

Bluezone Group (Provisional Judicial Management) - Companies under PJM

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Altivex 88 - T7651/09
Copper Moon Trading 248 - T7652/09
Nungu Trading 472 - T7649/09
Madeline Street Properties - T7643/09
Quick Leap Investments 461 - T7650/09
Tropical Paradise Trading 335 - T7646/09
Tropical Paradise Trading 334 - T7655/09
Mystic Blue Trading 511 - T7647/09
Copper Sunset Trading 201 Ltd - T7752/09
Autumn Star Trading 286 - T7645/09
Proud Heritage Properties 131 - T7653/09
Copper Moon Trading 249 - T7654/09
Tropical Paradise Trading 324 - T7644/09
Bishops Court Properties - T7754/09
Tropical Paradise Trading 320 - T7751/09
Ladikela Game Lodge - T7753/09
Summer Season Trading 65 - T7644/09

5 March 2010

SYNDICATION PROPERTY COMPANIES UNDER PROVISIONAL JUDICIAL MANAGEMENT

The Shareholders/ Broker / Relevant Parties/Shareholders of Holding Companies

The High Court granted a provisional judicial management order, in terms of the Companies Act, on the 17th and 20th of November 2009 on the **property companies**. You may be, in one or more of the **holdings companies**, a stakeholder:

Syndication Name	Property Company	Holding Company	Provisional Judicial Management Order Date
Milestone Place - Route 21	Altivex 88 (Pty) Ltd	Sign & Seal Trading 68 (Pty) Ltd	17/11/2009
Property 259	Copper Moon Trading 248 (Pty) Ltd	Pacific Breeze Trading 128 (Pty) Ltd	17/11/2009
The Heights - TUT	Nungu Trading 472 (Pty) Ltd	Southern Palace Investments 335 (Pty) Ltd	17/11/2009
Madeline Street Properties	Madeline Street Properties (Pty) Ltd	Abrina 2617 (Pty) Ltd	17/11/2009
Africard Building	Quick Leap Investments 461 (Pty) Ltd	Pacific Breeze Trading 134 (Pty) Ltd	17/11/2009

Provisional Judicial Managers

PD KRUGER/EL BESTER for all companies

ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHABLELE/LM MOLOTO/ W
YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
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Austin Crossing	Tropical Paradise Trading 335 (Pty) Ltd	Southern palace Investments 337 (Pty) Ltd	17/11/2009
Flextronics	Tropical Paradise Trading 334 (Pty) Ltd	Liberty Lane Trading 98 (Pty) Ltd	17/11/2009
Prospect Close	Mystic Blue Trading 511 (Pty) Ltd	Copper Sunset Trading 239 (Pty) Ltd	17/11/2009
Valley View (Lydenburg)	Copper Sunset Trading 201 (Pty) Ltd	N/A	20/11/2009
Castle Walk	Autumn Star 286 Trading (Pty) Ltd	Gemini Moon Trading 122 (Pty) Ltd	17/11/2009
Chambers 1	Proud Heritage Properties 131 (Pty) Ltd	Wellvest 17 (Pty) Ltd	17/11/2009
Celtis Plaza	Copper Moon Trading 249 (Pty) Ltd	Platinum Arch Investments 70 (Pty) Ltd	17/11/2009
Chambers Ground Floor	Tropical Paradise 324 (Pty) Ltd	Pacific Breeze Trading 12 (Pty) Ltd	17/11/2009
Bishops Court	Summer Season Trading 51 (Pty) Ltd	Pacific Breeze Trading 146 (Pty) Ltd	20/11/2009
Chambers 2&3	Tropical Paradise Trading 320 (Pty) Ltd	Northern Jungle Trading 104 (Pty) Ltd	20/11/2009
Letsatsi	Ladikela Game Lodge		20/11/2009

Short Background

When is a provisional judicial management order granted by the Master of the High Court?

The Court may, if it appears just and equitable, grant a judicial management order in respect of a company under Companies Act, 1973, (No. 61 of 1973) Sec427 when a company by reason of mismanagement or for any other cause is unable to pay its debts or is probably unable to meet its obligations; - and has not become or is prevented from becoming a successful concern and there is a reasonable probability that, if it is placed under judicial management, it will be enabled to pay its debts or to meet its obligations and become a successful concern.

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All of the abovementioned property companies were placed under provisional judicial management on request of the sole director, Hendrik C Lamprecht. It has transpired that two additional directors were appointed, by special resolution directly before the provisional judicial management order, namely Danie Burmeister and Tian Erasmus. These three directors are responsible for the holding companies' management, in which your monies were invested. The holding companies are not under judicial management and this report therefore does not include the financial nor administrative position of the holding companies.

*During a judicial management order, the court replaces the directors, in this case the director/s of the property companies. **The judicial managers did NOT step in to the role of Bluezone Property Investments (Pty) Ltd (in liquidation)**. Provisional judicial managers are appointed, to assume control until the final judicial managers can be appointed. If the provisional judicial managers cannot return the company to solvency, then they may recommend to the court that the companies are wound up.*

The goal of judicial management is therefore to assist a company to become a successful and financially viable concern.

What is the expected time period of the provisional judicial management?

The return date for the provisional judicial management orders of abovementioned companies was the 2nd of March 2010. On this date the provisional judicial managers reverted to the Court with their interim findings.

Application for extension of the judicial management orders were applied for and granted in view of three important factors:

1. The likelihood of a Section 311 compromise to be reached between Bonatla Property Holdings (Pty) Ltd and Bluezone Property Investments (Pty) Ltd (in liquidation) liquidators' on 9 of the property companies.
2. The initiation of Section 417 / 418 Enquiry meetings after investigation by and completion of the forensic auditors' reports, to recuperate monies lost.
3. To continue negotiations on offers to purchase received from other parties.

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The new return dates for the property companies' judicial management orders are as follows:

Syndication	Property Company	Extended Return Date 2/3/2010
Africard	Quick Leap Investments 461 (Pty) Ltd	06/09/2010
Austin Crossing	Tropical Paradise Trading 335 (Pty) Ltd	06/09/2010
Flextronics	Tropical Paradise Trading 334 (Pty) Ltd	09/11/2010
Madeline Street	Madeline Street Properties (Pty) Ltd	12/08/2010
Milestone Place	Altivex 88 (Pty) Ltd	06/09/2010
Property 259	Copper Moon Trading 248 (Pty) Ltd	16/04/2011
Prospect Close	Mystic Blue Trading 511 (Pty) Ltd	04/10/2010
TUT - The Heights	Nungu Trading 472 (Pty) Ltd	09/11/2010
Bishops Court	Summer Season Trading 51 (Pty) Ltd	08/06/2010
Castle Walk	Autumn Star Trading 286 (Pty) Ltd	16/04/2010
Celtis Plaza	Copper Moon Trading 249 (Pty) Ltd	08/06/2010
Chambers Ground Floor	Tropical Paradise Trading 324 (Pty) Ltd	08/06/2010
Chambers 1st Floor	Proud Heritage Properties 131 (Pty) Ltd	08/06/2010
Chambers 2nd & 3rd Floor	Tropical Paradise Trading 320 (Pty) Ltd	08/06/2010
Valley View	Copper Sunset Trading 201 Limited	08/06/2010
Letsatsi	Ladikela Game Lodge (Pty) Ltd	04/10/2010
Randjespark	Summer Season Trading 65 (Pty) Ltd	08/06/2010

Post Provisional Judicial Management Order

November 2009

Administration

Within days of the provisional judicial management order the telephone line of Bluezone Property Investments (Pty) Ltd (in liquidation) was inundated with calls to such an extent that it became impossible to assist every stakeholder. An e-mail address management@bluezonegroup.com was created to improve response time and alleviate the workload. A total of 647 emails were received between the 18th and the 30th of November 2009.

A first report was drafted and sent on the 27th of November to all brokers' and stakeholders' e-mail addresses of which the judicial manager had access.

Application for Extension of Powers of Provisional Judicial Management Order

Applications for extension of power of the provisional judicial management orders were brought and granted by the High Court on the 27th of November 2009 on all the property companies, to *inter alia* -

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- Appoint key personnel to maintain property administration and management to ensure protection of the companies' assets
- Allow litigation by the provisional judicial managers
- To agree to any composition offer or offer to purchase made to the property companies
- Allow tendering of liquidation claims on behalf of the property companies
- To appoint legal advisors and forensic auditors to investigate the financial affairs of the property companies

December 2009

Administration

A total of 834 e-mails and of 84 faxes were received. All enquiries were answered. A second provisional judicial managers' report was drafted and communicated on the 10th of December 2009 to all stakeholders with e-mail addresses.

Urgent Court Applications brought against First National Bank

No access could be obtained to the bank accounts of the property companies held at First National Bank (FNB) in spite of the High Court orders for provisional judicial management (PJM). The situation was exasperated by the logistical problem of obtaining required FICA documentation from the third provisional judicial manager appointed by court on all 16 of these companies.

This held serious implications for the property companies under provisional judicial management:

1. No operational costs could be paid.
2. Non payment of electricity bills, rates and taxes would have left the tenants without water and electricity whom would eventually threaten to move out.
3. Accumulation of debt would render the companies insolvent.

Urgent court orders were brought on the 18th of December 2009 against the bank to gain access to required funds for payment of operational costs of the companies. Unfortunately FNB was not prepared to cooperate with the judicial management order and a further application was launched on the 21st of December 2009 against FNB for contempt of Court. The involved legal action created additional unforeseen costs for each property company and will have a serious impact on the financial statements rendered on the return date of the provisional judicial managements' reports to the High Court.

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The provisional judicial managers did however manage to receive credit balances in the FNB accounts on the 21st of December 2009 and accounts were opened at Nedbank where the rent was paid into. The provisional judicial managers managed to settle most of the urgent outstanding accounts of the property companies where sufficient funds were available in the particular companies.

January 2010

Administration

A total of 562 emails were received on the judicial managers' address. A total of 93 faxed were received and 4 registered letters were delivered. No report was drafted.

Holding Companies' Directors

Early January it became evident, that in order to achieve the **original goal of the syndication** project, both the Property Company and Holding Company should be management as one "unit" and not as two separate companies. The income-generating asset is held in the property company whilst the shareholder loans and liabilities vest in the holding company. Cooperation with the holding companies' directors was thus sought in order to negotiate a beneficial outcome to the shareholders' plight. The negotiations failed rendering the judicial managers no alternative but to retain all income in the property companies. Please see the last page of this report for further suggestions regarding this matter.

