

**CONSOLIDATED NEWS AGENCIES  
(PTY) LIMITED IN LIQUIDATION**  
**("the Company")**

**REGISTRATION NUMBER : 1936/00210/07**

**MASTER'S REFERENCE NUMBER : T3248/2002**

**REPORT of the joint liquidators, JOHN LOUIS CARTER FOURIE, KAREN KEEVY, JOHANNES FREDERICK KLOPPER and Dr WILLIE LEGOABE SERITI in terms of SECTION 402 of the COMPANIES ACT, ACT No. 61 of 1973, as amended, ("the Act"), to be submitted to creditors and contributories at the second meeting of creditors and contributories to be held before the MAGISTRATE JOHANNESBURG, on TUESDAY, 25 MARCH 2003 at 09:00**

**ORDER OF THE COURT AND MEETINGS**

The Company was placed in provisional liquidation by an Order of the High Court of South Africa (Wiatersrand Local Division) on 27<sup>th</sup> July 2002. The effective date of the provisional Order was 24<sup>th</sup> July 2002.

The Master of the High Court, Pretoria, initially appointed Johannes Frederick Kloppe of Hans Kloppe Trustees as Provisional Liquidator and subsequently joined J L C Fourie, K Kevy and W L Seriti as joint liquidators on 1 August 2002.

The provisional order of liquidation was made final on 3 October 2002.

The first meeting of creditors was held before the Magistrate Johannesburg on 03 December 2002.

The provisional liquidators were appointed as final liquidators by The Master of the High Court by virtue of his certificate of appointment dated 13 January 2003

**HISTORY AND INFORMATION OF THE COMPANY**

The Company was incorporated under registration number 1936/007744/07 (formerly 05/07744/07) on 4<sup>th</sup> March 1936.

The Company was previously known as National Bazaars (Pty) Limited and changed its name to its present by virtue of a "Certificate of change of Name" dated and stamped by the Registrar of Companies on 16 March 1998.

The Company is a wholly owned subsidiary of Consolidated News Holdings Limited ("Holdings").

Wooltru Limited held the shares in Holdings since 1998 and thereafter sold its interest in Holdings to Gordon Kay & Associates (Pty) Limited ("GKA") pursuant to a decision by Wooltru to unbundle its various holdings, including their interests in the C N A Group.

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GKA entered into an agreement with Wooltru on 13 February 2001 in terms of which it acquired Wooltru's shares and loan account in Holdings.

**REGISTERED ADDRESS AND POSTAL ADDRESS**

According to the latest CM 22 dated 19 June 2001 the registered address and principal place of business of the Company is situated at C N A Building, 12-16 Laub Street New Centre, Johannesburg, with its postal address at P O Box 10799, Johannesburg, 2000.

**AUDITORS**

The auditors of the Company were Deloitte & Touche, Building 2, 20 Woodlands Drive, Woodmead.

**DIRECTORS**

According to the Company's statutory records and copies of CM 27 documentation provided to the joint liquidators the directors of the Company as at the date of provisional liquidation were as follows:

Mark Lawrence Gordon  
Timothy John William Holden  
Hobart Anthony Kay  
Richard Anthony Brand  
Brian Ernest Leroni  
Clive Gordon  
Alain Jean Pierre Nellisen  
Peter John Scott  
Stephen Charles Thomson  
John Denis Newton (Resigned shortly before liquidation)

**BUSINESS OF THE COMPANY**

The Company conducted the business of a retail chain of stores supplying newspapers, magazines, books, stationery and other commodities in approximately 160 stores throughout South Africa ("the businesses") but described its main object in a special resolution dated 27<sup>th</sup> February 1998 as follows:

*"to carry on the business of all forms of retailing both cash and on credit, warehousing and merchandising, importing and exporting"*

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The most important components of the businesses were:

- ❖ Immovable properties; (interest in subsidiary property holding companies, and not the owner of immovable property in own name)
- ❖ The fixed assets, including fixtures and fittings;
- ❖ The stock;
- ❖ The goodwill of the businesses; and
- ❖ The trade name "CNA" used in the businesses

The majority of the businesses have, at the request of the Company's creditors, been kept open subsequent to the provisional order of liquidation.

**STATEMENT OF AFFAIRS**

We have not been placed in possession of a Statement of Affairs as required in terms of Section 363 of the Act, but we confirm that all the information which are required in a statement of affairs were provided to us and that we were not hampered at all in this regard.

It would, in any event, have been impractical to prepare a statement of affairs in respect of this company's assets and liabilities in the format of a CM100.

