

REPORT ON THE DISPOSAL PROCESS ADOPTED BY THE CURATORS AND PARTICULARS OF THE ACTUAL TRANSACTIONS CONCLUDED PURSUANT THERETO AND CERTAIN LITIGATION CONDUCTED IN RELATION TO THE FIDENTIA GROUP

- 1 In this report "Fidentia" and/or "Fidentia Group" refers to either of or all of Fidentia Asset Management (Pty) Limited and/or Fidentia Holdings (Pty) Limited and/or Bramber Alternative (Pty) Limited and their subsidiaries unless otherwise indicated by context.
- 2 This report is aimed at providing an update of developments over the period since the curators last reported to the High Court of South Africa, (Cape of Good Hope Provincial Division) ("Court") in November 2007. In particular this report is intended to provide a brief overview of the disposal of assets owned by Fidentia Group in the interest of investors and the process followed to do so.
- 3 The Fidentia Group was placed under provisional curatorship at the instance of the Financial Services Board ("FSB") by the Court on 1st February 2007.
- 4 The provisional curatorship order was confirmed and made final by the Court on 27th March 2007.
- 5 The investigation by the FSB into the affairs of the Fidentia Group commenced several months prior to the FSB approaching the Court for an order placing the Fidentia Group under curatorship.
- 6 The management of the Fidentia Group knew or must have known there was a significant shortfall of investors' funds in the Fidentia Group as a result of their unlawful and improper business activities.
- 7 The FSB inspectorate was frustrated and obstructed in the execution of their duties whilst conducting the aforesaid inspection. Fidentia management and/or staff attempted to mislead some or all of those involved in the investigation, to the potential prejudice of the FSB and those who invested in the Fidentia Group.
- 8 Whilst the FSB inspection process was under way, senior management of the Fidentia Group attempted to pledge and/or dispose of certain of the assets in the Fidentia Group clearly in an attempt to make up or close the shortfall of clients' funds invested.
- 9 Any transaction could easily have materialised because the inspection process was conducted in secret. Any prospective purchaser of any asset would have been ignorant of the ongoing FSB investigation and not have known the real reason why the Fidentia Group intended to dispose of any asset.

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- 10 However, because the shortfall in clients' funds was so large, and had to be made up, unrealistic asking prices for assets were sought in the case of purported disposals. Consequently no transactions could be successfully concluded prior to curatorship.
- 11 When the Fidentia Group was placed under provisional curatorship, there was widespread coverage thereof in the print and electronic media. Particulars of the assets owned by the Fidentia Group were mentioned in such coverage.
- 12 Accordingly, any party interested in any particular asset of the Group would have known to make contact with the curators to pursue any possible acquisition of an asset owned by the Fidentia Group. Several parties did in fact do so, quite soon after the provisional curatorship order was granted.
- 13 However, the provisional curatorship order did not allow the curators to dispose of any of the Group's assets without the Court's prior authority.
- 14 Moreover, the management of the Fidentia Group and Mr J Arthur Brown in particular had repeatedly communicated their intention, via their legal representatives and also through the media, to oppose the provisional order of curatorship on the return day and to have such order cancelled and set aside.
- 15 In the light of the aforesaid, the curators resolved to record and register the interest of prospective purchasers of any of the assets and only to make contact with such parties if and when it was appropriate to do so. A number of lists have been prepared and maintained detailing the parties who have expressed an interest in the relevant assets/business which lists will be disclosed to the Court on the same basis as the agreements referred to in clause 21.
- 16 The curators preserved assets. Staff retrenchments were however necessary in order to achieve asset preservation and avoid value destruction.
- 17 When the Court confirmed the provisional order, it authorised the curators to alienate or dispose of assets in the best interests of and with a view to repaying, investors. The Court also required the curators to satisfy the Registrar of the disposal process employed and the rationale for doing so.
- 18 Prior to the disposal of any of the assets occurred, Mr Brown indicated via his lawyers that he had prospective purchasers for most if not all of the assets in the Fidentia Group.
- 19 He was invited via his attorneys to arrange for such offers to be submitted to the curators for their consideration and attention. Nothing materialised.
- 20 The curators gave notice of their intention to dispose of assets and invited interested parties to register their interest to acquire any asset with them by publishing a notice to that effect in the Business day of Wednesday 18 April 07

("the April Advert"). A copy of the said notice is attached hereto marked Annexure "A".