Bonatla Property Holdings (Pty Ltd)

Negotiations with said company continued in spite of ambiguous *locus standi*. Legal advice was sought to establish any obligation and/or position of the property companies and the binding effect, if any, of the Special Resolutions taken by the Holding Companies' director.

February 2010

Administration

A total of 783 e-mails and 27 faxes were received and answered.

During the month of February the Forensic Auditors' reports were finalized. These findings will be discussed per Property Company in this report.

A website was created for the benefit of all stakeholders at www.bzunderjm.co.za

Re-iteration of Important Notice:

It is extremely important to note that only the property companies are currently under provisional judicial management. The investors' monthly income is however paid from the holding companies of every syndication project. The

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holding companies receive their income from the property companies AFTER all operational costs have been settled and then pay the shareholder.

Although each company is a separate legal entity and must be administered as such the common factor in this group of companies, is ***Bluezone Property Investments (in liquidation)*** being the promoter of all the syndication companies.

As you may be aware, the demise of Bluezone Property Investments (Pty) Ltd (in liquidation) and the syndication companies was created by the liquidation of ***Spitskop Village Properties Limited (in liquidation)*** on the 21 August 2009. We suggest that you familiarize yourself with that application and especially the allegations made therein. You will find all the relevant documentation on a website www.spitskoppropinliq.co.za.

As reported in the media on Sunday 6th December 2009, many of these companies were subsidized on a monthly basis via interlinked company loans from the promoter Bluezone Property Investments (Pty) Ltd (in liquidation). These company loans became payable on date of liquidation and the provisional judicial managers are in the process of negotiating a monthly repayment with the liquidators of Bluezone Property Investments (Pty) Ltd (in liquidation).

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Milestone

- Property Company Altivex 88 (Pty) Ltd (under provisional judicial management Master Ref Nr T 7651/09)

- Holding Company Sign & Seal Trading 68 (Pty Ltd)

MILESTONE PLACE A & D				
ALTIVEX 88 (PTY) LTD				
INCOME STATEMENT as from 17/11/2009 to 28/02/2010				
INCOME		-	EXPENSES	
Vacancy factor 31,07%			Operational Expenses	
Monthly rental income			November 2009	-
November 2009	16,750.25		Once off Expenses November	-
			2009	-
Monthly rental income			Operational Expenses	
December 2009	85,046.07		December 2009	-
			Once off Expenses December	50,876.72
			2009	50,876.72
Monthly rental income			Operational Expenses January	
January 2010	102,353.26		2010	46,861.10
			Once off Expenses January	53,327.11
			2010	100,188.21
Monthly rental income			Operational Expenses February	
February 2010	74,147.26		2010	100,974.64
			Once off Expenses February	112,700.26
			2010	213,674.90
	278,296.84			364,739.83

1. You will note that the expenses exceed the income. This was financed by loans where the provisional judicial managers received extension of powers dated 27 November 2009 as set out on page 4 of this report.
2. Placement of new tenants created variance in monthly income and expenditure as deposits were received and tenant specific installations were done.
3. Included in the expenses is an amount of R 82 001.06 and includes professional fees of forensic auditors and legal fees.
4. There is amount of R 499 542 owed to Bluezone Property Investments (Pty) Ltd (in liquidation) for an interlinked company loan as determined by the forensic auditors.

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5. Bluezone Property Investments (Pty) Ltd (in liquidation) has a further claim for Rent Roll and Administration of R 205 593 against the company.
6. The current account is held with FNB under acc number 62071009487 and is showing a zero balance. The Nedbank account is held under account number 901-591-8446 and has a credit balance of R 22 673.82 as on the 1st of March 2010.
7. The property's vacancy factor is **31.7%** as on end February 2010. New tenants are actively pursued.
8. The company's liability for VAT at 30 November 2009 is estimated at R 21 643.
9. Total Immediate Obligations according to Forensic Auditors' report:
R 823 374.06
10. No provisional judicial management fees have been charged or collected from the company, neither has the Master of the High Court granted any fees to be collect by the judicial managers as on date of this report.

Forensic Auditors' Report Findings:

The company was incorporated on 20 August 2004 as Altivex 88 (Pty.) Ltd. under reference number 2004/023567/07. The company's registered office appears to be that of its auditor, Loubser Du Plessis Incorporated, and is given as De Waterkant Building, 10 Helderberg Street, Stellenbosch. Hennie Lamprecht is given as the sole director.

The company sole asset of significance Units 1 – 4 of Blocks "A & B" and "C & D" Milestone Place, Route 21 Corporate Park, Irene Extension 30 which it acquired in June 2005 at a cost of R 6 320 707.

The properties was valued by J.T. Seyffert in August 2006 for R 10 250 000 and formed the basis of a syndication arrangement by Bluezone at a value of R 9 679 000. Included in the syndication value, was Bluezone's profit on the transaction (gross of commissions) of R 2 819 452.

The profit excluded a commission payment of R 361 546 paid to Unit 21 Sunset Hill CC. According to the Companies Register, the CC is owned by Chris Blaauw, a former employee of Blue Zone.

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THE ADMINISTRATION OF THE COMPANY POST SYNDICATION

The company obtained a mortgage loan from Nedbank for R 5 000 000 in 2005. The Nedbank loan was settled by Honey & Partners on 10 June 2005 from investors' money.

On 15 July 2005, the company requested a new draw of R 5 000 000, which money was deposited to the company's FNB current account. From the company's general ledger, it appears the amount was transferred to Hennie Lamprecht's RMB account in July 2005. There does not seem to be any authority for this transfer although the bond was disclosed in the company's financial statements for the year ended 28 February 2006.

The amount was repaid by Hennie Lamprecht on 31 August 2006. The company however received no compensation for the interest incurred on the bond over this period, which we estimate at R 538 000. The bond was subsequently cancelled.

There is further evidence that the Company assisted Lezmin 2329 CC to acquire Unit 5 of Milestone Place at the same time that the company purchased its property. Lezmin 2329 CC is 100% owned by Hennie Lamprecht.

The company has paid VAT to August 2009. The company has rendered an income tax return up to the 2008 tax year. There is an assessed loss for income tax purposes of R 630 305 at 28 February 2009.

- The Milestone Place property has been valued by Messrs of Valuers & Appraisers at R 9 350 000
- Property and administration expenses of R 205 593 have been accrued.

The company's liabilities exceed its assets by R 1 129 617 and is therefore insolvent. Furthermore, the company will not be in a position to pay any interest to its Holding Company for the foreseeable future, as funds will be required by the company to meet its immediate obligations.

The company faces a claim from the liquidators of Bluezone Property Investments of R 499 542 being the amount due to Bluezone on the intercompany account. The liquidators will most certainly pursue this claim.

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Property 259

- Property Company Copper Moon Trading 248 (Pty) Ltd
(under provisional judicial management Master Ref Nr T7652/09)
- Holding Company Pacific Breeze Trading 129 (Pty) Ltd

PROPERTY 259				
COPPER MOON TRADING 248 (PTY) LTD				
INCOME STATEMENT as from 17/11/2009 to 19/02/2010				
INCOME		-	EXPENSES	
Vacancy factor 0%			Operational Expenses	
Monthly rental income			November 2009	-
November 2009	128,473.35		Once off Expenses November 2009	-
				-
Monthly rental income			Operational Expenses	
December 2009	128,473.35		December 2009	15,565.92
			Once off Expenses December 2009	-
				15,565.92
Monthly rental income			Operational Expenses January	
January 2010	128,473.35		2010	57,828.60
			Once off Expenses January 2010	2,023.57
				59,852.17
Monthly rental income			Operational Expenses February	
February 2010	-		2010	34,966.86
			Once off Expenses February 2010	98,235.45
			Once off Expenses (still to be paid)	224,580.00
			Once off Expenses (still to be paid)	298,350.00
				656,132.31
				731,550.40
	385,420.05			

1. You will note that the expenses exceed the income. This was financed by loans where the provisional judicial managers received extension of powers dated 27 November 2009 and as set out above on page 4 of this report.
2. Included in the expenses is an amount of R 115 335.25 which includes professional fees of forensic auditors, arrear taxes and legal fees.
3. Bluezone Property Investments (Pty) Ltd (in liquidation) has a claim for Rent Roll and Administration of R 140 205 against the company.

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4. There is amount of R 845 011 owed by Bluezone Property Investments (Pty) Ltd (in liquidation) to the company for an intercompany loan as determined by the forensic auditors.
5. The current account is held with FNB under acc number 620-8249-2952 and is showing a zero balance. The Nedbank account is held under account number 901-591-8543 and has a credit balance of R 212 516.12 as on the 1st of March 2010.
6. The property's vacancy factor is 0% as on end February 2010.
7. There is an outstanding liability for Income Tax of R 46 528 (including penalties and interest of R 2 339) which remains unpaid.
8. Total Immediate Obligations of the company is : **R 628 403.45**
9. No provisional judicial management fees have been charged or collected from the company, neither has the Master of the High Court granted any fees to be collect by the judicial managers as on date of this report.

Forensic Auditors' Report Findings

The company was incorporated on 18 April 2005 as Copper Moon Trading 248 (Pty.) Ltd. under reference number 2005/011381/07. The company's registered office is given as 623 Prince George Avenue, Brenthurst, Brakpan and its postal address as P.O. Box 2413, Brakpan, 1540. There is no reason for this, and the address should be changed immediately to Castle Walk Corporate Park. Hennie Lamprecht is given as the sole director.

The company sole asset of significance is a 3 storey office block in Kent Avenue, Randburg that is now let to SGS South Africa (Pty.) Ltd, and which it acquired in October 2005 at a cost of R 7 500 000. In the disclosure document to Investors, the purchase price was disclosed as R 8 400 000.

The difference of R 900 000 was paid to M. Barlett and P. Wildman as a "commission". Both Bartlett and Wildman were former employees of Bluezone. The commission was not disclosed to Investors.

The property was valued by J.T. Seyffert in April 2006 for R 13 400 000 and formed the basis of a syndication arrangement by Bluezone at a value of R 12 300 000.

