

A A BALL (PTY) LTD (IN LIQUIDATION)
MASTER'S REFERENCE NUMBER: C727/2001
REGISTRATION NUMBER: 1951/001359/07

LIQUIDATOR'S REPORT TO BE TABLED AT THE STATUTORY SECOND MEETING OF CREDITORS TO BE HELD BEFORE THE MAGISTRATE, GOODWOOD, ON WEDNESDAY, 19TH DECEMBER 2001 AT 9.00 A.M.

ORDER OF THE COURT AND MEETING

The company was placed in provisional liquidation by Order of the High Court of South Africa (Cape of Good Hope Provincial Division), on 3 July 2001 and the Order made final on 15 August 2001.

The statutory First Meeting of Creditors was held before the Magistrate, Goodwood, on 24 October 2001 at which 46 claims were admitted to proof.

Bernard Gutman of these offices was appointed as Provisional Liquidator on 18 July 2001 and Liquidator on 10 December 2001

THE COMPANY'S POSITION AS AT DATE OF LIQUIDATION

Registration Number	:	1951/001359/07
Registered Office	:	5 Howard Studios Howard Drive Pinelands
Directors	:	A R Knight B A Aldridge J D Kreuger
Share capital:		Authorised - 1000 @ R2.00 each Issued - 20 @ R2.00 each

TRADING OPERATIONS

The company carried on the business as a supplier of general engineering supplies to the engineering industry from leased premises at 42 - 44 Chiappini Street, Cape Town.

According to my investigations todate the financial position is as follows :-

ASSETS		R4 390 000.00
Book debts	R2 600 000.00	
Bad & doubtful debtors	R 500 000.00	
Stock (at cost)	R1 200 000.00	
Encumbered fixed assets	R 50 000.00	
Unencumbered fixed assets	<u>R 40 000.00</u>	
LIABILITIES		R9 565 193.59

Shareholders loan	R2 200 000.00
Trade creditors	R4 000 000.00
Commercial Bank: overdraft	R1 633 636.73
Commercial Bank: Instalment Sale	R 33 056.48
Staff: Leave pay	<u>R1 698 500.38</u>

ESTIMATED DEFICIENCY

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R5 175 193.59

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COMMENT ON ASSETS

Book Debts

At the date of liquidation, the company's debts totalled R2 610 000.00. At the time of writing this report, an amount of R2 387 789.52 has been collected. After deducting discounts and crediting some accounts where there were valid queries, the balance of the debtors book is R141 474.24 as at 30th November 2001. I am attempting to collect the remaining debtors. I have handed a number over for legal action and retained the services of one of the company's credit controllers to assist.

I retained the services of a number of staff in order to assist in the collection of the book debt and to assist in the collation and disposal of stock.

Movable assets

The bulk of the company's movable assets was in the form of stock. The stocktake reflected that the stock had a cash price of R3 059 674.00. Included in that amount was stock with a cost price of R1 700 000.00 which had been written down to zero, as, according to the former directors, that stock was redundant and unsaleable.

I attempted to dispose of the stock by inviting offers from the public, placing adverts in newspapers, liaising with other parties in the industry and enlisting brokers to procure purchasers. I only received three written offers, one for R 100 000.00, one for R 175 000.00 and one for R 767 220.00. Included in the highest offer was an amount of R 250 800.00 in respect of a group of items apparently supplied by a creditor who has claimed a reservation of ownership over certain of the goods. The creditor has instituted proceedings against me claiming that the goods do not belong to the company in liquidation and as such I am not permitted to dispose of them. I do not agree with the creditors views and have taken legal advice, which supports my contention that the goods in question fall into the estate and should be disposed of for the benefit of all creditors. It is expected that the legal action will take some time to be resolved. As such , the offer of R 767 000.00 was reduced by the amount attributed to the disputed goods. As the offer is substantially higher than any other offer received, and is higher than the amount expected if the goods were to be sold on auction, I accepted the offer conditional to the appropriate extension of my powers alternatively authorisation by creditors.

The company owned a number of vehicles, all of which are unencumbered. The vehicles were stored at my premises or at local garaging facilities. Below is a list of the vehicles and their appraised values.

LIST OF VEHICLES	APPRAISED VALUE
1996 White Mazda Rustler Bakkie	R12 000.00
1995 Blue Mazda 323 160 Sedan	R10 000.00
1995 Blue Mazda 323 160 Hatchback	R10 000.00
1993 Mazda B1800 Bakkie and Canopy	R 8 000.00
1994 Mazda B1800 Bakkie and Canopy	R10 000.00
1985 VW Jetta CLX	R 8 000.00
1988 VW Golf GTI	R12 000.00
1990 Isuzu KB2500 and Canopy	R10 000.00
1993 Nissan Datsun 1400 Bakkie & Canopy	R 8 000.00
1994 Mazda 323 130	R 8 000.00
1993 Mazda 323 130	R 7 500.00

A number of parties viewed the vehicles and had an opportunity to submit offers. I have received offers for all the vehicles for amounts in excess of the appraised values. As the cost of storage was mounting and the offers were extremely favourable I have accepted the offers subject to the appropriate extension of my powers alternatively authorisation by creditors. Certain vehicles required a minimal amount of repair work in order to be used by the staff I had employed to collect the book debt and I arranged for such repair work to be performed at the company's expense.