- 21 The Fidentia Group owned several assets. This report specifies each asset successfully disposed of to date and includes the salient information relevant to such disposal. Written sale agreements concluded in respect of the transactions referred to below have been disclosed to the FSB who was required to approve each transaction. The agreements are not attached to this report. Most of these agreements and the content thereof are subject to confidentiality restrictions. These confidentiality restrictions are contained often in both the relevant agreements and specific non disclosure agreements concluded with interested parties. The curators have no objection to disclosing the agreements and/or details of transactions and the parties thereto to Court provided –
 - 21.1 there are no restrictions precluding them from doing so;
 - 21.2 the consent of the relevant counterparties to the agreements concerned, (to the extent required) is obtained;
 - 21.3 disclosures of the agreements will not prejudice the curatorship process in any way.
- 22 As far as the valuation of any business within the Fidentia Group is concerned, it must be noted that –
 - 22.1 often business entities had not had up to date audits or had outstanding audit queries at the time of curatorship and in most cases there was a serious dearth of proper and accurate financial and other reporting;
 - 22.2 several of the businesses were under distress prior to curatorship which was exacerbated by the unintended consequences of the curatorship itself which created uncertainty for these businesses, their staff and the continued viability of these businesses;
 - 22.3 valuations prepared by the Fidentia Group were unrealistic, and based on unreasonable assumptions or data. In a number of instances it seems that the purpose of these valuations was to placate the FSB. However, no reliance could be placed on their valuations.
- 23 In the circumstances the curators considered that the best way to determine value would be to place these assets on the market and determine (and realise) the best price that a willing buyer would be prepared to pay. Meanwhile the curators took decisive action to enhance profitability of the businesses so that the best possible price could be achieved upon a successful sale being concluded. The curators did however determine net asset value ("NAV") of business before disposing assets and ensured that disposals did not take place at prices below NAV.

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24 Automated Outsourcing Services Limited ("AOS")

- 24.1 This transaction consisted of a sale of shares and claims ("Share Sale Agreement") as well as a sale of assets. The shares in and claims against AOS owned by Fidentia Holdings (Pty) Ltd were sold to Pan African Automated Services (Pty) Limited ("PAAS") in or about November 2007 for a purchase consideration of R10m (ten million rand), R5.2m (five million two hundred thousand Rand) of which was paid upfront and the balance payable in 4 instalments.
- 24.2 The sale of the assets was concluded between Fidentia Facilities (Pty) Ltd ("Fidentia Facilities") and AOS at or about the same time as the Share Sale Agreement. The assets concerned were those used and operated by AOS (mostly IT equipment and office furniture) but owned by Fidentia Facilities. The purchase price was R2 434 129.63 (two million four hundred and thirty four thousand one hundred and twenty nine Rand and sixty three cents) (exclusive of VAT) payable in November 2008). The purchase price for these assets was based on the book values of the assets(wher available) and/or the values determined by Auction Alliance.
- 24.3 The full purchase price for both sale transactions has been received.
- 24.4 Prior to the disposal to PAAS the curators had, pursuant to an open bidding process (including due diligence by bidders) initially received two all inclusive written offers, one for R7.5 Million (seven million five hundred thousand Rand) and the other one for R5 Million (five million Rand). The bidder for R7.5 Million (seven million five hundred thousand Rand) however withdrew its offer shortly afterwards and the curators were unsuccessful in getting a higher price and/or better terms than those offered from the remaining bidder and this transaction then too failed to materialise.

25 Fidentia Connect

- 25.1 There was very limited interest in this asset which was an unprofitable call centre. It owned no assets. The assets/equipment it used for its business were owned by Fidentia Facilities. Its revenue was derived from a contract with Infinity Rewards (Pty) Ltd (a Fidentia Group company) and a contract with the Living Hands Trust which contract terminated by effluxion of time at the end of February 2008.
- 25.2 No firm unconditional offers were received for this business although management had expressed an interest in acquiring the assets which consisted mainly of IT and telecommunications equipment.
- 25.3 Eventually the assets of the business which were again owned by Fidentia Facilities were disposed of to National Road Accident Fund Cover (Pty) Ltd

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on or about June 2008 for R R409 200.00 (four hundred and nine thousand two hundred Rand) (excluding VAT) which amount was in excess of book value.

26 Fidentia Porex (Pty) Ltd ("Porex")

- 26.1 Most of the assets of the business operated by Porex (dealing in second hand policies) were sold to Jan Louw a former employee of the Fidentia Group for R4 877 362.00 (four million eight hundred and seventy seven thousand three hundred and sixty two Rand) in two tranches. However certain policies were retained to mature for the benefit of the Fidentia Group. The proceeds realised on sale of the policies was in excess of surrender value and original acquisition cost.
- 26.2 Although some interest was expressed in this business and its assets, there was no firm offer by any other party for this asset, except for the offer from management.

27 Fidentia Software Futures (Pty) Ltd ("Software Futures")

- 27.1 In addition to its main business of the development of software products and services, Software Futures also had a consulting division which was located in Johannesburg. The consulting division was loss making. The consulting division had two customer contracts, the last of which was to expire in October 2007. The curators then agreed to assign these contracts to Indigo Cube (Pty) Limited provided it offered employment to the staff employed in this division and bought certain equipment. The curators concluded this transaction in or about May 2007 for the sum of approximately R148 000.00 (one hundred and forty eight thousand Rand).
- 27.2 The main source of revenue for the main business of Software Futures which was based in Cape Town, was a service contract with Vodacom who indicated that unless the prospective purchaser of the business was acceptable to it, it would terminate its contract with Software Futures. If the curators did not cooperate with Vodacom the curators would have had no business to sell and the financial prejudice to the Fidentia Group would have been significant.
- 27.3 After discussions with the curators, Vodacom agreed to leave its contract in place on a month-to-month basis and undertook to extend such contract with a successful purchaser acceptable to it thereby allowing the curators to realise the business with its main source of revenue still in place.
- 27.4 After an open bidding process culminating in a number of offers ranging from R4 million to R12.2 million, this business was eventually sold to, Faritec Enterprise Solutions (Pty) Limited for R12 200 000.00 (twelve

million two hundred thousand Rand) exclusive of VAT with effect from 1 July 2007.