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The difference between the syndication value and actual cost, amounting to R 3 900 000 was explained in the Disclosure Document to Investors as follows:

Purchase Price	8 400 000
Marketing Commissions and other costs	1 715 000
Bluezone Vacancy Fund	367 658
Revamp Fund	800 000
Interim Interest to Investors	80 000
Bluezone Gross Profit	<u>887 342</u>

Total Syndication Amount R 12 250 000

The "Bluezone vacancy fund" of R 367 658 and the "revamp fund" of R 800 000 never existed.

THE ADMINISTRATION OF THE COMPANY POST SYNDICATION

Up to June 2009, the company consistently paid the net income to its Holding Company. At the end of May 2009, Murray & Roberts vacated the premises and SGS came in from 1 September 2009 at a significantly lower rental to that paid by M & R (some 27% less).

The company has rendered a VAT return to August 2009. The company has rendered an income tax return up to the 2008 tax year. There is an amount outstanding on the income tax account of R 47 045.

FINANCIAL POSITION

- The Property has been valued by Messrs of Valuers & Appraisers at R 8 500 000. This resulted in a write down in the carrying value of the property of R 5 600 000. Whilst the write down is significant, this is understandable in view of the fall in the company's net rental income with the new SGS lease;
- Unpaid property and admin expenses of R 372 863 have been accrued, including R 224 580 due to C & I Property Services for commission due on the negotiation of the SGS lease, and
- Provision has been made for a rent collection and management fee payable to Bluezone on gross rentals, amounting to R 140 205.

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In the absence of any subordination agreement by the Holding Company, the company's liabilities exceed its assets by R 4 424 060 (based on Messrs Valuers and Appraisers' valuation) and is therefore insolvent.

CONCLUSION

In order to meet its immediate financial obligations, the company will need to withhold any form of payment to the holding company for the foreseeable future. With its reduced net rental income from the SGS lease, the company will similarly have to reduce its interest commitment to the holding company going forward.

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The Heights (TUT)

- Property Company Nungu Trading 472 (Pty) Ltd (under provisional judicial management Master Ref Nr T 7649/09)

- Holding Company Southern Palace Investments 335 (Pty) Ltd

THE HEIGHTS - TUT				
NUNGU TRADING 472 (PTY)LTD				
INCOME STATEMENT as from 17/11/2009 to 19/02/2010				
INCOME		-	EXPENSES	
Vacancy factor 0%				
Monthly rental income November 2009	-		Operational Expenses November 2009	-
			Once off Expenses November 2009	-
				-
Monthly rental income December 2009	752,854.16		Operational Expenses December 2009	356,192.68
			Once off Expenses December 2009	-
				356,192.68
Monthly rental income January 2010	-		Operational Expenses January 2010	314,708.67
			Once off Expenses January 2010	47,252.88
				361,961.55
Monthly rental income February 2010	941,943.04		Operational Expenses February 2010	98,917.19
			Once off Expenses February 2010	133,699.29
			Once off Expenses - LDP Auditors (still to be paid)	26,575.20
				259,191.68
				977,345.91
	1,694,797.20			977,345.91

1. There is amount of R 1 320 337 owed to Bluezone Property Investments (Pty) Ltd (in liquidation) for a inter-company loan as determined by the forensic auditors.
2. Bluezone Property Investments (Pty) Ltd (in liquidation) has a further claim for Rent Roll and Administration of R 958 582 against the company.
3. The current account is held with FNB under acc number 62091294315 and is showing a zero balance. The Nedbank account is held under account number 901-591-8161 and has a credit balance of R 317 449.55 as on the 1st of March 2010.
4. The property's vacancy factor is 0% as on end February 2010.
5. Total Immediate Obligations of the company : **R 2 429 718.29**

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6. Included in the expenses is an amount of R 150 799.29 which includes professional fees of forensic auditors, arrear taxes and legal fees.
7. The property's vacancy factor is 0% as on end February 2010. Note that there is NO fixed monthly rental on this tenant agreement. TUT determines the level of occupation of students on a monthly basis and pays rent accordingly. Therefore, during holiday breaks NO monthly income is paid as there is no student occupancy.
8. No provisional judicial management fees have been charged or collected from the company, neither has the Master of the High Court granted any fees to be collect by the judicial managers as on date of this report.

Forensic Auditors' Report Findings

The company was incorporated on 24 August 2005 under reference number 2005/029428/07. The company's registered office appears to be that of its auditor, Loubser Du Plessis Incorporated, and is given as De Waterkant Building, 10 Helderberg Street, Stellenbosch. Hennie Lamprecht is given as the sole director.

The company sole asset of significance is a student residence known as "The Heights" which is leased to the Tshwane University for Technology until February 2012 and which it acquired in June 2006 at a cost of R 26 000 000. The properties was valued by J.T. Seyffert in May 2006 for R 46 600 000 and formed the basis of a syndication arrangement by Bluezone Property Investments (Pty) Ltd (in liquidation) at a value of R 46 286 000.

Whilst the "Property Income Plan" refers to a purchase price of R 36 000 000, it appears that the purchase price was only R 26 000 000. The profit excluded a commission payment of R 2 900 000 paid to Greenland Portfolio Inferno CC, in which a former employee of Bluezone, Paul Scheepers had an interest. The commission payments represented 11.15% of the purchase price which appears grossly excessive.

It appears that an excessive fee of R 347 045 (excl VAT) was paid to Honey & Partners (the company's attorneys).

THE ADMINISTRATION OF THE COMPANY POST SYNDICATION

The company has suffered from the under-recoverability of electricity and water, particularly since July 2009. The company's

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liability for electricity, water and refuse from July has averaged R 318 000 per month (which approximates R 370 per student).

Should this trend continue (and together with the company's liability for maintenance), we question whether the valuation placed on the property is realistic.

The company has rendered an income tax return up to the 2008 tax year. There is an estimated assessed loss for income tax purposes of R 2 598 000 at 28 February 2009.

FINANCIAL POSITION

- The TUT property has been valued by Messrs of Valuers & Appraisers at R 45 975 000. This resulted in a write down in the carrying value of the property of R 4 554 000 after-tax. We believe that the under-recovery of electricity was underestimated and therefore, we believe that the valuation may be high;
- Property and administration expenses of R 958 582 have been accrued; and
- The vacancy fund never existed and formed part of Bluezone's funds from the commencement of the transaction.

The company's liabilities exceed its assets by R 1 062 430 (based on Messrs of Valuers & Appraisers' valuation) and is therefore insolvent.

CONCLUSION

The company faces a claim from the liquidators of Bluezone Property Investments of R 1 320 337 being the amount due to Bluezone on the intercompany account. The liquidators will most certainly pursue this claim.

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Madeline Street

- Property Company - Madeline Street Properties (Pty) Ltd
(under provisional judicial management Master Ref Nr T 7643/09)
- Holding Company - Abrina 2617 (Pty) Ltd

MADLINE STREET				
MADLINE STREET PROPERTIES (PTY) LTD				
INCOME STATEMENT as from 17/11/2009 to 19/02/2010				
INCOME		-	EXPENSES	
Vacancy factor 0%				
Monthly rental income November 2009	-		Operational Expenses November 2009	-
			Once off Expenses November 2009	-
				-
Monthly rental income December 2009	317,319.55		Operational Expenses December 2009	14,747.83
			Once off Expenses December 2009	-
				14,747.83
Monthly rental income January 2010	471,929.17		Operational Expenses January 2010	30,325.10
			Once off Expenses January 2010	14,427.65
				44,752.75
Monthly rental income February 2010	-		Operational Expenses February 2010	5,598.35
			Once off Expenses February 2010	104,402.85
			Once off Expenses - LDP Auditors (still to be paid)	1,906.70
				111,907.90
				171,408.48
	789,248.72			171,408.48

1. Note that the tenant is paid up to date even though no rental income has been received for February 2010. Double payment was received in January 2010 which accounts for the correct status of the tenant.
2. Bluezone Property Investments (Pty) Ltd (in liquidation) has a claim for Rent Roll and Administration of R 230 629 against the company.
3. The current account is held with FNB under acc number 512-3003-8030 and is showing a zero balance. The Nedbank account is held under account number 901-591-8276 and has a credit balance of R 504 467.68 as on the 1st of March 2010.
4. The property's vacancy factor is 0% as at February 2010.

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5. The company's liability for VAT at 30 November 2009 is estimated at R 33 549.
6. Included in the expenses is an amount of R 121 502.85 which includes professional fees of forensic auditors and legal fees.
7. No provisional judicial management fees have been charged or collected from the company, neither has the Master of the High Court granted any fees to be collect by the judicial managers as on date of this report
8. Total Immediate Obligations of the company : **R 387 587.55**

Forensic Auditors' Report Findings

The company was incorporated on 27 June 1984 under reference number 1984/006578/07. The company's registered office appears to be that of its auditor, Loubser Du Plessis Incorporated, and is given as De Waterkant Building, 10 Helderberg Street, Stellenbosch. Hennie Lamprecht is given as the sole director.

The company sole asset of significance is an office block situated in Florida Roodepoort, which is let to the Gauteng Provincial Government (for the use of the Dept. of Education). The property was valued by J.T. Seyffert in July 2006 for R 13 300 000 and formed the basis of a syndication arrangement by Bluezone at a value of R 11 633 000.

It appears that in June 2006, the shares in Madeline Street Properties were purchased by Abrina 2617 (Pty) Ltd. (which changed its name to Madeline Street Holdings) for R 9 000 000 and was done to avoid the stamp duty (and resultant penalties) on the transfer of the shares.

A further complication arises due to the company accounting for the purchase of the shares as though it had purchased the property. There are a few consequences that flow from this:

- the books as prepared, as "unauditable" and have to be re-written from the beginning;

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- the same situation applies in the Holding Company;
- no audited financial statements are able to be prepared or income tax returns submitted until this is done;
- certain of the expenses which would ordinarily be deductible for income tax purposes with the purchase of the property would now be of a capital nature and not deductible for normal tax purposes; and
- the cost of the property for Capital Gains Tax purposes would be the cost of the property to the company, namely R 1 684 786, and not the R 9 000 000 paid for the shares.

Provision was made, on syndication, for a "revamp fund" of R 50 000. This fund never existed.

THE ADMINISTRATION OF THE COMPANY POST SYNDICATION

The lease with the GDE terminates on 30 June 2010. At this stage, it is unsure whether the Department will renew the lease. Should the department not renew, the company will not be in a position to meet its immediate obligations, nor pay any income to the holding company.

