

**7 BUILDINGS COMPANY (ASSOCIATION INCORPORATED IN TERMS OF  
SECTION 21) (IN LIQUIDATION)**  
**("the Company")**

**MASTER'S REFERENCE NUMBER : T4275/01**

**REPORT OF THE LIQUIDATOR, Mr J F KLOPPER IN TERMS OF SECTION 402 OF THE COMPANIES  
ACT NO 61 OF 1973 AS AMENDED TO BE SUBMITTED AT A SECOND MEETING OF CREDITORS TO BE  
HELD BEFORE THE MAGISTRATE OF JOHANNESBURG ON 12 FEBRUARY 2002 AT 09:00**

**ORDER OF THE COURT AND MEETINGS**

- 1 We wish to advise that the Company was liquidated by order of the High Court of South Africa (Witwatersrand Local Division) on 23 August 2001. The Master of the High Court appointed Johannes Frederick Kloppe as provisional liquidator on 25 August 2001.
- 2 The first meeting of creditors and contributories was held before the Magistrate of Johannesburg on 27 November 2001. At the meeting no claims were proved.
- 3 No voting took place at the first meeting of creditors and Mr J F Kloppe was appointed as final liquidator by the Master of the High Court.

**History and information of the Company**

- 4 According to the Registrar of Companies the company was incorporated under registration number 95/11838/08.

**Registered Address**

- 5 The registered address of the company is 10th Floor, Sable Centre, 41 De Korte Street, Braamfontein, Johannesburg.

**Directors**

- 6 It appears from my investigations that the following persons served as directors:
  - 6.1 Yvonne Mgidlana
  - 6.2 Betty Zikalala
  - 6.3 Joseph Sepeng
  - 6.4 John Sithole
  - 6.5 Jerry Marwa
  - 6.6 Phineas Madisha
  - 6.7 Shiraaz Fakir

**7 BUILDINGS COMPANY (ASSOCIATION INCORPORATED IN TERMS OF  
SECTION 21) (IN LIQUIDATION)**  
**("the Company")**

**MASTER'S REFERENCE NUMBER : T4275/01**

**Business of the Company**

- 7 The main business of the company is to acquire, hold, develop or improve land and buildings in Johannesburg with the view to enable the community to acquire such land and/or rights thereto so as to occupy the land and buildings wholly or mainly for residential purposes and/or to assist members of the community by means of furnishing of material, labour or advice and/or to carry on other activities for the provision of community facilities and the establishment and carrying on of community programmes aimed at the furtherance of community life, job creation and health and welfare of members of the community.

**Auditors**

- 8 The auditors of the company were Gobodo Chartered Accountants, Johannesburg.

**STATEMENT OF AFFAIRS**

- 9 We have not been place in possession of a Statement of Affairs as required in terms of Section 363 of the Companies Act No 61 of 1973 as amended.

**SECTION 79(A) : FINANCIAL STATEMENT OF ASSETS AND LIABILITIES**

- 10 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 and will change depending on the claims submitted for proof.

**ASSETS**

<b>IMMOVABLE PROPERTY</b>	<b>NOTES</b>	<b>AMOUNT</b>	<b>AMOUNT</b>
Immovable property (As per valuations)	<b>(b)</b>		2,270,000.00
<b>MOVABLE ASSETS</b>			
Motor vehicle (Sold by way of private treaty)	<b>(a)</b>		16,700.00
Other			5,000.00
<b>LIABILITIES</b>			
<b><u>Secured</u></b>			
Ichut	<b>(b)</b>	3,619,805.68	
<b><u>Concurrent Creditors</u></b>			
Approximate		2,700,000.00	
<b>Shortfall</b>			<b>4,028,105.00</b>
<b>Total</b>		6,319,805.00	6,319,805.00

**NOTES**

The statement of assets and liabilities must be read in conjunction with the following notes:

**7 BUILDINGS COMPANY (ASSOCIATION INCORPORATED IN TERMS OF  
SECTION 21) (IN LIQUIDATION)**  
**("the Company")**

**MASTER'S REFERENCE NUMBER : T4275/01**

- (a) The movable property was sold by private treaty. The sale took place after the powers of the liquidator was extended in terms of Section 386(2A) of the Companies Act. No creditor holds any form of security in respect of this movable asset.
- (b) The estate consists of 7 immovable properties situated in the Johannesburg inner city suburbs of Hillbrow, Joubert Park and Berea. ICHUT is the only creditor that holds security over the aforementioned immovable properties.