- 27.5 The transaction was structured in such a way that, after adjustments for receipts and payments and certain costs and interest, Software Futures should receive an additional net amount R7 758 635.00 (seven million seven hundred and fifty eight thousand six hundred and thirty five Rand) bringing the total net sale proceeds to almost twenty Million.
- 27.6 Management seemed very keen to buy this business but was not prepared to and did not offer more than R5 million.

28 Fidentia Rangers Football Club (Pty) Ltd

- 28.1 There was very limited interest in this asset which was loss making. This particular business (soccer club) necessitated swift action as its losses were growing and its continued viability was in doubt. The curators held off selling this asset until it was clear that the club would not be promoted to the premier soccer league. The curators were forced to retrench a number of the players as the salary demands could not be met. Disposal of this business was a major priority because value was rapidly being eroded.
- 28.2 This asset was sold to Rich Rewards Trading 45 (Pty) Limited after intensive negotiations for R 3 200 000.00 (three million two hundred thousand Rand).

29 Thaba Manzi Game Reserve

- 29.1 A firm offer has been received for this asset from Phoza Real Estate (Pty) Limited for R34 100 000.00 (thirty four million one hundred thousand Rand) which the curators have accepted.
- 29.2 This asset is owned by Changing Tides 396 (Pty) Limited, a company in the Fidentia Group, and the Farmer Brown Agri Trust controlled by Mr and Mrs Brown.
- 29.3 It was extremely difficult to find a purchaser at a realistic price for this asset.
- 29.4 Once a purchaser was procured at what the curators' considered to be a fair and reasonable price, the transaction documents could not be concluded without delay because the trustees of the Farmer Brown Agri Trust had to be replaced.
- 29.5 Mr and Mrs. Brown who were then under Provisional Sequestration, were the incumbent trustees and refused their co-operation in order to expedite the process.

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29.6 Nevertheless, new trustees are now in office and the transaction documents have all been prepared and signed.

30 **Facets Building**

30.1 This asset was sold to the Kia Joy Trust for R45 000 000.00 (forty five million Rand) in or about December 2007. In addition to the purchase price the purchaser is also liable for occupational interest of R300 000 (Three Hundred Thousand Rand) per month until transfer.

30.2 The curators are experiencing great difficulty in obtaining the co-operation of the Purchaser to bring this matter to a successful conclusion (transfer) and it may become necessary to institute legal proceedings against the purchaser to enforce compliance or alternatively, to cancel this agreement.

31 **Boland Rugby (Pty) Ltd ("Boland Rugby")**

31.1 The Fidentia Group owned 50% of Boland Rugby.

31.2 Boland Rugby was commercially and technically insolvent and was placed under provisional liquidation shortly after the provisional curatorship order was granted. Boland Rugby's financial difficulties stemmed from the collapse of the Fidentia Group who had agreed to support it financially by sponsorships etc.

31.3 The provisional liquidation order against Boland Rugby was withdrawn as a result of a compromise arrangement that was entered into with the applicant creditors.

31.4 The shares in Boland Rugby, excluding any claims on loan account, were sold to the Boland Rugby Union for R200 000.00 (two hundred thousand Rand).

31.5 This asset was only of value to Boland Rugby Union.

31.6 The curators are of the view that it has a claim on loan account against Boland Rugby for several million rand. This is being disputed by the co shareholder and the company as they do not seem to have any record of this claim.

31.7 Negotiations are under way to dispose of this loan account at a reasonable price to allow Boland Rugby to continue with its business and the development of rugby in the area.

32 **ERP Elementals (Pty) Ltd ("ERP")**

32.1 The business of ERP entails the provision of software services particularly the reselling and implementation of certain Microsoft products.

- 32.2 This business no longer has any employees. They all resigned. The curators have in principle (subject to FSB approval) agreed to transfer the remaining contracts (licence renewals) to a company owned by Heath Huxtable (Quintado 134 (Pty) Limited) the previous manager of this business for a total anticipated consideration of USD40 636.00 (forty thousand six hundred and thirty six United States Dollars and twenty eight cents) provided the clients concerned do in fact renew/upgrade their licences. In addition the purchaser will pay another R28 000.00 (twenty eight Thousand Rand) for certain assets owned by Fidentia Facilities consisting of mostly IT equipment.
- 32.3 Although this business was advertised in the April Advert and some interest was expressed, no firm offers were received other than for the offer by Heath Huxtable.
- 32.4 The deal has been structured in such a manner that a further R980 000.00 (nine hundred and eighty thousand Rand) should be recovered.