Despite the fact that the company has not prepared audited financial statements, it appears to have rendered a "nil" IT 14 for the 2007 and 2008 tax years. The company appears to be in credit with SARS for R 105 843.

The company is in arrear with its VAT obligations for October 2009 amounting to R 33 549.

FINANCIAL POSITION

The property has been valued by Messrs of Valuers & Appraisers at R 11 000 000.

Regretfully, until such time as the books are re-written, we are unable to confirm if the company is exposed to a claim from the liquidators of

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Bluezone Property Investments (Pty.) Ltd. or, whether it has a claim, in turn, against Bluezone.

This also applies to the South African Revenue Services, in respect of normal taxes which may become payable once the company's tax affairs are up to date.

The company has a good lease and tenant in place, provided the GDE renews its lease for a further period. If not, the company has no reserves to meet future operating costs until a replacement tenant is found. Also, without a tenant in place, the valuation of the property will, most likely, drop.

Provisional Judicial Managers

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Africard

- Property Company - Quick Leap 461 (Pty) Ltd (under provisional judicial management Master Ref Nr T 7650/09)

- Holding Company - Pacific Breeze Trading 134 (Pty) Ltd

AFRICARD				
QUICK LEAP INVESTMENTS 461 (PTY) LTD				
INCOME STATEMENT as from 17/11/2009 to 19/02/2010				
INCOME		-	EXPENSES	
Vacancy factor 0%				
Monthly rental income November 2009	-		Operational Expenses November 2009	-
			Once off Expenses November 2009	-
				-
Monthly rental income December 2009	200,600.69		Operational Expenses December 2009	R 5,762.70
			Once off Expenses December 2009	-
				R 5,762.70
Monthly rental income January 2010	201,174.47		Operational Expenses January 2010	R 33,559.88
			Once off Expenses January 2010	6,511.85
				R 40,071.73
Monthly rental income February 2010	233,824.75		Operational Expenses February 2010	10,937.75
			Once off Expenses February 2010	104,050.14
			Once off Expenses - LDP Auditors (still to be paid)	27,793.20
				142,781.09
				188,615.52
	635,599.91			188,615.52

1. There is amount of R 302 089 owed by Bluezone Property Investments (Pty) Ltd (in liquidation).
2. The current account is held with FNB under acc number 62091297658 and is showing a zero balance. The Nedbank account is held under account number 901-591-8527 and has a credit balance of R 448 558.23 as on the 1st of March 2010.
3. The property's vacancy factor is 0% as on end February 2010.
4. No provisional judicial management fees have been charged or collected from the company, neither has the Master of the High Court granted any fees to be collect by the judicial managers as on date of this report
5. Total Immediate Obligations of the company : **R 148 943**

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Forensic Auditors' Report Findings

The company was incorporated on 23 August 2005 under reference number 2005/029399/07. The company's registered office is given as 623 Pri(n)ce George Avenue, Brenthurst, Brakpan and its postal address as P.O. Box 2413 Brakpan. There is no reason for this and the addresses should be changed to Castle Walk immediately. Hennie Lamprecht is given as the sole director.

The company's sole asset of significance is an industrial property situated in Cleveland, Johannesburg which is let to Altech Data in terms of a long-term lease expiring 31 May 2012. The company purchased the property in March 2006 at a cost of R 13 000 000 and formed the basis of a syndication arrangement by Bluezone at a value of R 16 860 000. We can find no valuation from J.T. Seyffert at the time, as was Bluezone's custom.

The forensic auditors are satisfied that the "revamp fund" and "vacancy fund" never existed and were withdrawn by Bluezone to form part of Bluezone's profits from the syndication.

THE ADMINISTRATION OF THE COMPANY POST SYNDICATION

On syndication, the property was and is still let to Altech Data (Africard) until 31 May 2012. The lease is a triple net lease with Altech Data bearing all the municipal charges. The current rental payable by Altech Data is R 170 983 plus VAT.

The company has rendered an income tax return up to the 2008 tax year.

FINANCIAL POSITION

- The property has been valued by Messrs of Valuers & Appraisers at R 17 800 000, which has resulted in a revaluation surplus for the period of R 100 000;

Despite provisional write-offs in the financial statements of the company, the company remains solvent, and given time, will be able to meet its immediate obligations from its rental income.

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Austin Crossing

- Property Company - Tropical Paradise Trading 335 (Pty) Ltd

(under provisional judicial management Master Ref Nr T 7646/09)

- Holding Company - Southern Palace Investments 337 (Pty) Ltd

AUSTIN CROSSINGS				
TROPICAL PARADISE TRADING 335 (PTY) LTD				
INCOME STATEMENT as from 17/11/2009 to 19/02/2010				
INCOME		-	EXPENSES	
Monthly rental income November 2009	41,059.72		Operational Expenses November 2009	-
			Once off Expenses November 2009	-
				-
Monthly rental income December 2009	56,959.44		Operational Expenses December 2009	42,152.34
			Once off Expenses December 2009	-
				42,152.34
Monthly rental income January 2010	60,143.86		Operational Expenses January 2010	3,714.13
			Once off Expenses January 2010	-
				3,714.13
Monthly rental income February 2010	24,974.24		Operational Expenses February 2010	6,750.13
			Once off Expenses February 2010	49,089.80
			Once off Expenses - LDP Auditors (still to be paid)	1,212.69
			Once off Expenses - Legal fees (still to be paid)	7,159.38
				64,212.00
				110,078.47
	183,137.26			

1. There is amount of R 577 474 owed by Bluezone Property Investments (Pty) Ltd (in liquidation) as an intercompany loan identified by the forensic auditors.
2. Bluezone Property Investments (Pty) Ltd (in liquidation) has a claim for Rent Roll and Administration of R 239 351 against the company.
3. The current account is held with FNB under acc number 6208-2492-952 and is showing a zero balance. The Nedbank account is held under account number 901-591-8496 and has a credit balance of R 87 857.25 as on the 1st of March 2010.

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4. The property's vacancy factor is 0% as on end February 2010.
5. No provisional judicial management fees have been charged or collected from the company, neither has the Master of the High Court granted any fees to be collect by the judicial managers as on date of this report
6. Total Immediate Obligations of the company : **R 353 061.61**
7. The loan form Liberty lane 98 (Pty) Ltd amount to R 50 000 and needs to be settled. It is NOT included in above figure. The forensic auditors determined and investigated the loan, and is therefore not yet a proven and submitted claim by the judicial managers.

Forensic Auditors' Report Findings

The company was incorporated on 17 May 2005 as Tropical Paradise Trading 335 (Pty) Ltd. under reference number 2005/015145/07. The company's registered office appears to be that of its auditor, Loubser Du Plessis Incorporated, and is given as De Waterkant Building, 10 Helderberg Street, Stellenbosch. Hennie Lamprecht is given as the sole director.

The company purchased two properties in 2006 - The Austin Crossing Centre for R 5 350 000 and the Bevpak Property for R 13 527 046. The Bevpak property was valued by J.T. Seyffert in September 2006 for R 18 500 000. The forensic auditor has not been able to locate a similar valuation for the Austin Crossing Property. These two properties formed the basis of a syndication arrangement by Bluezone at a value of R 25 900 000.

THE PROPERTY SYNDICATION

The "vacancy fund" of R 500 000 and a "maintenance fund" of R 400 000 never existed.

The Bevpak property was sold to Calshelf Investments 145 (Pty) Ltd. in June 2008 for R 18 900 000. Honey & Partners were to distribute the proceeds as a part repayment of shareholder funds. It does not appear that Honey & Partners has accounted to the company for the sale of the Bevpak property. A commission of R 200 000 was paid to Northern Spark Trading 254 (Pty) Ltd on the sale to Calshelf 145, in which Paul Scheepers and Hennie Lamprecht have an interest.

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THE ADMINISTRATION OF THE COMPANY POST SYNDICATION

Generally, the property was administered in accordance with the disclosure document issued to Investors, except for the following. On 30 June 2008, Bluezone withdrew an amount of R 500 000 from the company's bank account, and a further R 45 000 on 8 January 2009. The first withdrawal was funded from a VAT refund of R 623 216 and the second from operating income. These amounts are unlikely to be recovered from the Bluezone insolvent estate.

The company has rendered an income tax return up to the 2008 tax year.

FINANCIAL POSITION

- The Austin Crossing property has been valued by Messrs of Valuers & Appraisers at R 5 600 000. This is in line with the carrying cost of the property in the books of the company;
- Provision has been made for a rent collection and management fee payable to Bluezone on gross rentals, amounting to R 239 351; and

The company's liabilities exceed its assets by R 1 715 215 (based on Messrs Valuers & Appraisers' valuation) and is therefore insolvent. Furthermore, the company will not be in a position to pay any interest as funds will be required by the company to meet its immediate obligations.

The company also faces a claim from Liberty Lane Trading 98 (Pty) Ltd (the holding company of the Flextronics syndication) for R 50 000 advanced on the 6th of April 2009.

CONCLUSION

Despite the immediate claims against the company, Austin Crossing is fully let and well tenanted. The company should be able to trade out of its difficulties, given time.