**SECTION 402 (a) – CAPITAL ISSUED BY THE COMPANY AND THE ESTIMATED AMOUNT**  
**OF ITS ASSETS AND LIABILITIES**

**CAPITAL ISSUED**

According to a special resolution registered with the Registrar of Companies on 7<sup>th</sup> April 2000 the Memorandum and Articles of Association were amended to reflect the authorised share capital of the Company to be R8,008.00 consisting of 80,080,000 ordinary shares of R0.0001 each, all of which have been issued and fully paid up.

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**ASSETS AND LIABILITIES**

The following represents the assets and liabilities of the Company at date of liquidation. Unless otherwise stated, these figures only represent estimates of the assets and liabilities, are subject to verification and adjustment and must be read in conjunction with the notes below:

<b><u>ASSETS</u></b>		
Funds on hand at date of liquidation		7,500,000.00
Proceeds of sale of business and assets to Edcon		63,947,770.52
Sale of foreign stores		8,100,000.00
Repayment of loan from subsidiary (Epping)		5,900,000.00
Receivables (estimated)		10,000,000.00
Central News Agencies – estimated dividend		25,000,000.00
Payments in advance (Balance sheet @ 28 Feb)		1,841,633.00
<b><u>LIABILITIES</u></b>		
<b><u>Secured Creditors</u></b>		
Reservation of ownership claims	8,000,000.00	
<b><u>Preferent Creditors</u></b>		
Salary and leave pay	2,000,000.00	
<b><u>Concurrent Creditors</u></b>		
Trade Creditors	137,610,583.82	
Bank Overdraft	49,366,519.06	
Wooltru claim pursuant to sale of shares	75,994,060.32	
Unsubordinated portion of shareholders loan	289,000,000.00	
Contingent Liabilities - provision	20,000,000.00	
<b><u>Shortfall</u></b>		<b>459,681,759.68.68</b>
<b><u>TOTAL</u></b>	<b>581,971,163.20</b>	<b>581,971,163.20</b>

**NOTES:**

1. No provision has been made in the statement of assets and liabilities above for the costs of administration and for the costs of trading under the auspices of the joint provisional

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liquidators during the period from 24th July 2003 until the date of sale of the businesses and assets.

2. The claims submitted for proof by creditors are subject to verification in terms of the provisions of section 45 of the Insolvency Act read with the Companies Act and certain claims may be reduced should the Company's books and records indicate that a claim has been wrongly submitted.
3. The abovementioned figures exclude the subordinated claims submitted for proof.
4. The dividend to be received from Central News Agencies (Pty) Limited is a mere estimate based on information available to us at this stage.

**STEPS TAKEN SUBSEQUENT TO LIQUIDATION AND THE REALISATION OF ASSETS**

The joint liquidators did, with the consent of all the major creditors and in order to preserve and protect the goodwill of the businesses, invite offers by prospective purchasers for the purchase of the businesses for purposes of selling the businesses as one going concern.

In order to facilitate this process, the joint liquidators prepared a detailed "information pack", containing information relevant to the businesses, which would be essential to parties interested in purchasing the businesses as going concerns.

These "information packs" were made available to the various parties who had expressed an interest in purchasing the businesses.

Interested parties were invited to submit offers to purchase the businesses and, for this purpose, a bid document was prepared by the Joint liquidators and made available to prospective purchasers on 23 August 2002. Prospective purchasers were granted until 20 September 2002 to submit their offers to the joint liquidators.

The joint liquidators interviewed various interested purchasers and permitted interested parties to conduct their own investigations into the viability of the businesses, including due diligence investigations. In this regard the management team of the Company were also made available to prospective purchasers for purposes of providing prospective purchasers with any information they required relating to the businesses.

The Company's bankers and major suppliers of stock authorised and instructed the joint liquidators to sell the businesses on condition that the sale of the businesses, as a going concern, be

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concluded by no later than Friday, 4 October 2002, failing which, the suppliers would no longer supply goods to the businesses. This deadline was extended to Thursday, 10 October 2002.

The joint liquidators requested potential offerors to submit their offers after payment of a refundable deposit of R1 million. Six interested parties paid such deposits and these parties submitted their final offers to the Joint liquidators by 13h30 on Tuesday, 8 October 2002.

The offers were considered by the joint liquidators, who then selected the four highest offers. The joint liquidators, as from 14h30 on 8 October 2002, until 16h00 on 9 October 2002, met with representatives of the four highest offerors for purposes of debating and clarifying the offers to enable the Joint liquidators to make a final decision as to which was the best and highest offer.