33 **Wavelengths 231 (Pty) Limited ("Wavelengths")**

- 33.1 The Fidentia Group owns 2/3rd of a property at Hartenbos in the Western Cape through the entity Wavelengths.. The other 1/3rd is owned by the party from whom Fidentia acquired its share.
- 33.2 A High Court case was pending in terms whereof the previous owner was seeking to cancel the sale and required return of his property on the basis of certain misrepresentations made by the Fidentia representatives.
- 33.3 The trial was enlisted for hearing during July 2007.
- 33.4 The matter was eventually settled on the basis that the property was sold to a third party in which the 1/3rd owner of Wavelengths had some interest at a purchase consideration of R11 550 000.00 (eleven million five hundred and fifty thousand Rand) of which the Fidentia Group will receive 2/3rd.
- 33.5 In order to achieve a successful transaction payment of the purchase price was deferred, until certain rezonings were obtained.
- 33.6 The purchaser does not seem to have applied for any rezoning and would therefore be in default of its financial obligations in terms of the aforesaid agreement. Unless this is remedied forthwith legal action may have to be instituted to enforce payment.

34 **Public Auctions**

- 34.1 Public auctions were held in Johannesburg and Cape Town to dispose of surplus movable assets.

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- 34.2 In Johannesburg the auction was conducted by Kopano Auctioneers (Pty) Limited on 8 August 2007 and realised R681 805.00 (six hundred and eighty one thousand eight hundred and five thousand Rand) vat inclusive.
- 34.3 In Cape Town the auction was conducted by Auction Alliance and Kopano Auctioneers and realised R4 803 451.23 (four million eight hundred and three thousand four hundred and fifty one thousand Rand and twenty three cents) collectively,(vat inclusive where applicable).
- 34.4 A schedule of the assets disposed of at the Cape Town and Johannesburg auctions and the prices realised is attached hereto marked Annexure [B].

35 **1 Waterford Place and Sycodeli Building**

- 35.1 A public auction of these assets was held towards the end of October 2008. The highest price bid for 1 Waterford Place was R34m (thirty four million Rand) which was approximately R20m (twenty million Rand) less than that expected by the curators for this property. The adjoining property (Sycodeli Building) was separately auctioned and realised R2.9m (two million nine hundred thousand Rand) which offer was accepted with the approval of the Financial Services Board.
- 35.2 The curators are proceeding to effect transfer of this asset to the purchaser of the Sycodeli Building.
- 35.3 The curators are currently negotiating with one of the investors in the Group to acquire the Waterford Place property at a fair value of R53m (fifty three million Rand). Should this negotiation prove successful it will operate to the advantage of all investors and the curatorship as a whole.
- 35.4 Certain other expressions of interest have lately been expressed for Waterford Place which the curators are considering.

36 **Yellowwood Brand Architects (Pty) Limited ("Yellowwood")**

- 36.1 Fidentia intended to acquire the business of Yellowwood and paid a deposit.
- 36.2 This transaction was concluded before the Fidentia Group was placed under curatorship.
- 36.3 The curators successfully cancelled this transaction and recovered R4 270 494.80 (four million two hundred and seventy thousand four hundred and ninety four Rand eighty cents).

37 **H R Bam ("Bam")**

- 37.1 Bam was employed at Fidentia and is the one who reported their improper and unlawful business activities to the FSB.
- 37.2 Bam was aware that money was being misappropriated within the Fidentia Group.
- 37.3 Bam sold his shares in Fidentia Holdings (Pty) Ltd to Louis Koen from whom he received the sum of R8.5m (eight million five hundred thousand Rand) being the purchase consideration for such shares in the full knowledge that the money with which he was paid emanated from the Fidentia Group and was tainted.
- 37.4 Accordingly, the curators have instituted legal proceedings against Bam for the repayment of the R8.5m (eight million five hundred thousand Rand) on the basis that Bam knew that the money with which he was paid were stolen funds. Alternatively and as a further cause of action the curators rely on Section 38 of the Companies Act which prohibits a purchaser of the company's securities from being financed by such company to acquire those securities.
- 37.5 Bam has brought an exception against the curators' claims. This exception is due to be heard in the Cape High Court on 6th May 2009.

38 **Maddock**

- 38.1 Maddock was the financial director within the Fidentia Group.
- 38.2 Maddock entered into a plea bargain with the National Prosecuting Authority ("NPA") in terms of which he pleaded guilty to several charges of theft, fraud, money laundering, etc and was convicted and sentenced to an effective 7 (seven) years imprisonment.
- 38.3 The plea bargain agreement with the State included an undertaking by Maddock to pay to the curators the sum of R6.3m (six million three hundred thousand Rand) which by all accounts was the sum total of his assets at the time that the plea bargain agreement was entered into .
- 38.4 Maddock's wife bound herself as surety and co-principal debtor securing Maddock's obligations to the curator and further undertook to sell her property being the dwelling home in which they resided. It is noteworthy to mention that this property was acquired by Mrs Maddock from her own resources many years ago.
- 38.5 The property has been successfully sold and transferred and an amount of R2 179 789.50 (two million one hundred and seventy nine thousand seven

hundred and eighty nine Rand fifty cents) has been received in reduction of the R6.3m (six million three hundred thousand Rand) claim.

38.6 The Jukelyn Trust which also bound itself as surety and co-principal debtor securing Maddock's obligations to the curators, is the registered owner of Erf 34 Infanta. This property is highly sought after, well developed property at the coast which under ordinary circumstances would realise between Six and Eight Million Rand.