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Flextronics

- Property Company-Tropical Paradise Trading 334 (Pty) Ltd

(under provisional judicial management Master Ref Nr T7655/09)

- Holding Company - Liberty Lane Trading 98 (Pty) Ltd

FLEXTRONICS			
TROPICAL PARADISE TRADING 334 (PTY) LTD			
INCOME STATEMENT as from 17/11/2009 to 19/02/2010			
INCOME		EXPENSES	
Vacancy factor 14,22%			
Monthly rental income November 2009	2,052.00	Operational Expenses November 2009	-
		Once off Expenses November 2009	-
			-
Monthly rental income December 2009	616,045.75	Operational Expenses December 2009	170,959.32
		Once off Expenses December 2009	-
			170,959.32
Monthly rental income January 2010	680,936.09	Operational Expenses January 2010	139,729.65
		Once off Expenses January 2010 (loan repayment)	7,749.89
			147,479.54
Monthly rental income February 2010	-	Operational Expenses February 2010	82,525.73
		Once off Expenses February 2010(Valluation & loan repayment)	110,061.54
		Once off Expenses - LDP Auditors (still to be paid)	27,223.20
			219,810.47
	1,299,033.84		538,249.33

1. There is amount of R 3 364 436 owed to Bluezone Property Investments (Pty) Ltd (in liquidation) for subsidization of income as reported by the forensic auditors. Please see page 26 of this report.
2. Bluezone Property Investments (Pty) Ltd (in liquidation) has a further claim for Rent Roll and Administration of R 935 035 against the company. This claim has already been proven at the first Creditors' Meeting.
3. The current account is held with FNB under acc number 62091294315 and is showing a zero balance. The Nedbank account is held under

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- account number 901-591-8420 and has a credit balance of R 593 556.45 as on the 1st of March 2010.
4. The property's vacancy factor is 0% as on end February 2010.
 5. The company's liability for VAT at 30 November 2009 is estimated at R 286 144.
 6. No provisional judicial management fees have been charged or collected from the company, neither has the Master of the High Court granted any fees to be collect by the judicial managers as on date of this report
 7. Total Immediate Obligations of the company : **R 4 740 893.14**

Forensic Auditors' Report Findings

The company was incorporated on 17 May 2005 under reference number 2005/015144/07. The company's registered office appears to be that of its auditor, Loubser Du Plessis Incorporated, and is given as De Waterkant Building, 10 Helderberg Street, Stellenbosch. Hennie Lamprecht is given as the sole director.

The company's sole asset of significance is a 2 storey office block situated in Ferndale, Randburg which used to be the Flextronics head office. The company purchased the property from the Sycom Property Fund in June 2006 at a cost of R 66 000 000. The property was valued by J.T. Seyffert in May 2006 for R 81 500 000 and by MP Valuers in October 2006 for R 77 000 000. The property formed the basis of a syndication arrangement by Bluezone at a value of R 87 032 000. Note that the property was purchased by Sycom in 2005 for R 29 900 000. The syndication value represented an increase in the property value of almost 300% in two years.

Broll's mandate was to find a purchaser for not less than R 40 000 000

Northern Spark Trading, owned by Paul Scheepers (who was employed by Bluezone and prepared the due diligence report on the property) and Hennie Lamprecht received commission of R 1 400 000.

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The difference between the syndication value and actual cost, amounting to R 21 032 000 was explained in the Disclosure Document to Investors as follows:

Purchase Price (incl agent commission transfer costs etc)	69 958 214
Marketing Commissions and other costs	9 573 517
Maintenance Fund	500 000
Vacancy Fund	1 580 000
Bluezone Gross Profit	<u>5 420 269</u>
Total Syndication Amount	R <u>87 032 000</u>

The "maintenance fund" and "vacancy fund" of R 1 580 000 never existed. The forensic auditors are concerned that Honey & Partners charged some R 436 050 for "agreed fee for taking of instructions, consultations, telephone calls made and received, letters written and received, drafting of cession of lease agreement, attendances and administration of funds". The amount appears excessive.

THE PROPERTY SYNDICATION

The Company applied for and was granted a R 40 000 000 bond from Nedbank, to bridge the shortfall until the syndication offer was fully subscribed. The bond was repaid and a credit balance of R 72 598 on the bond transferred by Nedbank to Hennie Lamprecht's RMB account.

Flextronics did not renew its lease on expiry in 2008. As a result, the company was not able to maintain its level of net rental income.

THE ADMINISTRATION OF THE COMPANY POST SYNDICATION

On syndication, the property was let to Flextronics in terms of a Head Lease. Flextronics did not renew its lease on expiry in October 2008. Rent payable by Flextronics was R 692 792 plus VAT. The current rent roll is R 458 900 plus VAT. This can be attributed to:

- 532 sq m. of common area that was included under the Flextronics lease is not generating any rental; and
- An additional 779 sq m. is currently unlet.

It appears that Bluezone have given a form of guarantee to the shareholders of Liberty Lane 98 (Pty) Ltd - the holding company. This guarantee "guarantees the interest payments to subscribers in terms of

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clause 5.3. of the offer to subscribe from date of acceptance till 30 September 2013." It appears that in lieu of such undertaking, Bluezone made top-up payments to Tropical Paradise Trading 334 (Pty) Ltd and not the holding company, thereby exposing the company to a claim from the liquidators of Bluezone for repayment of these amounts.

The company has rendered an income tax return up to the 2008 tax year, but is in arrear with its VAT payments to an amount of R 286 144.

FINANCIAL POSITION

- The property has been valued by Messrs Valuers & Appraisers at R 40 000 000. We believe the valuation to be too conservative, but would have been satisfied with a valuation of around R 48 000 000;
- Rent collection and management fee are payable to Bluezone on gross rentals, amounting to R 935 035 and
- The "vacancy fund" of R 1 580 000 and the "maintenance fund" of R 500 000 never existed

The company's liabilities exceed its assets by R 49 761 360 (based on Messrs Valuers & Appraisers' valuation) and is therefore insolvent.

The company also faces a claim from the liquidators of Bluezone for repayment of a loan account in the liquidators favour amounting to R 3 364 436.

CONCLUSION

Despite the immediate claims against the company, the property is well situated, and has FNB as a long term tenant. The company should be able to trade out of its difficulties, given time.

However, the forensic auditors believe that the property was significantly over-valued on syndication resulting not only in a loss of interest income to investors but a loss of 40% of their capital.

 Provisional Judicial Managers
PD KRUGER/EL BESTER for all companies
 ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
 YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
 MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

Prospect Close

- Property Company - Mystic Blue Trading 511 (Pty) Ltd

(under provisional judicial management Master Ref Nr T 7647/09)

- Holding Company - Copper Sunset Trading 239 (Pty) Ltd

PROSPECT CLOSE			
MYSTIC BLUE TRADING 511 (PTY) LTD			
INCOME STATEMENT as from 17/11/2009 to 19/02/2010			
INCOME		EXPENSES	
<u>Vacancy factor 0%</u>			
Monthly rental income November 2009	130,787.62	Operational Expenses November 2009	83,009.08
			83,009.08
Monthly rental income December 2009	259,085.19	Operational Expenses December 2009	17,621.03
			17,621.03
Monthly rental income January 2010	669,789.75	Operational Expenses January 2010	163,601.16
		Once off Expenses January 2010 (Valuations)	40,022.77
		Once off Expenses January 2010 (Loan repayment)	2,290.73
			205,914.66
Monthly rental income February 2010	239,585.30	Operational Expenses February 2010	61,866.92
		Once off Expenses February 2010(Legal and accounting)	148,047.75
		Once off Expenses - LDP Auditors (still to be paid)	50,817.40
			260,732.07
	1,299,247.86		567,276.84

1. Bluezone Property Investments (Pty) Ltd (in liquidation) has a claim for Rent Roll and Administration of R 224 895 against the company.
2. The company has a claim of R 417 886 against Bluezone Property Investments (Pty) Ltd (in liquidation).
3. The current account is held with FNB under acc number 62148048764 and is showing a zero balance. The Nedbank account is held under account number 901-591-8470 and has a credit balance of R 814 410.39 as on the 1st of March 2010.

Provisional Judicial Managers
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ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

4. The property's vacancy factor is 0% as on end February 2010.
5. The company's liability for VAT at 30 November 2009 is estimated at R 433 432.
6. Total Immediate Obligations of the company : **R 962 829.75**
7. The provisional Judicial Managers signed a new lease with SPE Towbars (Pty) Ltd for an amount of R 34 000 per month.
8. No provisional judicial management fees have been charged or collected from the company, neither has the Master of the High Court granted any fees to be collect by the judicial managers as on date of this report

Forensic Auditors' Report Findings

The company was incorporated on 22 June 2007 under reference number 2007/017056/07. The company's registered office appears to be that of its auditor, Loubser Du Plessis Incorporated, and is given as De Waterkant Building, 10 Helderberg Street, Stellenbosch. Hennie Lamprecht is given as the sole director.

The company sole asset of significance is an office block situated at Prospect Close, Route 21 Corporate Park, Irene and which it acquired in October 2007 at a cost of R 34 588 847. The property was valued by J.T. Seyffert in January 2008 for R 39 500 000 and by Quadrant Properties for R 38 700 000 and was syndicated by Bluezone in February 2008 for R 42 300 000.

The property was purchased from Mystic Blue Trading 161 (Pty) Ltd , a company owned by the HCL Family Trust. It appears that the property was purchased by Mystic Blue Trading 161(Pty) Ltd for R 25 460 000 in December 2005 and on-sold to the company, at an apparent profit of R 9 128 800.

A commission of R 538 115 was paid to Northern Spark Trading 254, owned jointly by Hennie Lamprecht and Paul Scheepers.

The offer was fully subscribed and the minimum subscription of R 42 300 000 obtained by the closing date. Of the amount received from investors, the company obtained a loan of R 41 176 500 from Copper Sunset Trading 239 (Pty.) Ltd. ("CST 239"), some R 1 123 500 less than envisaged. We have been unable to explain the difference, without access to the records of Honey & Partners.

 Provisional Judicial Managers
PD KRUGER/EL BESTER for all companies
 ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
 YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
 MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

THE ADMINISTRATION OF THE COMPANY POST SYNDICATION

The projected income and expenditure statement contained in the disclosure document (page 90) made provision for advertising income of R 720 000 p.a. from a Billboard.

R 500 000 was provided for the construction and approval of the Billboard as part of the acquisition and syndication costs (page 19 read with page 2 of the disclosure document). The forensic auditors have reviewed the rent roll of the seller at this time, and have found no evidence that the "Billboard" ever existed. This caused not only a loss of monthly income of R 60 000, but (at a capitalisation rate of 9,5%), some R 7 500 000 loss in value of the property.

This would appear to be a material deviation from the information placed before investors. Even if it was envisaged that a billboard would be erected, the failure to do so, and the resultant loss of income caused the property to be grossly overvalued and should have been subsequently disclosed. The R 500 000 set aside to pay for the Billboard was returned by Honey and Partners, together with an amount of R 196 000 (either investors money or interest or both). Both amounts were wrongly transferred to Bluezone's bank account, instead of being returned to Investors.

In addition, both valuers, Quadrant Properties and Syffert, included the non-existent income from the Billboard in arriving at their valuations in January 2008.

From February 2009, the company has been paying only part of the VAT to SARS, resulting in a liability to SARS for unpaid VAT to November 2009 of R 433 432. Included in this amount are penalties of R 36 665 and interest of R 23 894. SARS is aware of the shortfall.

