

TIMBERLINE FURNITURE (PTY) LIMITED
(IN LIQUIDATION) (“the Company”)

REGISTRATION NUMBER : 2000/010023/07

MASTER’S REFERENCE NUMBER : C786/2002

REPORT OF THE JOINT LIQUIDATORS, S A COETZEE, J F KLOPPER, Z BESTER AND S PORTER, 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 A SECOND MEETING OF CREDITORS TO BE HELD BEFORE THE MAGISTRATE, GEORGE, ON FRIDAY, 01 OCTOBER 2004 AT 09H00

ORDER OF THE COURT AND MEETINGS

- 1 The company was provisionally liquidated by an order of the High Court of South Africa (Cape of Good Hope Provincial Division) on 14 November 2002.

The provisional order of liquidation was made final on 27 February 2004.

The Master of the High Court, Cape Town, appointed Mr S A Coetzee and Me Z Bester as Provisional Joint Liquidators as per Certificate of Appointment Number C786/2002.

- 2 The first meeting of creditors was held before the Magistrate, George, on 24 May 2004. No claims were submitted and proved at the meeting.
- 3 Mr J F Klopper and Me S Porter were appointed together with Mr S A Coetzee and Me Z Bester as Joint Liquidators by the Master of the High Court, Cape Town, as per Certificate of Appointment Number C786/2002 on 11th August 2004.

HISTORY AND INFORMATION OF THE COMPANY

- 4 According to the Registrar of Companies, the company was incorporated under Registration Number 2000/010023/07 and conducted its business from premises situated at 25 Pioneer Road, Pacaltsdorp, George.

REGISTERED ADDRESS

- 5 The registered address of the company is situated at 87 Meade Street, George.

DIRECTORS AND SHAREHOLDERS

- 6.1 It appears from our investigations that the following persons served as the Directors:

- 6.1.1 G N Rubenstein;
- 6.1.2 B Rubenstein;
- 6.1.3 S P P Marsilio;
- 6.1.4 J D De Kock;
- 6.1.5 J G Appelgryn;
- 6.1.6 J A MacKay;
- 6.1.7 R O Maartens.

- 6.2 It appears from our investigations that the following entities hold the shares in the company:

- 6.2.1 Furnlink (Pty) Limited;
- 6.2.2 Gerfrank (Pty) Limited;
- 6.2.3 Kovacs (Pty) Limited;
- 6.2.4 Colee (Pty) Limited;
- 6.2.5 IDC.

BUSINESS OF THE COMPANY

- 7 The primary business of the company is the manufacturing of furniture.

AUDITORS

- 8 The auditors of the company are PricewaterhouseCoopers in George.

STATEMENT OF AFFAIRS

- 9 We have not been placed in possession of a Statement of Affairs by the Directors as required in terms of Section 363 of the Companies Act No 61 of 1973, as amended. We have however not been hampered by the directors' failure in this regard.

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

- 10 The following represents the assets and liabilities of the company at date of liquidation and are subject to verification and adjustment. Unless

otherwise stated, these figures represent estimates of the assets and liabilities and will change depending on the claims submitted for proof.

ASSETS	AMOUNT {R}	AMOUNT {R}
<u>Movable Property : Encumbered</u>		
Plant, equipment and machinery (Per valuation)		7 680 000,00
Loan Account : Timberline Properties (Pty) Limited		8 000 000,00
Debtors estimated at		600 000,00
Work in progress		500 000,00
SUB-TOTAL		R16 780 000,00
LIABILITIES		
<u>Secured Creditors</u>		
IDC loan -estimated at <i>(secured ito Instalment Sale Agreements and perfected Notarial Bond)</i>	9 000 000,00	
The Standard Bank of S A Limited <i>(secured by a cession of book debts)</i>	5 500 000,00	
<u>Preferent Creditors</u>		
Estimated at	400 000,00	
<u>Concurrent Creditors</u>		
Trade creditors estimated at	6 000 000,00	
Loan accounts – shareholders estimated at	40 000 000,00	
Shortfall		R44 120 000,00
TOTAL	R60 900 000,00	R60 900 000,00

Note:

The loans of the shareholders have been subordinated in terms of subordination agreements between the company and the various shareholders. The exact quantum of such subordinated loan accounts need to be verified.

The loan account relating to the debt due to the company by Timberline Properties (Pty) Limited referred to above relates to the fact that the company financed the acquisition and development of the factory building erected on Erven 15113 and 15114, George. The present value of the building is R5.7 million. Timberline Properties bound itself as surety for the debts of the company towards The Standard Bank of S A Limited which registered a covering bond over the property.