38.7 However, current market conditions have made it difficult for the property to be realised at such value. The curators are endeavouring to realise this property at maximum value to ensure that the R6.3m (six million three hundred thousand Rand) is recovered in full.

39 Joseph Arthur Walter Brown

39.1 The curators have successfully finally sequestered Mr Brown and his wife.

39.2 The curators believe that the Browns are indebted to the Fidentia Group in an amount of R24 771 203.82 (twenty four million seven hundred and seventy one thousand two hundred and three Rand and eighty two cents).

39.3 The Browns have now filed a petition to the Supreme Court of Appeal for leave to appeal against the final order of sequestration. The curators are opposing this application for leave to appeal.

40 Steven Goodwin ("Goodwin")

40.1 Goodwin, directly and indirectly through his entities, received in excess of R93m (ninety three million Rand) from Fidentia purportedly as dividends and commissions, which he allegedly used to pay bribes, etc.

40.2 During September 2007 the curators met with Goodwin in Australia where he had taken refuge and entered into a settlement agreement with Goodwin in terms whereof he would pay R16m (sixteen million Rand) to the curators. R1m (one million Rand) was paid whereafter he was sequestered.

40.3 The curators also have claims against his entities and/or controlled by Goodwin and have lodged claims with the relevant liquidators and/or trustees in an amount of R40 104 390.48 (forty million one hundred and four thousand three hundred and ninety Rand and forty eight cents) against Worthytrade 185 CC (in liquidation) and a claim of R37 365 000.00 (thirty seven million three hundred and sixty five thousand Rand) against Intabrand (Pty) Limited (in liquidation).

40.4 The business affairs of Goodwin are linked to some entities which are foreign owned. These relationships are currently under investigation.

41 Louis Koen ("Koen") & Clarabel Trust

- 41.1 Koen and/or the Clarabel Trust received R11 584 147.57 (eleven million five hundred and eighty four thousand one hundred and forty seven rand and fifty seven cents) from Fidentia by way of dividends, restraint of trade payments and loans.
- 41.2 Koen is a 50% shareholder of Second Start No 9 (Pty) Limited which owns a property in Eversdal valued at about R9m (nine million Rand).
- 41.3 Koen has turned over his entire estate to the curators. He signed an acknowledgment of debt and agreed to repay R10 897 956.00 (ten million eight hundred and ninety seven thousand nine hundred and fifty six Rand) as well as half of the proceeds to be received from the sale of the property registered in the name of Second Start No 9 (Pty) Ltd.
- 41.4 To date Koen has made payment in terms of the acknowledgement of debt in the amount of R 3 206 956 (three million two hundred and six thousand nine hundred and fifty six Rand).
- 41.5 A property belonging to Koen, which was frozen by the South African Reserve Bank ("SARB"), was sold for an amount in excess of R1 million. The proceeds of this sale is held in trust by Koen's attorney pending permission from the SARB that the proceeds may be released to the curators in reduction of Koen's indebtedness.

42 Johan Linde ("Linde")

- 42.1 Linde received from Fidentia a sum of 5 137 778.00 (five million one hundred and thirty seven thousand seven hundred and seventy eight Rand) as purported dividend and restraint of trade payments.
- 42.2 Early in the curatorship Linde agreed to repay this sum and entered into an acknowledgement of debt with the curators.
- 42.3 He has extinguished this debt in full.

43 Sandra Burger ("Burger") and Simionne Maritz ("Maritz")

- 43.1 Purported dividends of R782 222 (seven hundred and eighty two thousand two hundred and twenty two Rand) each was paid to both Burger and Maritz or their respective trusts (Fanzsan Trust and the Silverlining Trust respectively). They have agreed to pay this amount back and have entered into acknowledgements of debts with the curators and are currently repaying the debt in instalments.



43.2 To date Burger has paid R160 000 (one hundred and sixty thousand Rand)) and Maritz has paid R140 000.00 (one hundred and forty thousand Rand) to the curators.

44 Andrew Tucker ("Tucker")

44.1 After various discussions with Tucker, he eventually conceded that monies paid to him as purported restraint of trade dividends and commission payments were in fact not monies due to him. He therefore agreed to repay the entire benefit he received but did not have the means to do so immediately and therefore signed an acknowledgement of debt ("the agreement").

44.2 The agreement included surrendering to the curators almost his entire estate as well as that of the Tashnik Trust and the Mini Moon Trust.

44.3 To date the curators have already received R1 674 706.67 (one million six hundred and seventy four thousand seven hundred and six rand and sixty seven cents) in terms of the agreement.

44.4 This R1 674 706.67 (one million six hundred and seventy four thousand seven hundred and six rand and sixty seven cents) constitute monies received from:

44.4.1 the Mini Moon Trust;

44.4.2 proceedings from the sale of Tucker's Riverglade Property in Cape Town;

44.4.3 proceeds received from the sale of Tucker's Volvo S40; and

44.4.4 proceeds received from Tucker's spouse for the movable household assets.

44.5 Tucker has moved out of his property in Flamingo Vlei, Cape Town and handed a set of keys to the curators in order that the property may be marketed and sold by the curators.

