

**UMLIMI HOLDINGS (PTY) LTD
(IN LIQUIDATION)
2005/041733/07**

(hereinafter referred to as "the Company")

MASTER'S REFERENCE NUMBER : T 5600/10

**JOINT LIQUIDATORS' REPORT IN TERMS OF SECTION 402 OF THE
COMPANIES ACT NUMBER 61 OF 1973**

INTRODUCTION

UMLIMI HOLDINGS (PTY) LIMITED (hereinafter referred to as "the Company") was placed into final liquidation on the 7th of December 2010 following an application brought by China Construction Bank Corporation.

The Master of the High Court appointed Pierre de Villiers Berrange, Liebenberg Dawid Ryk Van Der Merwe and Brian Ceylon as the Joint Provisional Liquidators of the Company on 28 December 2010.

The First Meeting of Creditors was held before the Master of the High Court, Potchefstroom on the 16th of February 2011. The appointment of the final liquidators was confirmed at the said meeting and the Final Certificate of Appointment was issued on the 27th of May 2011.

The Second Meeting of creditors is to be held before the Master of the High Court, Potchefstroom on the 29th of June 2011 at 10:00am.

BACKGROUND

The Company changed its name from Umlimi Agricultural Services (Pty) Limited to Umlimi Holdings (Pty) Limited on the 6th of March 2007.

The Company's assets are the entire Issued Share Capital (the shares) in a Company called Free State Maize (Pty) Limited (FSM) and amounts owed by debtors of the Company.

FSM conducts business from Potchefstroom. Its business is financing grain production and trading in grain commodities. FSM sells products to millers in the South Africa market and also trades on SAFEX. As such, the value of FSM lies in its client base, intellectual capital and human resources.

Pursuant to the liquidation order being granted, the Liquidators together with the management of FSM, have engaged with a number of potential buyers of the shares, to enable them to conduct a due diligence of FSM with a view to submitting an offer for the shares. Pursuant to this process, all interested parties were invited to bid for the shares at a private auction. This process is referred to later in this report.



The Directors have not filed a Statement of Affairs despite requests from the Liquidators to do so.

The Joint Liquidators have done their investigations and report to creditors as they do hereunder :

1. SECTION 402(A) - ISSUED SHARE CAPITAL, ASSETS AND LIABILITIES

The company details are as follows :

- 1.1 Registration Number : 2005/041733/07
- 1.2 Registered Office : 110 Dorp Street
Stellenbosch
7600
- 1.3 Directors : Christina Busisiwe Tshili
James Dewar Fitzgerald
Mangalani Pieter Malungani
Richard Wepener Tudhope
Thuli Horace Zuma
Adriaan Jacobus Kennedy
- 1.4 Shareholders : PEU Investments
Rocketship
Apprised Investments
Maselanie Capital
Rick Tudhope
Mischief Trust

The financial position of the company is as follows:

1. ASSETS AND LIABILITIES

ASSETS

1.1 MOVABLE ASSETS (Office Furniture)

Movable assets situated at 23 Poortmanstreet, Potchefstroom

Valuation R620.00

Liquidators' fee	R 62.00
Auctioneer's commission	R 62.00
Bond of Security	R 50.00
Master's Fees	R 25.00

Payable to Free Residue	R421.00
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R620.00	R620.00
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1.2 100 % shareholding in Free State Maize (Pty) Limited

Amount Unknown

1.3 DEBTORS

Claims against :

1.3.1 Aqua Sun Investments (Pty) Limited R894,040.01

1.3.2 C.N. Sibeko & 3 Others R397,733.93

Liquidators' fee	R 129,177.39
Bond of Security	R 15,000.00
Master's Fees	R 7,500.00

Payable to Free Residue R1,140,096.55

R1,291,773.94	R1,291,773.94
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Note :

Para 1.1.1

The Company concluded Instalment Sale Agreements with Wesbank for individual items used in the farming process. The Company management have no knowledge of what became of these assets, nor does the financial institution. They are not reflected in this report.

Para 1.3.1

This debt is secured by an Immovable Property. The Liquidators have sent a demand letter in terms of Section 345 of the Companies Act and will launch liquidation proceedings after the adoption of resolutions at the Second Meeting of Creditors.

Para 1.3.2

The claim is against 4 sureties who signed for the obligations of Sibeko Wines (Pty) Limited. The action was instituted out of the High Court of the Cape of Good Hope prior to liquidation. Pleadings have closed and a trial date is awaited.

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2. LIABILITIES

2.2.1 SECURED CREDITORS R5,900,000.00

Wesbank R5,900,000.00

2.2.2 PREFERENT CREDITORS R881,487.30

SARS R881,487.30

2.2.3 CONCURRENT CREDITORS R235,924,767.98

3. SECTION 402(b) - CAUSES OF THE FAILURE OF THE COMPANY

The Directors have given the following reasons for the demise of the Company :

The Company's initial business was that of a citrus marketing company. The Company required additional capital after an unsuccessful sale of fruit into the export market. The finance was raised from 2 shareholders, Rocket Ship Ventures (Pty) Limited and Maselani.