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

11 According to documentation lodged and investigations conducted, the following would appear to be the main reasons for the company experiencing financial problems which eventually led to its demise:

The company in liquidation earmarked the export market and overseas clients as its target market. The said market never realised and its only client, Days Gone Bye in the United Kingdom, experienced financial problems. Payments were received late and in fact Days Gone Bye went bankrupt shortly after the liquidation of Timberline Furniture (Pty) Limited.

The company in liquidation had no other orders on hand and no potential clients.

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

12 Based upon the information available to us at this stage, it is not our intention to submit a report to the Master of the High Court. A report will be submitted should it become necessary.

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

13 At this stage there are no indications that the erstwhile Directors or Shareholders of the company can be held personally liable for the debts of the company. Investigations continue and a report will be submitted should it become necessary.

SECTION 402(e) : LEGAL PROCEEDINGS

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

SECTION 402(f) : ENQUIRY

- 15 Workforce Holdings, a substantial creditor in this estate, obtained a Court Order in terms of which an enquiry in terms of Section 417 and 418 Enquiry was conducted. The joint liquidators are presently perusing the transcript of the record. The Commissioner who presided at the enquiry has not as yet submitted as report due to the enquiry not as yet having been closed.

SECTION 402(g) : BOOKS AND RECORDS

- 16 The books and records relating to the company's affairs are being kept at the company's premises under the auspices of the joint liquidators.

SECTION 402(h) : ESTIMATED DIVIDEND

- 17 It is evident from the assets and liabilities reflected above that only secured creditors will benefit from the sale of the assets if such assets are sold by private treaty or otherwise.

There is, based on the present financial position, no prospect of any dividend accruing to preferent or concurrent creditors.

We have, however, been informed of a proposed Scheme of Arrangement in terms of Section 311 of the Act in terms of which preferent and concurrent trade creditors will receive 100 cents in the Rand of their capital debt outstanding as at date of liquidation. Although the actual scheme has not as yet been finalized certain creditors have been advised of the general terms of the scheme which they are satisfied with.

We are in the process of negotiating an agreement with the proposers for the rental of the equipment pending the sanctioning of a Scheme of Arrangement.

We have been advised that the proposers' legal advisor is presently in the process of drafting the necessary documentation to proceed with the Scheme of Arrangement.

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

- 18 Such directions as are required of creditors are contained in the draft resolutions numbers 1 – 13 which are submitted for consideration and adoption by the creditors at the second meeting of creditors in conjunction with this report. Creditors are requested to adopt these resolutions to enable the administration of the company in liquidation to continue.

TRADING

- 19 The erstwhile Shareholders of the company funded the company post liquidation with a further ± R20 million in an effort to save the company. The effort was unsuccessful.
- 20 Full details of the result of the post liquidation trading will be provided to creditors.

GENERAL

- 21 It will be observed that two of the four liquidators were appointed only as recent as 11 August 2004.
- 22 The liquidators therefore reserve the right to submit a supplementary report should it become necessary to do so.

SIGNED IN GEORGE ON THIS

DAY OF SEPTEMBER 2004.

.....
S A COETZEE
JOINT LIQUIDATOR

SIGNED IN GEORGE ON THIS

DAY OF SEPTEMBER 2004.

.....
Z BESTER
JOINT LIQUIDATOR

SIGNED IN STELLENBOSCH ON THIS

DAY OF SEPTEMBER 2004.

.....
J F KLOPPER
JOINT LIQUIDATOR

SIGNED IN JOHANNESBURG ON THIS

DAY OF SEPTEMBER 2004.

.....
S PORTER
JOINT LIQUIDATOR
C/O MARGO SWISS TRUSTEES (PTY) LIMITED
P O BOX 1710
GEORGE 6530

TIMBERLINE FURNITURE (PTY) LIMITED
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RESOLUTIONS

RESOLUTIONS TO BE SUBMITTED AT THE SECOND MEETING OF CREDITORS TO BE HELD BEFORE THE MAGISTRATE, GEORGE, ON FRIDAY, 01 OCTOBER 2004 AT 09H00

RESOLVED THAT:

- 1 The report of Joint Provisional Liquidators or Joint Liquidators as the case may be, hereinafter referred to as (“the Joint 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 heretofore taken by the Joint Provisional Liquidators and/or Joint Liquidators be and are hereby confirmed, ratified and approved.
- 3 The Joint Liquidators be granted the authority and are 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 Joint 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 Joint 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 Joint Liquidators 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 Joint 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 Joint 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 Joint 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 Joint Liquidators, provided that proof thereof has been tendered at a meeting of creditors.

- 9 The Joint 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 Joint 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 Joint 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 Joint 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 Joint 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 further administration of the affairs of the company be left entirely in the hands and at the discretion of the Joint Liquidators.

CREDITORS