The company has never rendered an income tax return to SARS and is in arrear from the 2008 tax year.

FINANCIAL POSITION

- The Prospect Close Place property has been valued by Messrs Valuers & Appraisers at R 30 000 000. This resulted in a write down in the carrying value of the property of R 11 699 300;

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PD KRUGER/EL BESTER for all companies
 ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
 YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
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- The unpaid VAT of R 433 432 has been provided for;
- Rent collection and management fees of R 224 895 to Bluezone have been provided for;

The company's liabilities exceed its assets by R 12 614 935 (based on Messrs Valuers & Appraisers' valuation) and is therefore insolvent.

CONCLUSION

Despite the problems that the company has endured, Route 21 Corporate Park is a sought-after investment and the property is well tenanted. For this reason, the forensic auditors believe that the company can trade out of its difficulties, given time.

Provisional Judicial Managers
PD KRUGER/EL BESTER for all companies
ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

Castle Walk

- Property Company - Autumn Star Trading 286 (Pty) Ltd (under provisional judicial management Master Ref Nr T 7645/09)

- Holding Company - Gemini Moon Trading 122 (Pty) Ltd

CASTLE WALK				
AUTUMN STAR TRADING 286				
INCOME STATEMENT as from 01/11/2009 to 28/02/2010				
INCOME		-	EXPENSES	
Vacancy factor 0%				
Monthly rental income November 2009	-		Operational Expenses November 2009	-
			Once off Expenses November 2009	-
				-
Monthly rental income December 2009	-		Operational Expenses December 2009	33,169.23
			Once off Expenses December 2009	-
				33,169.23
Monthly rental income January 2010	-		Operational Expenses January 2010	61,329.92
			Once off Expenses January 2010	-
				61,329.92
Monthly rental income February 2010	-		Operational Expenses February 2010	25,138.84
			Once off Expenses February 2010	122,060.80
			Once off Expenses - LDP Auditors (still to be paid)	798.00
				147,997.64
	-			242,496.79

1. You will note that the expenses exceed the income. This was financed by loans where the provisional judicial managers received extension of powers dated 27 November 2009 and as set out above on page 4 of this report.
2. Bluezone Property Investments (Pty) Ltd (in liquidation) has a claim for Rent Roll and Administration of R 195 132 against the company.
3. The company has a claim for R 874 254 against the insolvent Bluezone estate.

Provisional Judicial Managers
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ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
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4. The current account is held with FNB under acc number 6207101363 and is showing a debit balance of - R 79 457.42 balance. The Nedbank account is held under account number 901-591-8064 and has a credit balance of R 0 as on the 1st of March 2010.
5. The property's vacancy factor is 0% as on end February 2010 but no monthly rental is received. Bluezone Property Investments (Pty) Ltd (in liquidation) is in arrears with their rent and SKT, the ground floor tenant is not paying any rent at all. They have entered into a legal dispute with the company regarding a non-existing rental agreement and an ambiguous offer to purchase, made directly to HCL Trust. A Section 417 Enquiry has been set within the next two weeks to determine the validity of their so called offer to purchase; prior the judicial management order as well their arrear rental status.
6. The company's arrear tax liability at 30 November 2009 is estimated at R 118 278.
7. Total Immediate Obligations of the company : R 463 524.14
8. The bond account is held with Imperial Bank account number 5024563 with an outstanding balance of R 1 869 053.18 as on the 20th of January 2010. The bond payment is R 43 798.74.
9. No provisional judicial management fees have been charged or collected from the company, neither has the Master of the High Court granted any fees to be collect by the judicial managers as on date of this report

Forensic Auditors' Report Findings

The company was incorporated on 19 August 2004 under reference number 2004/023632/07. The company's registered office appears to be that of its auditor, Loubser Du Plessis Incorporated, and is given as De Waterkant Building, 10 Helderberg Street, Stellenbosch. Hennie Lamprecht is given as the sole director.

The company sole asset of significance is Block C Castle Walk Corporate Park which it acquired in July 2005 at a cost of R 4 600 000. The property was valued by J.T. Seyffert in July 2006 for R 8 100 000 and formed the basis of a syndication arrangement by Bluezone at a value of R 8 479 000.

Other than for R 976 460 expended on renovations, the remaining R 2 900 000 represented Bluezone's profit on the syndication gross of commissions paid to brokers for soliciting investors for the scheme, legal costs and incidentals. Despite the agreement specifying that the sale commission

 Provisional Judicial Managers
PD KRUGER/EL BESTER for all companies
 ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
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was to be paid by the seller, it appears that R 200 000 was paid to Hennie Lamprecht and Paul de Waal as commission. This does not appear to have been disclosed to investors.

THE PROPERTY SYNDICATION

The investment was geared to the extent of a mortgage bond by Imperial for R 3 000 000. The balance of the funding requirement of R 5 479 000 was provided by a loan from the company's holding company and ultimately by investors.

The purchase agreement with FBS Holdings included "all furniture as viewed on site and all airconditioning units installed on the property". The furniture was not specified nor is this furniture specified on the asset register of Bluezone Property Investments ("BZPI"). In addition, the company obtained a draw of R 625 000 from Honey & Partners for "Furniture" on 23 March 2005 which seems to form part of the cost of improvements to the property. From the above, the forensic auditors have concluded that the Furniture currently used by BZPI could be owned by the company, despite this furniture being reflected on the asset register of BZPI.

The furniture was sold by BZPI to SKT (the ground floor tenant) for R 200 000 and the proceeds banked to the BZPI bank account on 14 October 2009.

The property was let to Bluezone Property Investments (in liquidation) on an initial yield of 9.2% escalating at 9% p.a. Bluezone appears to have paid the levies over the property although not liable in terms of the lease agreement. Unlike the other syndications, no maintenance fund or vacancy fund was created, nor provided for in calculating the projected returns to investors.

THE ADMINISTRATION OF THE COMPANY POST SYNDICATION

BZPI appears to have paid the rental in full until December 2008, where after the receipts became erratic. This continued throughout the period resulting in BZPI owing approximately R 1 392 893.65 in arrear rent as at 31 December 2009.

What has counted in the company's favour was that (when BZPI was paying rental) the payments on the mortgage loan were in excess of the minimum requirement. As the syndication was part of the "capital growth" portfolio, Bluezone was required to apply any surplus funds against the

 Provisional Judicial Managers
PD KRUGER/EL BESTER for all companies
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 MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

mortgage loan with the result that, despite the non-payment of rental, the company remains R 401 974.56 in advance on the Imperial loan as at 30 November 2009. This has avoided any default on the mortgage loan.

The company has rendered a VAT return to August 2009. The company has rendered an income tax return up to the 2008 tax year. There is an amount outstanding on the income tax account of R 104 198.

FINANCIAL POSITION

- The Castle Walk property has been valued by Messrs of Valuers & Appraisers at R 8 800 000. This resulted in a write down in the carrying value of the property of R 460 032 after-tax;
- Property and administration expenses of R 195 132 have been accrued; and
- interest of R 14 080 has been provided on the tax arrears

Despite the loss for the period to 30 November 2009 of R 651 762, the company remains solvent, but is not able to meet its immediate obligations of R 240 338.80, nor redeem its overdraft of R 79 457.42.

CONCLUSION

Should the provisional joint judicial managers be satisfied that there is no danger of a contribution towards the Bluezone estate, the company has a claim of R 874 254 against the Bluezone insolvent estate.

Provisional Judicial Managers
PD KRUGER/EL BESTER for all companies
ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

Chambers 1

- Property Company - Proud Heritage Trading 131 (Pty) Ltd

(under provisional judicial management Master Ref Nr T7653/09)

- Holding Company - Wellvest 17 (Pty) Ltd

CHAMBERS 1				
PROUD HERITAGE PROPERTIES 131				
INCOME STATEMENT as from 17/11/2009 to 19/02/2010				
INCOME		-	EXPENSES	
Vacancy factor 55%				
Monthly rental income November 2009	-		Operational Expenses November 2009	-
			Once off Expenses November 2009	-
				-
Monthly rental income December 2009	148,184.12		Operational Expenses December 2009	34,358.37
Double payment - Eon			Once off Expenses December 2009	-
				34,358.37
Monthly rental income January 2010	74,092.06		Operational Expenses January 2010	167,050.03
			Once off Expenses January 2010 (loan repayment)	4,466.59
				171,516.62
Monthly rental income February 2010	-		Operational Expenses February 2010	53,709.17
			Once off Expenses February 2010	122,211.33
			Once off Expenses - LDP Auditors (still to be paid)	25,433.30
				201,353.80
				407,228.79
	222,276.18			407,228.79

1. There is amount of R 232 600 owed to Bluezone Property Investments (Pty) Ltd (in liquidation).
2. Bluezone Property Investments (Pty) Ltd (in liquidation) has a further claim for Rent Roll and Administration of R 181 013 against the company.
3. The company's arrear levies have been reduced from R 287 018 to R 94 127.48 since date of the judicial management order.
4. The current account is held with FNB under acc number 62088187474 and is showing a zero balance. The Nedbank account is held under account number 901-591-8200 and has a credit balance of R 8 181.34 as on the 1st of March 2010.

Provisional Judicial Managers
PD KRUGER/EL BESTER for all companies
ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHABLELE/LM MOLOTO/ W
YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

5. The property's vacancy factor is 55.27% as on end February 2010.
6. The company's arrear tax liability at 30 November 2009 is R 12 433
7. Total Immediate Obligations of the company : **R 642 384.81**
8. The company's current monthly income amounts to approximately R 65 500 with expenses of R 70 000 per month EXCLUDING the bond repayment of R 80 000 per month.
9. The bond account is held with Nedbank under account number 30082593 with an outstanding balance of R 3 220 524.97 as on the 7th of January 2010. The bond payment is R80 313.82 per month. The bond is paid up to date.
10. No provisional judicial management fees have been charged or collected from the company, neither has the Master of the High Court granted any fees to be collect by the judicial managers as on date of this report

Forensic Auditors' Report Findings

The company was incorporated on 8 April 2005 under reference number 2005/010853/07. The company's registered office appears to be that of its auditor, Loubser Du Plessis Incorporated, and is given as De Waterkant Building, 10 Helderberg Street, Stellenbosch. Hennie Lamprecht and Johan Willem van der Spuy are given as the directors of the Company.