On considering the offers, and having met with the representatives of the offerors, two of the four offers were eliminated as their offer prices were substantially lower than the other prices offered.

A meeting of the Company's creditors, and their shareholder, was held at 6h30 on 9 October 2002. This meeting was attended by:

- ❖ The Joint liquidators and their legal representatives
- ❖ Representatives of Holdings who is the shareholder of the Company.
- ❖ The bank with a claim of approximately R50 million;
- ❖ Suppliers and other creditors with claims totalling approximately R217 million.

The aforesaid creditors represented the majority, in value, of the creditors of the Company.

The two highest offers, being that of Edgars Consolidated Stores Ltd ("Edcon") and ThisDay (Pty) Ltd ("ThisDay") were fully considered and debated by those present at the meeting. Having considered and debated the aforesaid offers, a decision was made that the best and highest offer which should be accepted by the joint liquidators, in the interests of creditors, was the offer of Edcon in the amount of R142, 778,000.00. (This proceeds of the sale was apportioned on an agreed basis between the Company and Central News Agencies (Pty) Limited (In Liquidation). The Joint liquidators were then instructed, subject to sale agreements being finalised and the sanction thereof by the above High Court of South Africa, to accept the Edcon offer.

The joint liquidators, and their legal representatives, met with the Edcon representatives, and their legal representatives, during the evening of 9 October 2002 and the morning of 10 October 2002

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for purposes of finalising the sale and related agreements. The agreements were finalised and signed at 13h00 on 10 October 2002.

**SECTION 402 (b) - CAUSES OF THE COMPANY'S FAILURE**

An enquiry in terms of section 417 of the Act was held during September 2003 and evidence was obtained from various parties with regard to the failure of the Company. Upon being asked for his views on the causes of the losses and the consequent failure of the Company the Managing Director replied as follows:

*"I think the major causes or contributors to that situation were the lack of systems and information and concomitant result of that was lack of control over working capital and thus investments in stock increased over the period. As well over the period a number of competitors got into CNA's traditional markets and it became a lot more competitive in those markets. And those in my mind would be two of the more significant contributors, in addition I would say that one of CNA's traditional strengths was its rural stores and due to demographics changing those areas quite quickly and competition increasing in those areas those stores became less profitable and a tail of stores started to develop which were not profitable and bleed the resources of the business."*

**SECTION 402 (c) - REPORT IN TERMS OF SECTION 400 (2)**

As stated above, an enquiry in terms of section 417 of the Act was held during the latter part of 2002 and the Commissioner submitted a report to the Master of the High Court.

Based on that report the joint liquidators will, in due course, submit a report in terms of section 400 (2) of the Act to the Master of the High Court.

**SECTION 402( d ) - LIABILITY OF DIRECTORS, FORMER DIRECTORS, AND OFFICERS**

The joint liquidators will be instituting action, based on directions received from creditors, against certain of the above parties as it appears from the report by the Commissioner appointed to preside over the section 417 enquiry that certain directors may be liable in terms of the provisions of section 424 of the Act.

**SECTION 402( e(e) ) - LEGAL PROCEEDING BY OR AGAINST THE COMPANY.**

The Company was not involved in any major legal proceedings as at the date of liquidation other than actions for the recovery of debt.

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**SECTION 402( f(f) ) – FURTHER ENQUIRY**

As stated above an enquiry in terms of section 417 of was held during the latter part of 2002 and the Commissioner submitted a report to the Master of the High Court and no further enquiry would be necessary.

**SECTION 402 (g) – ACCOUNTING RECORDS**

It is the view of the joint liquidators that the Company kept adequate accounting records to comply with section 284 of the Act.

**SECTION 402 (h) – PROGRESS AND PROSPECTS OF THE WINDING UP**

The joint liquidators are in the process of finalising the trading account in respect of the period subsequent to liquidation and should be in a position to submit a first liquidation and distribution account with the Master of the High Court within the next three to four months.

**SECTION 402 (i) – OTHER MATTERS**

Draft resolutions for adoption by creditors at this meeting are annexed and should be adopted to enable the joint liquidators to finalise the affairs of the Company.

Signed at RANDBURG on this 11<sup>th</sup> day of March 2003.

