

I N D E P E N D E N T

C O R P O R A T E R E C O V E R Y A D V I S O R S

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Date: **14 MARCH 2014**

TO ALL KNOWN CREDITORS

Dear Sir / Madam

HIP HOP FASHION (PTY) LIMITED (IN LIQUIDATION)
REGISTRATION NUMBER: 2000/008369/02
MASTER'S REFERENCE NUMBER: C532/2013

We refer to the above estate and enclose a copy of the Joint Liquidators' Report, together with Resolutions, to be adopted at the Second Meeting of Creditors to be held before the Master of the High Court, Cape Town, on Tuesday, 25 March 2014 at 09h00.

We confirm that there is, based on the present financial position, no danger of contribution in this estate. We confirm however that only secured and preferent creditors will be awarded a dividend and that there is no prospect of a concurrent dividend award due to the substantial secured and preferent claims which have been submitted.

We assure you of our best attention at all times.

Yours faithfully
INDEPENDENT TRUSTEES (PTY) LIMITED

HILLARY PLAATJIES
For JOINT LIQUIDATORS

(Submitted electronically and therefore unsigned)

Independent Trustees (Pty) Ltd is a member of hww insolvency cooperation partners
Austria (Vienna) Brazil (Sao Paulo) Cayman Islands (Grand Cayman) Czech Republic (Prague) France (Paris) Germany (Hamburg) Great Britain (London) Hungary (Budapest) India (New Delhi) Italy (Rome) Mexico (Mexico City) Netherlands (Amsterdam) Poland (Warsaw) Republic of China (Hong Kong) Perth (Australia) Romania (Bucharest) Russia (Moscow) South Africa (Johannesburg) Spain (Barcelona) Sweden (Stockholm) USA (New York)

Directors:

JF Klopper* B Com B Proc R Pieters* B Econ LDR Van der Merwe* B Com LLB
MJ Maseko B Juris LLB HA Plaatjies* B Juris LLB

* Member of the Southern African Restructuring and Insolvency Practitioners' Association ("SARIPA")
Level Five B-BBEE Contributor

HIP HOP FASHION (PTY) LIMITED (IN LIQUIDATION)
(REGISTRATION NUMBER: 2000/008369/02
("the company")

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REPORT OF THE JOINT LIQUIDATORS, JOHANNES FREDERICK KLOPPER, RENE WILLOUGHBY *and* MOGAMAT IGSAN HIGGINS, IN TERMS OF SECTION 402 OF THE COMPANIES ACT NO. 61 OF 1973, AS AMENDED ("THE ACT"), TO BE SUBMITTED AT A SECOND MEETING OF CREDITORS AND CONTRIBUTORIES TO BE HELD BEFORE THE MASTER OF THE HIGH COURT, CAPE TOWN, ON 25 MARCH 2014 AT 09H00

ORDER OF THE COURT AND MEETINGS

Nature of Liquidation	Application to the High Court of South Africa (Western Cape High Court, Cape Town) – Case Number: 10159/2013
Date of Provisional Order	28 June 2013
Date of Final Order	16 August 2013
Provisional Liquidators	J F Klopper, R Willoughby & M I Higgins
Date of Provisional Appointment	08 July 2013
Final Liquidators	J F Klopper, R Willoughby & M I Higgins
Date of Final Appointment	13 February 2014
Date of 1 st meeting of creditors	11 February 2014 – Two claims were submitted for proof

GENERAL AND STATUTORY INFORMATION
Registrar of Companies

The company was registered as a private company with the Registrar of Companies on 08 May 2000 under Reference Number 2000/008369/07.

Registered Address

The registered address of the company is reflected as being 2nd Floor, Harrington House, 37 Barrack Street, Cape Town, Western Cape.

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Directors

It appears from our investigations that the following person served as the sole director of the company as at the date of Liquidation:

- Dennis Hamer (Identity Number: 600405 5041 087).