The appraised value of the office furniture and equipment was R53 885.00. Included in that amount are the computers and related equipment on instalment sale with Nedbank. A number of parties have viewed the assets and have made offers. We are presently finalising the offers and at this stage it appears that the final offers will total in excess of R 100 000.00, almost double valuation.

COMMENT ON LIABILITIES

I have received the following claims:-

Nedcor overdraft (secured)	R 1 633 636.73
Instalment Sale (secured)	R 33 056.48
Trade Creditors	R 2 028 307.32
Former staff	R 1 698 500.38
Holding company loan (secured)	R 2 469 786.60

CAUSES OF THE COMPANY'S FAILURE

The applicant creditor, DJ Kreuger, indicated the following in his affidavit in support of the Application for Liquidation:-

"7.1 *As aforesaid, the respondent has conducted business in the engineering industry in Cape Town for a half a century. It is a family business.*

- 7.2 Approximately two and a half years ago the building and engineering industry in Cape Town went into, what can only be described as a, recession. The Respondent's turnover started falling and generally the Respondent's business seemed to be suffering. As a consequence of the foregoing, the Respondent, in September 1998, embarked on a cost cutting exercise and down scaled its business. A number of staff were retrenched.
- 7.3 Unfortunately the economic climate in the engineering industry did not improve to any significant extent. The Respondent did however manage to continue conducting its business for approximately a year. However, towards the end of 1999 the Respondent's business started going down hill once more. As a consequence hereof, the directors decided that they would forego their salaries until such time as the Respondent was able to trade itself out of its financial difficulties.
- 7.4 The new millennium did not, however, see an improvement in the Respondent's financial affairs. On the contrary, the year 2000 saw the Respondent's financial problems being exacerbated. The Respondent was excluded from a number of tenders in the engineering industry due to the fact that it is not an affirmable business enterprise. As aforesaid is and always has been a family business. The Respondent's business suffered as a consequence.
- 7.5 The down turn in the economy generally has also resulted in the Respondent's debtors increasing and its bad debt experience worsening. During the first half of this year (2001) the Respondent's bad debts have increased markedly as a consequence of a number of its customers being wound up. This has obviously had a negative impact on the Respondent's cash flow and financial well being.
- 7.6 The final Straw which broke the camel's back so to speak was the winding up of the Namco Group of Companies which was indebted to the Respondent in an amount of approximately R250 000.00 (two hundred and fifty thousand rand).
- 7.7 As a consequence of all the foregoing , the Respondent found itself in financial difficulties and unable to pay its creditors in the ordinary course of its business. In April this year I embarked on an exercise which was designed to save the respondent and its business. Essentially I envisage the introduction of a so-called "white knight" and effecting some kind of compromise with the Respondent's creditors and I annex hereto a copy of that letter as "JDK 1". I respectfully refer this Honourable Court to this letter. On June 4, 2001 I again circularised the Respondent's financial affairs. I annex hereto a copy of this report as "JDK 2".
- 7.8 Unfortunately my efforts in introducing a "white knight" and effecting some kind of compromise with the Respondent's creditors, albeit on an informal basis, were unsuccessful. The process simply took too long. I had thought that I would be successful but realised late last week (the end of June 2001) that the figures simply did not add up and that that demise of the Respondent, whilst regrettable, was inevitable.
- 7.9 Although the Respondent was able to pay its salaries and wages at the end of June 2001 it will not be able to continue conducting its business. The Respondent has for some time been on a cash on delivery basis with its suppliers so as to ensure that the respondent does not incur further debt. However, the Respondent's bankers

have now commenced dishonoring the Respondent's cheques by reason of insufficient funds. The Respondent is therefore unable to source stock and accordingly trade effectively.

7.10 *I accordingly decided, together with the other members of the Aldridge Family that there existed no option other than to approach this Honorable Court for an order winding up the Respondent."*

In my view the above accurately sets out the reasons for the company's failure.

REPORT TO THE MASTER

The report in terms of Section 400(2) of the Company's Act will be submitted to the Master of the High Court, Cape Town, if necessary.

PERSONAL LIABILITY OF DIRECTORS OR OFFICERS

I am not of the view that grounds exist to hold the company's former directors or officers liable to the company or its creditors.

LEGAL PROCEEDINGS PENDING

Apart from the normal recovery of debt the company was engaged in litigation to collect debtors due to it. I will continue with the litigation once authorised at this meeting.

The company was also engaged as the defendant in CCMA hearings. The company successfully defended the matter after liquidation.

FURTHER ENQUIRY

It does not appear that any further enquiry is necessary.

ACCOUNTING RECORDS

The accounting records are in order and I have taken control of same.

PROGRESS AND PROSPECTS OF WINDING-UP

Once the book debts have been collected and the remaining assets sold I will draw a First Account. I will draw a Final Account once all the company's assets have been realised.

DIVIDEND PROSPECTS

The bank should be paid in full from the proceeds of the debts collected. The loan creditor should receive a portion of their claim and a substantial portion of the preferent creditors should be paid. The possibility of concurrent creditors receiving an award is remote.

BERNARD GUTMAN
LIQUIDATOR

DECEMBER 2001
CAPE TOWN