45 Sandra Dekker (Dekker")

45.1 Sandra Dekker received an amount of R1 066 667.00 (one million and sixty six thousand six hundred and sixty seven Rand) as a purported dividend payment.

45.2 Despite demands, she has refused to repay these monies. Accordingly, summons has been issued against her and the matter is being defended.

45.3 She filed an exception to the summons which was heard on the 23rd October 2008. Judgment on the exception was reserved and has still not been handed down.

46 Johan de Jongh ("De Jongh")

46.1 Summons has been issued for the sum of R6 737 778 (six million seven hundred and thirty seven thousand seven hundred and seventy eight Rand) against De Jongh, the Groenvlei Trust and the Molopo Trust for alleged restraint of trade and dividend payments made by Fidentia Holdings (Pty) Ltd.

46.2 The matter is being defended and the defendants' plea has been received.

46.3 The matter will be enlisted for hearing in due course.

47 Hjalmar Mulder ("Mulder")

47.1 Summons was issued in the sum of R6 837 778 (six million eight hundred and thirty seven thousand seven hundred and seventy eight Rand) against Hjalmar Mulder and/or the Trustees of the Megson Trust and the HSM Family Trust for alleged receipt of payments for dividends, restraint of trade payments and commissions.

47.2 The defendants are defending matter.

48 Zacharias Brown ("ZC Brown")

48.1 Summons was also issued in the sum of R6 737 778 (six million seven hundred and thirty seven thousand seven hundred and seventy eight Rand) against ZC Brown and the Trustees of the Dutchman Trust and the ZC Brown Family Trust claiming refund of both restraint of trade and dividend payments.

48.2 Defendants filed a plea and an application to court is being drafted in order to get the matter promoted to an early trial date.

49 Lodewyk Spies ("Spies")

49.1 Summons was issued for R4 million (four million Rand) against Spies for a purported restraint of trade payment he received.

49.2 The matter is defended.

49.3 Pleadings closed and the trial was set-down for 2 February 2009.

49.4 The matter was settled. Spies has agreed to repay R1.75m (one million seven hundred and fifty thousand Rand) and the curators will attempt to

reclaim R1.6m (one million six hundred thousand Rand) from SARS being the tax paid on the sham transaction.

50 Reno Africa/Stericycle Claim

- 50.1 Reno Africa Pte Ltd ("Reno Africa"), a company registered in Singapore, entered into a sale and purchase agreement with Stericycle Inc ("Stericycle"), a company registered in the USA, for the acquisition by Reno Africa from Stericycle of *inter alia* shares in the Evertrade Medical Waste (Pty) Ltd and Evertrade Medical Waste Manufacturing (Pty) Ltd.
- 50.2 As security for the sale Reno Africa and Stericycle entered into a cession in security agreement ("cession agreement"), to which cession agreement Fidentia Asset Management (Pty) Ltd ("FAM") was a party. In terms thereof FAM was to hold a deposit of at least US\$6 000 000.00 (six million United States Dollars (the "funds") for Reno Africa. A further term of the cession agreement was that Reno Africa was not entitled to, without obtaining the prior written consent of Stericycle, withdraw the funds from FAM. In signing the cession agreement FAM confirmed that it would abide and be bound by the applicable terms of the cession agreement.
- 50.3 According to the curators' investigations, FAM, on the written instructions of Reno Africa and prior to the fulfilment by Reno Africa of its contractual obligations to Stericycle in terms of the sale, transferred the funds to Reno Africa without consent of Stericycle being procured.
- 50.4 Reno Africa ultimately did not fulfil its obligations in terms of its agreements with Stericycle and Stericycle, in terms of the cession agreement, called for the funds held at FAM to be paid to it.
- 50.5 Litigation ensued which resulted in FAM paying R40 million (forty million rand), in settlement, to Stericycle.
- 50.6 The curators are investigating and obtaining legal counsel's opinion any claims they may have in regard to this transaction.

51 Asset Swap Transaction – PLJ Asset Holdings (Pty) Ltd

- 51.1 There was an asset swap transaction involving Fidentia Capitalwise (Pty) Ltd ("Capitalwise") and PLJ Asset Holdings (Pty) Ltd ("PLJ"), a company incorporated in Namibia. The swap involved Capitalwise pledging unlisted shares in private companies to PLJ, in turn PLJ would pledge right, title and interest in and to certain money market instruments.
- 51.2 The curators are of the view that this was a sham transaction.
- 51.3 An amount of R17.6m (seventeen million six hundred thousand Rand) was paid as commission to one Stephen de Kock ("de Kock").
- 51.4 Despite reasonably extensive settlement negotiations with de Kock, no settlement has materialised and accordingly the curators are about to



institute legal proceedings against de Kock for payment of the financial benefit he received.

52 Infinity claim

- 52.1 Fidentia paid R160 million (one hundred and sixty million Rand) to the MI Cunningham Trust for the purchase of Infinity Rewards (Pty) Ltd ("Infinity").
- 52.2 The curators discovered that the financials relied on when the purchase price was agreed were distorted and in fact incorrect. Infinity was not generating the turnover and profits the financials reflected.
- 52.3 The curators are in the process of instituting proceedings against MI Cunningham Trust for a reduction of the agreed purchase price of R160 million (one hundred and sixty million Rand) in respect of the purchase of the Infinity business.
- 52.4 Mel Cunningham, a Trustee and beneficiary of this Trust, has been arrested and criminally charged.