The company sole asset of significance are certain sectional title units situated on the 1st floor of a office complex known as Tyger Valley Chambers 2, Bellville which it acquired in October 2005 at a cost of R 10 502 258. No valuation by J.T. Seyffert could be found on record, but the property was syndicated by Bluezone for R 12 152 000. The balance represented Bluezone's profit on syndication gross of marketing commissions, transfer costs, etc.

THE PROPERTY SYNDICATION

The investment was geared to the extent of a mortgage bond by Nedbank for R 6 000 000. The balance of the funding requirement of R 6 152 000 was intended to be provided by a loan from the company's holding company and ultimately by investors. Eventually an amount of R 7 898 800 was procured from investors and the bond reduced to about R 4 000 000.

 Provisional Judicial Managers
PD KRUGER/EL BESTER for all companies
 ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
 YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
 MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

THE ADMINISTRATION OF THE COMPANY POST SYNDICATION

The company has suffered from having Bluezone as a non-performing tenant. Bluezone vacated the premises in July 2009. No replacement tenant has been found, and there are no viable prospects at the date of this report, with the result that 55% of the premises is currently unlet.

On August 2008, the company contributed an amount of R 180 000 to Honey & Partners towards settlement of a dispute with TBA Genomineerdes. Honey & Partners has to date not accounted to the company for the amounts dispersed. The amount is carried as a current asset in the books of the company, but the recoverability thereof remains uncertain.

The company has rendered an income tax return up to the 2008 tax year. There is an amount due against the 2008 assessment of R 12 433.

FINANCIAL POSITION

- The Chambers 1 property has been valued by Messers of Valuers & Appraisers at R 10 500 000. This resulted in a write down in the carrying value of the property of R 2 419 790, after tax,
- Unpaid property and levy expenses of R 287 018 have been accrued, and
- Provision has been made for a rent collection and administration fee of R 181 013, payable to Bluezone.

In the absence of any subordination agreement by the Holding Company, the company's liabilities exceed its assets by R 839 911 (based on Messrs Valuers & Appraisers' valuation) and is therefore insolvent.

Furthermore, with the property 55% unlet, the company is unable to meet its mortgage loan repayment and normal operating costs, nor meet its immediate obligations at its current rental income level.

 Provisional Judicial Managers
PD KRUGER/EL BESTER for all companies
 ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
 YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
 MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

CONCLUSION

At present, the company is unable to meet its mortgage loan commitments in full, but is not in arrears, nor make any contribution towards its normal operating costs.

The company is similarly unable to pay its levy and other arrears of R 287 018 as at 30 November 2009.

In addition thereto, the company faces a demand from the liquidators of the Bluezone insolvent estate for repayment of a loan by Bluezone, amounting to R 232 600. The forensic auditors have concluded that the company is unable to pay its debts.

As there are no immediate prospects of finding a new tenant, nor of raising fresh capital from investors, and it is recommended that the property be put on the market immediately, failing which, the Judicial Managers should consider liquidating the Company, as the Company cannot be restored to profitability.

Provisional Judicial Managers
PD KRUGER/EL BESTER for all companies
ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

Celtis Plaza

- Property Company-Copper Moon Trading 249 (Pty) Ltd

(under provisional judicial management Master Ref Nr T7654/09)

- Holding Company - Platinum Arch Investments 70 (Pty) Ltd

CELTIS PLAZA				
COPPER MOON TRADING 249				
INCOME STATEMENT as from 17/11/2009 to 19/02/2010				
INCOME		-	EXPENSES	
Vacancy factor 6,65%				
Monthly rental income November 2009	65,651.05		Operational Expenses November 2009	-
			Once off Expenses November 2009	-
				-
Monthly rental income December 2009	468,217.99		Operational Expenses December 2009	212,298.81
			Once off Expenses December 2009	-
				212,298.81
Monthly rental income January 2010	391,095.16		Operational Expenses January 2010	458,617.10
			Once off Expenses January 2010 (loan repayment)	21,297.36
				479,914.46
Monthly rental income February 2010	259,491.69		Operational Expenses February 2010	150,672.67
			Once off Expenses February 2010	140,816.05
			Once off Expenses - LDP Auditors (still to be paid)	285.00
				291,773.72
	1,184,455.89			983,986.99

1. There is amount of R 116 474 owed to Bluezone Property Investments (Pty) Ltd (in liquidation).
2. Bluezone Property Investments (Pty) Ltd (in liquidation) has a further claim for Rent Roll and Administration of R 557 572 against the company. This claim has already been proven at the first Creditors' Meeting.
3. The company has a claim of R 7 225 954 against Bluezone and Tropical Paradise Trading 323 (Pty) Ltd.
4. The current account is held with FNB under acc number 62082493489 and is showing a zero balance. The Nedbank account is held under

Provisional Judicial Managers
PD KRUGER/EL BESTER for all companies
ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

- account number 901-591-8103 and has a credit balance of R 35 824.81 as on the 1st of March 2010.
5. The property's vacancy factor is 6.65% as on end February 2010.
 6. The company's liability for VAT at 30 November 2009 is estimated at R 113 590.
 7. Total Immediate Obligations of the company : **R 976 632.87**
 8. The bond account is held with Nedbank under bond account number 30082245 with an outstanding balance of R 13 636 762.92 as on the 5th of February 2010. The bond repayment per month amounts to R 244 558.02 but the payment due for February 2010 is R 496 044.45.
 9. It seems from documentation found in the offices of Bluezone Property Investments (Pty) Ltd (in liquidation) that the "loan" from the holding company was subordinated in favour of Nedbank.
 10. No provisional judicial management fees have been charged or collected from the company, neither has the Master of the High Court granted any fees to be collect by the judicial managers as on date of this report

Forensic Auditors' Report Findings

The company was incorporated on 18 April 2005 under reference number 2005/011379/07. The company's registered office appears to be that of its auditor, Loubser Du Plessis Incorporated, and is given as De Waterkant Building, 10 Helderberg Street, Stellenbosch. Hennie Lamprecht is given as the sole director.

The company sole asset of significance is an office block called "Celtis Plaza" situated at Schoeman Street, Pretoria which it acquired in January 2006 at a cost of R 21 450 000. The property was valued by J.T. Seyffert in August 2006 for R 26 000 000 and formed the basis of a syndication arrangement by Bluezone at a value of R 27 003 600. The difference between the syndication value and the purchase price, namely R 5 553 600 was paid to Blue Zone and represented Bluezones profit on the syndication gross of commissions paid to brokers for soliciting investors for the scheme, legal costs, a "revamp fund" of R 800 000, a "vacancy fund" of R 250 000 and incidentals.

On the 24 November 2005, the seller and the company agreed to an increase in the purchase price of the property of R 500 000 as "liquidated damages" for the seller to agree to an extension of time.

 Provisional Judicial Managers
PD KRUGER/EL BESTER for all companies
 ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
 YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
 MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

THE PROPERTY SYNDICATION AND THE ADMINISTRATION OF THE COMPANY POST SYNDICATION

The investment was geared to the extent of a mortgage bond by Nedbank for R 16 000 000 (the marketing document disclosed a bond of R 10 803 600). An amount of R 5 000 000 was paid towards the bond in August 2006 and withdrawn again by Bluezone in September 2006. The amount was again subsequently repaid by Bluezone in November 2006, reducing the bond back to the intended level of R 10 000 000. The bond was then kept at a balance of R 10 000 000 (which reduced with time) until October 2008 when an amount of R 7 000 000 was withdrawn. The details are as follows:

- on 6 October 2008, an amount of R 7 000 000 was withdrawn from the bond account and deposited to the credit of the FNB current account of the Company;
- on 7 October 2008, R 6 850 000 was transferred to the cheque account of Tropical Paradise Trading 323 (Pty.) Ltd. ("TPT 323") This company appears to be controlled (directly or indirectly) by Hennie Lamprecht;
- R 6 500 000 was thereafter transferred from TPT 323 to the HCL Family Trust.

There appears to be no authority for the transfer which was clearly prejudicial to the shareholders.

Further, on syndication of the property, provision was made for a "revamp fund" of R 800 000 and a "vacancy fund" of R 250 000. These funds never existed and were withdrawn by Bluezone to form part of Bluezone's profits from the syndication.

The company has rendered a VAT return to September 2009, but is in arrear thereafter.

The company has rendered an income tax return up to the 2008 tax year. There is an amount outstanding on the income tax account of R 74 218.

 Provisional Judicial Managers
PD KRUGER/EL BESTER for all companies
 ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
 YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
 MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

FINANCIAL POSITION

- The Celtis Plaza property has been valued by Messrs of Valuers & Appraisers at R 26 500 000. This resulted in a write-down in the carrying value of the property of R 4 001 401 (after-tax);
- There are claims against Bluezone and TPT 323 for advances to the amount of R 7 225 954;
- Unpaid Property and Admin expenses of R 48 180.82 have been accrued;

The company's liabilities exceed its assets by R 3 898 091 and is therefore insolvent.

CONCLUSION

As with all the Bluezone syndications, the forensic auditors remain concerned that inadequate and incomplete disclosure was made to Investors (particularly with regard to amounts payable to Bluezone). In addition, it is believed that there was no authority for the transfer to Tropical Paradise Trading 323, which amounted to theft.

Provisional Judicial Managers
PD KRUGER/EL BESTER for all companies

ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
 YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
 MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

Chambers Ground

-Property Company -Tropical Paradise Trading 324 (Pty) Ltd

(under provisional judicial management Master Ref Nr T7644/09)

- Holding Company - Pacific Breeze Trading 120 (Pty) Ltd

CHAMBERS GROUND FLOOR BLOCK E				
TROPICAL PARADISE TRADING 324				
INCOME STATEMENT as from 17/11/2009 to 19/02/2010				
INCOME		-	EXPENSES	
Vacancy factor				
12,88%				
Monthly rental income November 2009	39,787.04		Operational Expenses November 2009	-
			Once off Expenses November 2009	-
				-
Monthly rental income December 2009	155,592.79		Operational Expenses December 2009	14,944.18
			Once off Expenses December 2009	-
				14,944.18
Monthly rental income January 2010	39,787.04		Operational Expenses January 2010	98,053.02
			Once off Expenses January 2010	-
				98,053.02
Monthly rental income February 2010	-		Operational Expenses February 2010	34,519.33
			Once off Expenses February 2010	124,108.29
			Once off Expenses - LDP Auditors (still to be paid)	26,995.20
				158,627.62
				-
	235,166.87			271,624.82

1. There is amount of R 46 113 owed by Bluezone Property Investments (Pty) Ltd (in liquidation).
2. Bluezone Property Investments (Pty) Ltd (in liquidation) has a claim for Rent Roll and Administration of R 68 939 against the company. This claim has already been proven at the first Creditors' Meeting.
3. The current account is held with FNB under acc number 62084985252 and is showing a zero balance. The Nedbank account is held under

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account number 901-591-8200 and has a credit balance of R 45 198.12 as on the 1st of March 2010.