In 2007 PEU Group (Pty) Limited acquired 51% of the Issued Shares of the Company for an amount of R12,6 Million. It was at this time that FSM was purchased.

In March 2009 a decision was taken to do a rights issue to raise capital for the business. Pursuant to this decision, the Shareholders could not agree on the terms and the shareholding. Certain of the Shareholders adopted the view that the Company was not acting in accordance with proper Corporate Governance and threatened proceedings in terms of Section 266 of the Companies Act. The business of the Company and that of FSM became interlinked and the Board of Directors for the 2 companies were run as one.

The Company diversified its business to lending money to subsistence farmers who had been successful applicants for land in terms of the country's land reform program. These debts were never recovered and litigation was commenced to recover this debt. Pursuant thereto immovable property has been attached with a view to it being sold in satisfaction of the debt. The owners have launched pleadings to rescind the Judgment and set aside the attachment. These applications are current.

A decision was taken by the Director to terminate the business of the Company in the early part of 2010.

4. SECTION 402(c) - CONTRAVENTIONS

There are no contraventions to report at this stage. A contraventions report will be submitted to The Master of the High Court should it become necessary.

5. SECTION 402(d) - PERSONAL LIABILITY

At this stage the Joint Liquidators are not in a position to advise whether any director can be held personally liable for the debts of the Company. These investigations are ongoing and a decision will be taken once investigations have progressed further.

6. SECTION 402(e) - LEGAL PROCEEDINGS

As stated above, there are legal proceedings pending and contemplated against the debtors referred to in paragraph 1.3.1 and 1.3.2 above. These will continue / commence once Creditors have given specific instructions to the Liquidators.

7. SECTION 402 (f) - FURTHER ENQUIRY

A forensic investigation was conducted into the affairs of the Company on the 3rd of March 2010. This report dealt with *inter alia* the following :

7.1.2) Advancement of company loan by Umlimi to Changing Tides and the writing off of the loan or part thereof;

7.1.3) Conclusion of a farm management services agreement between Umlimi and Riverbend;

7.1.4) Advancement of trade credit by Free State Maize (Pty) Limited to Riverbend;

7.1.5) Issue of the shares in terms of purported rights issue by Umlimi and the alleged contravention of S222 of the Companies Act of 1973.


7.1.6) The advancement of finance for certain land development projects.

Creditors may wish to pursue these issues and if they do, it is suggested that an Enquiry be held into the affairs of the Company. We invite Creditors to contact the Liquidators if they wish to pursue this avenue to discuss the format and funding of the Enquiry.

8. SECTION 402 (g) - ACCOUNTING RECORDS

The Company's last Audited Financial Statements were prepared by Messrs Deloitte for the period ending 30 June 2008. These financial statements were signed off on the 28th of August 2008.

The Auditors were in the process of finalising the June 2009 Audited Financial Statements. These were never finalised, although the Liquidators do have a copy of the draft Annual Financial Statements.



The Company maintained monthly Management Accounts which have been brought up to date by the Liquidators.

9. SECTION 402 (h) - PROGRESS & PROSPECTS OF WINDING UP

9.1 Sale of 100% shareholding in Free State Maize (Pty) Limited (FSM)

Acting on the informal instructions of creditors, interested parties have been given an opportunity to conduct a due diligence of FSM with a view to acquiring the entire Issued Share Capital ("the Shares") owned by Umlimi Holdings (Pty) Limited in Free State Maize (Pty) Limited.

All interested buyers were invited to a private auction on the 19th of April 2011 to bid for the Shares. The highest offer achieved at the auction was R4,7 Million plus Vat from Profert Holdings (Pty) Limited. The entire offer was subject to the approval of the Creditors and the Master of the High Court or the High Court by 31 May 2011. The Liquidators canvassed the Creditors informally on the offer. Certain Creditors hold the view that only "proved" creditors and not "known" creditors should participate in the process.

As a result of the different views, the Liquidators have decided to deal with the sale of the Shares as follows :

9.1.1) Obtain an extension from Profert (Pty) Limited to the fulfillment of the suspensive condition until 15 July 2011. This has been done.

9.1.2) Request Creditors to formally vote at the Second Meeting of Creditors whether to accept or reject the offer.

Pursuant to the bid process, the Liquidators realised that the entire transaction was a notifiable transaction in terms of the Competition Act and the appropriate addendum has been signed in terms of which a further suspensive condition has been incorporated in terms of which the transaction is subject to Competition Tribunal approval within 90 days from the 15th of July 2011.

9.2 Debtors

The actions will either be continued or commence after the appropriate resolutions are adopted.

10. SECTION 402 (i) - MISCELLANEOUS

There will be a dividend payable to concurrent creditors and creditors are requested to lodge their claims as soon as possible. The dividend is dependent on the selling price of the Shares and recovery of the debtors.

Dated at PIETERMARITZBURG this day of 2011.



PIERRE DE VILLIERS BERRANGÉ

Dated at *Pontepetit* this *6th* day of *June* 2011.


LIEBENBERG DAWID RYK VAN DER MERWE

Dated at this day of 2011.

BRIAN CEYLON