**CAUSES OF THE COMPANY'S FAILURE**

The financial difficulties that the company experienced arose from a resolution passed by the former board of directors in July 1999. The effect of the resolution was to increase the rentals payable by tenants by an amount of 7% across the board. The reason for the increase was attributed to the 10% increase in JHB Metropolitan Council charges and a staff salary increase of 9%. A memorandum by tenants was delivered to the company stating that no rent increase will be paid until the company has embarked on a clear cost cutting programme. The memorandum demanded a review of all contracts, a disclosure of all monies that had been given to the company by way of grants and loans and the investigation of the salary and allowances given to the general manager. The general manager was further required to resign as the tenants alleged a mismanagement of the project. As a result of these apparent unhappiness, the majority of tenants of 5 (five) of the seven (7) buildings ceased to make rental payments into the trust account of the letting agent. The tenants made payment into a trust account held by an attorney on their behalf. The tenants of the other 2 (two) buildings were, however, in agreement with the board's resolution to increase the rental to 7% and continued to effect payment of rentals.

A dramatic drop in rental payment followed. The reason for the drop was that a dissident group of residents were illegally collecting monthly rent and electricity payments. The tenants of the 5 (five) buildings concluded an agreement subsequently and continued payment of monthly rent into the trust account of their attorney based on a reduced monthly rent. The tenants of the remaining 2 (two) buildings stopped making payment of rental due to the dissatisfaction of the reduction of the rental payments of 7% by the other 5 buildings. The tenants were now holding the company at ransom. This caused severe financial difficulties to the company. As a consequence of the 2 (two) schools of thought regarding payment of rent, it was impossible to satisfy the needs of all the tenants, which made it impossible to manage the company's affairs, in particular the collection of rental and payment of creditors. The company was unable to make payment of the advance made by ICHUT. The general manager's services were subsequently terminated and a professional project manager was appointed until such time as the company could qualify its financial position and stabilise its overall position.

Due to the internal divisions between the directors of the 2 (two) buildings and the members of the company resident at those 2 buildings, on the one hand, and the directors of the remaining 5 (five) buildings and members of the company resident at the remaining 5 (five) buildings, on the other hand, the

**7 BUILDINGS COMPANY (ASSOCIATION INCORPORATED IN TERMS OF  
SECTION 21) (IN LIQUIDATION)**  
**("the Company")**

**MASTER'S REFERENCE NUMBER : T4275/01**

personal relationships between such members and directors have been destroyed and the members refuse or are unable to co-operate with one another in running the company. The inability to run the affairs of the company has contributed to the financial demise of the company.

**REPORT TO THE MASTER IN TERMS OF SECTION 400 OF THE COMPANIES ACT**

- 11 It is not our intention at this stage to submit a report to the Master of the High Court. However, we are still investigating this aspect and if necessary, a detailed report will be submitted to the Master in due course.

**SECTION 402(d) : PERSONAL LIABILITIES OF DIRECTORS OR OFFICERS**

- 12 At this stage it is not known whether the former director or officer of the company can be held personally liable for the debts of the company. A report will be submitted, should it become necessary.

**LEGAL PROCEEDINGS**

- 13 We have no knowledge of any legal proceedings pending by or against the company.

**ENQUIRY**

- 14 The liquidators do not intend to hold an enquiry at present.

**BOOKS AND RECORDS**

- 15 No books and records were found.

**ESTIMATED DIVIDEND**

- 16 It appears at present that there is no real danger of contribution being levied upon concurrent creditors.

SIGNED at Johannesburg on this \_\_\_\_\_ day of January 2002.

\_\_\_\_\_  
**J F KLOPPER**

**7 BUILDINGS COMPANY (ASSOCIATION INCORPORATED IN TERMS OF  
SECTION 21) (IN LIQUIDATION)**  
**("the Company")**

**MASTER'S REFERENCE NUMBER : T4275/01**

**RESOLUTIONS SUBMITTED AND ADOPTED AT THE SECOND MEETING OF CREDITORS HELD  
BEFORE THE MAGISTRATE, JOHANNESBURG, ON 12 FEBRUARY 2002 at 09:00**

---

**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 heretobefore 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;

**7 BUILDINGS COMPANY (ASSOCIATION INCORPORATED IN TERMS OF  
SECTION 21) (IN LIQUIDATION)**  
**("the Company")**

**MASTER'S REFERENCE NUMBER : T4275/01**

- 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.
- 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 collection 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

**7 BUILDINGS COMPANY (ASSOCIATION INCORPORATED IN TERMS OF  
SECTION 21) (IN LIQUIDATION)**  
**("the Company")**

**MASTER'S REFERENCE NUMBER : T4275/01**

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.
- 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.

---

**q.q. CREDITORS**