquidated or unliquidated, arising from any guarantee or any other cause whatsoever, as a liquidated claim in terms of Section 78(3) of the Insolvency Act, as amended, at such amount as may be agreed upon between the creditor(s) concerned and the liquidator(s) provided that proof thereof has been tendered at a meeting of creditors.
11. That the liquidator(s) be and is/are hereby authorised to transfer to the purchaser thereof any immovable property sold by the company prior to its liquidation or to agree to the cancellation of any such sale and to re-sell such property or to agree to the substitution of a new purchaser under any existing Deed of Sale.
12. That the liquidator(s) be and is/are hereby authorised to abandon any asset or assets of the company where no purchaser for the asset(s) can be found.
13. That the liquidator(s) be and is/are hereby authorised to terminate leases in respect of premises or of any other object entered into by the company in liquidation.

14. That the liquidator(s) be and is/are hereby authorised to, if necessary, borrow moneys with or without providing security therefor and that the interest payable on such loans shall be paid as costs of administration of the company in liquidation.
15. That the liquidator(s) be and is/are hereby authorised to engage the services of bookkeepers, accountants, auditors or any other person for any purpose in and about the affairs of the company which he/they may require and the costs so incurred to be paid as costs of administration of the company in liquidation.
16. That the future administration of the company be left in the hands of and to the discretion of the liquidator(s).

qq CREDITORS

PRESIDING OFFICER

qq MEMBERS