Business of the Company

The company conducted business in the design and manufacture of women's evening and occasional wear dresses under the Hip Hop label and distributed and sold its products through dedicated Hip Hop retail outlets from premises that were leased. The company's manufacturing plant was in Cape Town and the staff compliment was approximately more than a 100 who were skilled workers in the clothing industry. The company also supplied a large number of independent retailers across South Africa which was done mainly on a direct sale basis and sometimes on consignment. The company further operated two factory outlet stores for the purpose of selling out-of-season and redundant stock at markdown prices.

Auditors

The former auditor of the company is reflected as being Meridian Accountants and Auditors Incorporated who is situated at Meridian House, Greenford Office Estate, Kenilworth, 7708.

STATEMENT OF AFFAIRS

We have not been provided with a Statement of Affairs as required in terms of Section 363 of The Act as Amended. We have however been provided, in terms of Section 363 of The Act, with financial statements. This has not hampered us in the administration of the estate.

SECTION 402(a): FINANCIAL STATEMENT OF ASSETS AND LIABILITIES

The following represents the assets and liabilities of the company that we are aware of as at date of liquidation. The assets and liabilities listed are subject to verification and adjustment.

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ASSETS	AMOUNT {R}	AMOUNT{R}
<u>Movable Assets</u>		
Office furniture and equipment – sold by public auction (Subject to Landlords Liens)		R751 089,00
Trade mark sold for		R114 000,00
Proceeds of trading sales		R315 000,00
Complete stock, bags and jewellery – estimated at (Subject to Landlord Liens)		R306 764,00
Vehicle: 2007 Ford Bantam 1.3i Five Speed – sold for		R28 500,00
Vehicle: 2009 Toyota Avanza 1.3 Panel Van – valued		R45 000,00
TOTAL		R1 560 353,00
LIABILITIES		
<u>Secured Creditors:</u> Merchant Factors – estimated at (Cession of Debtors)	R959 053,79	
Various Landlords-landlord's hypothec – estimated at	R453 078,94	
<u>Preferent Creditors:</u> Employees – estimated at South African Revenue Services - unknown	R1 154 273,15 unknown	
<u>Concurrent Creditors:</u> Trade creditors – estimated at Shareholders Loan – estimated at	R2 266 206,00 R5 165 000,00	
SHORTFALL		R8 437 258,88

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TOTAL	R9 997 611,88	R9 997 611,88

COMMENT ON THE ASSETS

In terms of Section 386(2A) of The Act, the Liquidators were granted permission by the Master of the High Court and the secured creditors to sell all the movable assets vesting in the estate by way of a public auction.

COMMENTS ON THE LIABILITIES

The liabilities relate to monies owing to various landlords in respect of lease agreements (secured creditors).

The extent of monies owing to the South African Revenue Services is unknown at this stage as we have not as yet received details of their claim (preferent creditor). The claims of workers in terms of Section 98A are preferent claims.

The liabilities further relate to monies owing to various trade creditors in respect of services rendered and goods supplied and delivered (concurrent creditors).

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

According to documentation lodged and investigations conducted, the main reasons for the liquidation of the company would appear to be the following:

Mr Hamer acquired an interest in the company in November 2012. Shortly after the Mr Hamer acquired an interest in the company it was discovered that the cash flow requirements were more demanding and urgent than was initially led to believe.

Despite various cash injections into the company to keep the business afloat and protect his investment, the company continued to operate at a loss.

In view of the above, it appeared that the company was commercially insolvent in that it was unable to pay its debts as and when they fell due for payment in the ordinary course of business. One of the creditors, Denlin Foods CC, consequently applied for the liquidation of the company.

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SECTION 402(c): REPORT TO THE MASTER IN TERMS OF SECTION 400 (2) OF THE COMPANIES ACT

A report will be submitted at a later stage should it become necessary.

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

At this stage we are unable to comment as to whether the director of the company could be held personally liable for the debts of the company. Should information come to light at a later stage to the effect that the director could be held personally liable for the debts of the company, a report will be submitted in this regard.

SECTION 402(e): LEGAL PROCEEDINGS

We have no knowledge of any legal proceedings pending or threatened by or against the company as at date of liquidation other than actions relating to the recovery of debt.

SECTION 402(f): FURTHER ENQUIRY INTO THE AFFAIRS OF THE COMPANY

Investigations are on-going with regard to the failure of the Company and the conduct of its business. Should we decide to convene a meeting for an enquiry in terms of section 415 of the Act, creditors will be advised accordingly.