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JOHANNES FREDERICK KLOPPER

  
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KAREN KEEVY

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JOHN LOUIS CARTER FOURIE

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**RESOLUTIONS TO BE SUBMITTED AT THE SECOND MEETING OF CREDITORS AND  
CONTRIBUTORIES TO BE HELD BEFORE THE MAGISTRATE JOHANNESBURG, ON  
TUESDAY, 25 MARCH 2003 AT 09:00**

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**RESOLVED THAT:**

- 1 The report of Liquidator or Joint Liquidators, as the case may be, hereinafter referred to as ("the Liquidator"), as submitted, be received and adopted and all his actions referred to therein be and are hereby confirmed, ratified and approved.
- 2 All actions of whatsoever nature heretofore taken by the Provisional Liquidator and/or Liquidator be and are hereby confirmed, ratified and approved.
- 3 The Liquidator be granted the authority and is vested with all the powers mentioned in Section 386(4)(a) – (i) of the Companies Act No 61 of 1973, as amended, such powers to be exercised at his sole and absolute discretion.
- 4 The Liquidator be and is hereby authorised in his sole and absolute discretion to:
  - 4.1 Take legal advice on any question of law affecting the administration and distribution of the Company;
  - 4.2 Institute or defend on behalf of the Company any action or other legal proceedings of a civil nature for the recovery of monies due to the Company or otherwise and subject to the provisions of any law relating to criminal procedure, institute any criminal proceedings;
  - 4.3 Hold any enquiry into the affairs of the Company and/or any matter relating thereto;
  - 4.4 Investigate and institute legal proceedings for the recovery of any voidable or undue preferences, voidable dispositions of property or any other impeachable transactions of whatsoever nature and to abandon same at any time;
  - 4.5 Write up the books of the Company as may be required, and if necessary, to produce a balance sheet, audited or not, as at the date of liquidation, either for the purpose of investigating the affairs of the Company, establishing the claims of creditors, or any other purpose.

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- 5 The Liquidator be and is hereby authorised in his sole and absolute discretion to employ and engage the services of attorneys and/or counsel (senior and/or junior) and/or accountants and/or bookkeepers and/or any employee of the insolvent and/or recording agents and/or any other person who in the sole discretion of the Liquidator may be of assistance in the winding-up of the Company in relation to any matter referred to in 4 above and further to pay all the costs thereof of whatsoever nature out of the estate as costs incurred in the liquidation.
- 6 The Liquidator be and is hereby authorised to collect any debts due to the Company and for the purpose thereof to sell or compound or compromise any of these debts for such sum and upon such terms and conditions as he in his sole discretion may deem fit, and to accept any part of the debt in settlement thereof, and to grant an extension of time for the payment of any such debt, and to abandon any debt which he in his sole discretion may deem to be irrecoverable.
- 7 The Liquidator be and is hereby authorised to dispose of any movable and immovable property of the Company, whether in his possession or under his control now or to come into his possession or under his control in the future by public auction, private treaty or public tender upon such terms and conditions as he in his sole and absolute discretion shall determine and to abandon any such assets for which he can find no purchaser or abandon them to a secured creditor at the value placed thereon by such creditor or at such value as is agreed upon by the Liquidator and the creditor if such creditor's claim is secured by such assets and to sign all such documents as may be necessary to give effect to such disposition.
- 8 The Liquidator be and is hereby authorised and empowered in his sole discretion to compromise and admit any claim against the Company of whatsoever nature and howsoever arising and whether disputed or not and whether actual, contingent, prospective, conditional, unconditional, assessed, unassessed, liquidated or unliquidated as a liquidated claim in terms of Section 78(3) of the Insolvency Act No 24 of 1936, as amended, read with Section 339 of the Companies Act No 61 of 1973, as amended, at such amount as may be agreed upon by the Liquidator, provided that proof thereof has been tendered at a meeting of creditors.
- 9 The Liquidator be and is hereby authorised to make application for the destruction of books and records of the estate six months after the confirmation of the Final Liquidation and Distribution Account.
- 10 The Liquidator be and is hereby authorised to perform any act or exercise any power for which he is not expressly required by the Companies Act No. 61 of 1973, as amended, to obtain the leave of the Court.
- 11 The Liquidator be and is hereby authorised to submit to the determination of arbitrators any dispute concerning the Company or any claim or demand by or upon the Company.

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- 12 The Liquidator be and is hereby authorised to carry on or discontinue any part of the business of the Company insofar as may be necessary for the beneficial winding-up thereof.
- 13 The Liquidator be and is hereby authorised to exercise *mutatis mutandis* the powers conferred upon a Liquidator by Section 35 (uncompleted acquisition of immovable property before liquidation) and 37 (effect of liquidation upon a lease) of the Insolvency Act No 24 of 1936, as amended, read with Section 339 of the Companies Act No 61 of 1973, as amended
- 14 The further administration of the affairs of the Company be left entirely in the hands and at the discretion of the Liquidator.

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**q.q. CREDITORS**