53 Facets Ladies Lifestyle Centre (Pty) Limited (in liquidation) ("Facets")

- 53.1 The Facets building is an asset of the Fidentia Group.
- 53.2 Facets is a debtor of the Group in respect of arrear rental.
- 53.3 Facets was placed in liquidation and the liquidator has sold assets on the property of Facets to the purchaser of the building for R1.5m (one million five hundred thousand Rand).
- 53.4 The curators will lodge a claim in respect of arrear rental and administration fees against the liquidator.

54 Scheckles Trading 18 (Pty) Limited ("Scheckels")

- 54.1 This company was the management vehicle for the Sante Winelands and Estate Hotel.
- 54.2 The curators are in negotiations to sell the properties together with the movable assets.
- 54.3 Once this has been successfully concluded, a portion of the purchase price would have to be allocated for the movable assets being the property of Scheckles.

55 Futrix Software South Africa (Pty) Ltd ("Futrix")

Futrix owes Fidentia an amount of approximately R600,000.00. However the curators are not in possession of any written agreement entered into between

Fidentia and Futrix. It would also appear as if Futrix has ceased trading. One of the directors of Futrix has offered payment of the amount of R80,000.00 as settlement. The curators are attempting to negotiate a higher amount.

56 Living Hands (Pty) Ltd ("Living Hands") – Claims

- 56.1 This claim relates to the Living Hands Umbrella Trust ("LHUT"). Mercantile Bank owned Living Hands (then known as Mantadia Asset Trust Company (Pty) Ltd) . This company was the corporate trustee of the LHUT.
- 56.2 Fidentia bought Living Hands for approximately R93 million (ninety three million Rand). Angus Cruickshank and/or Goodwin apparently introduced Brown to this deal. It appears that the assets of LHUT may have been used to pay a portion of the purchase price.
- 56.3 The curators have held inquiries with the shareholders and previous directors of Living Hands before the sale to Fidentia.
- 56.4 It became apparent from these inquiries that there may be possible claims against those individuals who acted as directors of Living Hands and, in their representative capacities, as shareholders Living Hands and Trustees of LHUT. In acting in these various positions at the time of the negotiations and sale of Matco to Fidentia there appears to have been a conflict of interests. A large portion of the purchase price may very well be recoverable from these individuals if legal action is pursued.
- 56.5 The curators are also investigating the conduct of certain established financial institutions in this transaction.
- 56.6 The curators have briefed counsel on certain aspects which they require some clarity before embarking on legal action which could be costly and time consuming.

57 Capitalwise

One of the curators met with a representative of Barclays Bank at its Knightsbridge branch and arranged for the bank accounts in the name of Capitalwise to be closed and an amount of R455 134.15 (four hundred and fifty five thousand one hundred and thirty four Rand and fifteen cents) was received.

58 Lekana Employee Benefit Solutions (Pty) Ltd ("Lekana")

- 58.1 Living Hands paid Lekana (which we now understand has changed its name to Advice At Work (Pty) Ltd) a portion of its commission under the guise of "rental income".

Good

58.2 It appears that had Living Hands not made such payments, the LHUT would not have invested with Fidentia.

58.3 In the circumstances the curators are investigating any possible recourse against those involved in this unlawful arrangement. The trustee of LHUT have in the meantime initiated action against Lekana.

59 Deceased Estate Angus Cruickshank ("Cruickshank")

59.1 Fidentia has substantial claims against the deceased estate of the late Angus Cruickshank.

59.2 The late estate has subsequently been sequestrated.

59.3 Fidentia's claim was submitted against the estate of Angus Cruickshank and an amount of R940 000,00 (nine hundred and forty thousand Rand) was received as a dividend.

60 Microzone Trading 351 (Pty) Ltd ("Microzone")

60.1 Fidentia has a claim against Microzone as a result of a rental agreement. The amount due is R474 750,96 (four hundred and seventy four thousand seven hundred and fifty Rand and ninety six cents). The parties are presently in negotiation to attempt to achieve a settlement.

60.2 From discussions with the attorneys representing Microzone, it would appear that the company is insolvent.

61 Turquoise Moon Trading ("Turquoise Moon")

61.1 An amount of R2 million (two million Rand) was advanced by Fidentia to Turquoise Moon. A letter of demand in terms of Section 345 of the Companies Act has been delivered to the registered address of Turquoise Moon who denies liability. The curators are considering an application for liquidation but will only do so if there is some tangible benefit for creditors to be derived from such liquidation application.

61.2 From the investigations performed by both the curators and by the Provisional Trustees of the estate of Mr JAW Brown, it would appear that there are in fact no assets in the company known as Turquoise Moon .

62 Brownel Trucking (Pty) Limited ("Brownel Trucking")

62.1 An amount of R772 148,14 (seven hundred and seventy two thousand one hundred and forty eight thousand Rand and fourteen cents) is due and owing by Brownel Trucking to Fidentia in respect of monies lent and advanced.