SECTION 402(g): BOOKS AND RECORDS

We are in possession of the books and records of the company. At this stage, we are unable to state with any certainty whether the provisions of Section 284 of the Act have been complied with.

SECTION 402(h): ESTIMATED DIVIDEND

We confirm that based on asset realisations and known claims, there would appear to be no danger of contribution. We however confirm that only secured and preferent creditors will be awarded a dividend and that there is no prospect of a concurrent dividend award due to the substantial secured and preferent claims which have been submitted.

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SECTION 402(i): MATTERS REQUIRING THE FURTHER DIRECTIONS OF CREDITORS

Such directions as we desire, and sanction of the action taken by the Provisional Liquidators and Liquidators to date, are contained in the Resolutions to be submitted for consideration and adoption, are attached hereto. Creditors are requested to adopt these resolutions to enable the administration of the company to be continued with and finalized.

JOHANNES FREDERICK KLOPPER
JOINT LIQUIDATOR

RENE WILLOUGHBY
JOINT LIQUIDATOR

MOGAMAT IGSHAN HIGGINS
JOINT LIQUIDATOR

C/O INDEPENDENT TRUSTEES (PTY) LIMITED
P O BOX 820
STELLENBOSCH
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RESOLUTIONS SUBMITTED AND ADOPTED AT THE SECOND MEETING OF CREDITORS TO BE HELD BEFORE THE MASTER OF THE HIGH COURT, CAPE TOWN, ON 25 MARCH 2014 AT 09H00

RESOLVED THAT:

- 1 The report of Liquidator or Joint Liquidators, as the case may be, hereinafter referred to as (the Liquidators"), as submitted be received and adopted and all their actions referred to therein be and are hereby confirmed, ratified and approved.
- 2 All actions of whatsoever nature hereto before taken by the Liquidators be and are hereby confirmed, ratified and approved.
- 3 The Liquidators 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 their sole and absolute discretion.
- 4 The Liquidators be and are hereby authorised in their 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.
- 5 The Liquidators be and are hereby authorised in their 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 company 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.

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- 6 The Liquidators be and are 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 they in their 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 they in their sole discretion may deem to be irrecoverable.
- 7 The Liquidators be and are hereby authorised to dispose of any movable and immovable property of the company, whether in their possession or under their control now or to come into their possession or under their control in the future by public auction, private treaty or public tender upon such terms and conditions as they in their sole and absolute discretion shall determine and to abandon any such assets for which they 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 Liquidators 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 Liquidators be and are hereby authorised and empowered in their 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 Liquidators, provided that proof thereof has been tendered at a meeting of creditors.
- 9 The Liquidators be and are 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 Liquidators be and are hereby authorised to perform any act or exercise any power for which they are not expressly required by the Companies Act No. 61 of 1973, as amended, to obtain the leave of the Court.
- 11 The Liquidators be and are 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 Liquidators be and are 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 Liquidators be and are 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 creditors hereby consent to the Liquidators' remuneration ("the remuneration") being taxed by The Master of High Court in terms of Section 384 of the Act **at the higher figure** of:

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- 14.1 the prescribed tariff as is contained in Annexure CM 104 to the Winding up Regulations to the Act;
- 14.2 the increased amount of work done by the Liquidators in terms of the actual time spent by their staff in the discharge of their duties in the winding-up as is reflected on properly kept timesheets at the charge out tariff of the respective professional and administrative staff and which will be deemed to be good cause for the increase of such remuneration.
- 15 The remuneration referred to in 14 above may further be increased based on aspects such as:
- 15.1 the complexity of the estate in question;
- 15.2 the degree of difficulty encountered by the Liquidators in the administration of the estate, and
- 15.3 particular difficulties experienced by the Liquidators because of the nature of the assets or some other similar feature connected with the winding-up.
- 16 The further administration of the affairs of the company be left entirely in the hands and at the discretion of the Joint Liquidators.

q.q. CREDITORS

**THE PRESIDING OFFICER
MASTER OF THE HIGH COURT
CAPE TOWN**