- 62.2 A letter of demand in terms of Section 345 of the Companies Act has been served on the company. There has been no response to the said letter.
- 62.3 The curators are considering bringing an application for liquidation of the company but will only proceed therewith if there is a tangible benefit for creditors to be derived from proceeding with the said liquidation application.

63 Flight Solutions (Pty) Limited ("Flight Solutions") / Natalie Stevenson

- 63.1 An amount of R1 339 767,15 is due and owing by Natalie Stevenson to Flight Solutions being in respect of monies lent and advanced.
- 63.2 A letter of demand has been sent to Natalie Stevenson.
- 63.3 The curators are considering bringing an application for the sequestration of Natalie Stevenson but will only proceed therewith if there is a tangible benefit to be derived from proceeding with the said sequestration application.

64 Denlee Ext 6 (Pty) Limited

- 64.1 One of the companies purchased by Fidentia was Bakenkop (Pty) Ltd (known as Propco). This company essentially trades as an estate agency and administers sectional title schemes. As an estate agent it had a fidelity fund certificate and a trust account into which account various electricity and other rental deposits were paid by sectional title tenants. The curators are informed that Cruickshank appropriated money out of this trust account in the sum of approximately R4 million which was loaned probably to or via one of the Cornerstone companies but ultimately to a company known as Denlee Ext 6 (Pty) Ltd for the purposes of acquiring a shopping centre in Denlee.
- 64.2 This shopping centre is now apparently worth approximately R5 million and the claim should be recoverable.
- 64.3 According to Mr Tim Corby (erstwhile CEO of Bakenkop and the sole director of Denlee Ext 6 (Pty) Ltd) Cruickshank advised him to exclude the Denlee property from the sale to Fidentia. The property may therefore fall into the estate late Cruickshank. The legal implications are still being fully investigated.
- 64.4 Bakenkop is now in liquidation.

65 Legatus Trust

- 65.1 A claim exists against Meyeridricks of approximately R1.8 million (one million eight hundred thousand Rand).

- 65.2 A summons has been issued against Mr Ronald Meyeridricks in regard to a loan account. Mr Meyeridricks has informed the curators that he has a counter claim against Legatus.
- 65.3 From correspondence received from Meyeridricks it appears that the counter claim is less than the amount for which the curators have issued summons.
- 65.4 The parties are currently in the process of negotiating the matter.

CLAIMS AGAINST FIDENTIA

66 Fidentia / Airvent Airconditioning Ventilation ("Airvent")

- 66.1 Airvent apparently installed airconditioning units in the building situated at 1 Waterford Place. In terms of the agreement, the seller reserved ownership of the items until fully paid for.
- 66.2 Airvent threatened litigation. However, it would seem that the threat has now been removed with the curators advising the attorneys of Airvent that the curators would oppose any application.
- 66.3 The curators are still attempting to qualify the value of the reservation of ownership and have advised Airvents' attorney accordingly.

67 Port Ferry Properties 48 (Pty) Limited / Fidentia Administration Services (Pty) Limited

- 67.1 The landlord cancelled the lease and instituted a claim against Fidentia Administration Services (Pty) Ltd as main tenant of the Sandton building for non-payment of rent and other amounts due in terms of the lease.
- 67.2 This is being defended and various negotiations have taken place. Software Futures and the other companies occupying the building agreed to vacate subject to the landlord retaining its hypothec over movables.

68 The following assets in the Fidentia Group remain unsold

- 68.1 The Sante Winelands Hotel & Spa at Franschoek;
- 68.2 1 Waterford Place property;
- 68.3 The properties at Blue Horizon Bay;
- 68.4 The property at Tweewaterskloof;
- 68.5 The business of Infinity;

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- 68.6 The business of Ayanda;
- 68.7 The Fidentia Group's interest in Moshate (Pty) Limited;
- 68.8 The Group's interest in Legatus. However it must be mentioned that ownership of this asset is in dispute;
- 68.9 There is also a transaction involving a significant entity in the financial services industry which may be liable to the curators in a transaction which appear to be a sham. Inasmuch as the curators are still investigating this claim, they are reluctant to disclose the identity of such entity to ensure no reputational damage is suffered by such entity just in case it turns out that the information at the disposal of the curators is unreliable and/or inaccurate.

69 Other Developments and Future View

- 69.1 The curators are making every effort to bring to a swift end the pending litigation either by negotiating a suitable settlement and where the curators are unable to obtain a reasonable settlement by way of expedited court hearings.
- 69.2 The curators are investigating two substantial claims which may be need prosecution. The one arises from the Reno Africa/Steri-Cycle matter (See paragraph 51 above and the other referred to in paragraph 70.8. above).
- 69.3 The curators must recover various sums of money from those who have settled with the curators but have taken terms to pay.
- 69.4 If any particular asset belonging to the Fidentia Group and which may have been disposed of and has not been mentioned in this Report, such omission is clearly due to an oversight and will be picked up when the distribution plan is prepared. Similarly if any asset or litigation is not mentioned, such litigation or asset will emerge and appropriately be dealt with when the relevant distribution and litigation report plan is prepared.

DATED AT CAPE TOWN THIS 10th DAY OF March 2009


DINES GIHWALA


GEORGE PAPADAKIS

Annexure [A]

April Advert

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