4. The property's vacancy factor is 12.88% as on end February 2010.
5. The company's liability for VAT at 30 November 2009 is estimated at R 31 215.
6. Total Immediate Obligations of the company : **R 224 594.29**
7. The company's current monthly income amounts to approximately R 115 000 pm with expenses of R 61 000 per month, including a special levy of R 26 247.37 per month till the end of February 2010. The monthly expenses of R 61 000 EXCLUDES the bond payment of R 67 919.08.
8. The bond payment is R 67 919.08 per month with bond account number 30082667 held with Nedbank. The outstanding bond balance is R 3 748 838.15 as on the 5th of February 2010. The bond is paid up to date.
9. It seems from documentation found in the offices of Bluezone Property Investments (Pty) Ltd (in liquidation) that the "loan" from the holding company was subordinated in favour of Nedbank.
10. No provisional judicial management fees have been charged or collected from the company, neither has the Master of the High Court granted any fees to be collect by the judicial managers as on date of this report

Forensic Auditors' Report Findings

The company was incorporated on 16 May 2005 as Tropical Paradise Trading 324 (Pty.) Ltd. under reference number 2005/014931/07. The company's registered office appears to be that of its auditor, Loubser Du Plessis Incorporated, and is given as De Waterkant Building, 10 Helderberg Street, Stellenbosch. Hennie Lamprecht is given as the sole director.

The company sole asset of significance is two sectional title units of an office complex known as Tyger Valley Chambers 2, Bellville, Cape Town which it acquired in February 2006 at a cost of R 9 550 000. The property was valued by J.T. Seyffert in December 2007 for R 10 800 000 and formed the basis of a syndication arrangement by Bluezone at a value of R 12 522 000. The difference between the syndication value and actual cost, amounting to R 2 972 000 represented Bluezone's profit on the syndication, gross of transfer costs and commissions paid.

 Provisional Judicial Managers
PD KRUGER/EL BESTER for all companies
 ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHABLELE/LM MOLOTO/ W
 YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
 MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

Further, on syndication of the property, provision was made for a "revamp fund" of R 300 000 and a "vacancy fund" of R 400 000.

THE PROPERTY SYNDICATION

The investment was geared to the extent of a mortgage bond by Nedbank Corporate for R 5 730 000. The balance of the funding requirement of R 6 792 000 was intended to be provided by a loan from the company's holding company and ultimately by investors. An amount of R 7 513 000 was eventually raised from investors and the mortgage loan reduced to approximately R 5 000 000.

THE ADMINISTRATION OF THE COMPANY POST SYNDICATION

On 1 January 2010, Curamed Cape vacated its offices, resulting in a vacancy of 110 sq m. The resultant drop in income is likely to put some strain on cash flow going forward.

The company has rendered a VAT return to August 2009. There is a liability for VAT for the September/October 2009 period of R 31 215 (including penalties and interest of R 3 281) which remains unpaid.

The company has rendered an income tax return up to the 2008 tax year. There is an amount outstanding on the income tax account of R 332.

FINANCIAL POSITION

- The Chambers Ground Floor property has been valued by Messrs of Valuers & Appraisers at R 8 500 000. This resulted in a write down in the carrying value of the property of R 2 300 000;
- Rent collection and management fee is claimed by Bluezone on gross rentals, amounting to R 68 939.

The company's liabilities exceed its assets by R 2 579 252 (based on Messrs Valuers & Appraisers' valuation) and is therefore insolvent.

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YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

CONCLUSION

The company has been managed in accordance with the disclosure document provided to investors, although (with the surplus of office accommodation in the Tyger Valley area) rentals will be under pressure in the immediate to medium term.

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ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

Chambers 2 & 3

- Property Company - Tropical Paradise Trading 320 (Pty) Ltd

(under provisional judicial management Master Ref Nr T 7751/09)

- Holding Company - Northern Jungle Trading 104 (Pty) Ltd

CHAMBERS 2&3				
TROPICAL PARADISE TRADING 320				
INCOME STATEMENT as from 17/11/2009 to 19/02/2010				
INCOME		-	EXPENSES	
Vacancy factor 22,02%				
Monthly rental income November 2009	-		Operational Expenses November 2009	-
			Once off Expenses November 2009	-
				-
Monthly rental income December 2009	133,719.59		Operational Expenses December 2009	81,333.06
			Once off Expenses December 2009	-
				81,333.06
Monthly rental income January 2010	133,719.59		Operational Expenses January 2010	218,674.60
			Once off Expenses January 2010(Loan repayment)	10,573.30
				229,247.90
Monthly rental income February 2010	133,719.59		Operational Expenses February 2010	124,083.96
			Once off Expenses February 2010	132,429.56
			Once off Expenses - LDP Auditors (still to be paid)	23,833.80
				280,347.32
	401,158.77			590,928.28

1. There is amount of R 227 651 owed by Bluezone Property Investments (Pty) Ltd (in liquidation).
2. Bluezone Property Investments (Pty) Ltd (in liquidation) has a claim for Rent Roll and Administration of R 292 200 against the company.
3. The current account is held with FNB under acc number 62091295470 and is showing a zero balance. The Nedbank account is held under account number 901-591-7979 and has a credit balance of R 27 571.41 as on the 1st of March 2010.
4. The property's vacancy factor is 46.77% as on end February 2010.
5. The arrear levies of the company has been reduced from R 741 445 to R 293 480.26 since the judicial management order.

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ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

6. The company's arrear tax liability at 30 November 2009 is estimated at R 59 114.
7. Total Immediate Obligations of the company : **R 425 909.82**
8. The bond payment is R 161 256.80 month with bond account number 30096213 held with Nedbank. The outstanding bond balance as on the 5th of February 2010 amounts to R 10 861 871.90. The immediate payment due is R 828 412.20
9. It seems from documentation found in the offices of Bluezone Property Investments (Pty) Ltd (in liquidation) that the "loan" from the holding company was subordinated in favour of Nedbank.
10. No provisional judicial management fees have been charged or collected from the company, neither has the Master of the High Court granted any fees to be collect by the judicial managers as on date of this report

Forensic Auditors' Report Findings

The company was incorporated on 18 May 2005 under reference number 2005/015511/07. The company's registered office appears to be that of its auditor, Loubser Du Plessis Incorporated, and is given as De Waterkant Building, 10 Helderberg Street, Stellenbosch. Hennie Lamprecht is given as the sole director.

The company sole asset of significance are certain sectional title units situated on the 2nd and 3rd floors of a office complex known as Tyger Valley Chambers 2, Bellville which it acquired in February 2007 at a cost of R 21 262 270. The properties was valued by J.T. Seyffert in February 2007 for R 26 600 000 and formed the basis of a syndication arrangement by Bluezone at a value of R 29 305 000.

In preparing the marketing document headed "Investor information for Acquisition and Syndication costs", Bluezone disclosed the purchase price (excl Tenant Installation) as R 22 592 270, some R 1 330 000 higher than the actual purchase price.

The forensic auditors note that a commission of R 300 000 was paid to the Wico Trust (associated with Durandt van Zyl) and an amount of R 1 129 613 + Vat to Northern Spark Trading 254 (Pty.) Ltd, in which Paul Scheepers and Hennie Lamprecht have an interest. The

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 YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
 MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

directors' interest as beneficiaries of these amounts was not disclosed to Investors.

THE PROPERTY SYNDICATION

The investment was geared to the extent of a mortgage bond by Nedbank for R 17 000 000, which had reduced to R 11 800 000 by February 2008 as investors' funds were received. The balance of the funding requirement of R 17 352 000 was provided by a loan from the company's holding company and ultimately by investors.

THE ADMINISTRATION OF THE COMPANY POST SYNDICATION

The company has suffered from having two non-performing tenants (One Vision Investments and Bluezone itself) which together, occupied 22% of the Gross Lettable Area. Innovation Worx did not renew its lease which expired in January 2010, leaving Totalgaz as the sole remaining tenant.

The company has rendered an income tax return up to the 2008 tax year. There is an amount due against the 2008 assessment of R 59 114 for which a final letter of demand was issued on 13 November 2009.

FINANCIAL POSITION

- The Chambers 2 & 3 property has been valued by Messrs of Valuers & Appraisers at R 19 850 000. This resulted in a write down in the carrying value of the property of R 8 240 445
- Property management and administration expenses of 292 200 have been accrued

The company's liabilities exceed its assets by R 8 861 069 (based on Messrs Valuers & Appraisers' valuation) and is therefore insolvent.

Furthermore, the property is 46.77% unlet with Bluezone, Innovation Worx and One Vision Investment having vacated the building. The company is unable to meet its mortgage loan repayment, nor make any contribution to normal operating costs at its current rental income.

 Provisional Judicial Managers
PD KRUGER/EL BESTER for all companies
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 YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
 MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

CONCLUSION

At present, the company is unable to meet its mortgage loan commitments and is R 667 155.40 in arrears.

The company is similarly unable to neither make any contribution to operating costs, nor meet its levy and other arrears of R 293 480.26 as at 19th of February 2010.

As there are no immediate prospects of finding new tenants, nor of raising fresh capital from investors, we would recommend that the property be put on the market immediately, failing which, the Judicial Managers should consider liquidating the Company, as the Company cannot be restored to profitability.

Provisional Judicial Managers
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YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

Bishops Court

- Property Company - Summer Season Trading 51 (Pty) Ltd

(under provisional judicial management Master Ref Nr T7753/09)

- Holding Company - Pacific Breeze Trading 136 (Pty) Ltd

BISHOPS COURT				
SUMMER SEASON TRADING 51 (PTY) LTD				
INCOME STATEMENT as from 17/11/2009 to 19/02/2010				
INCOME		-	EXPENSES	
Vacancy factor 0%				
Monthly rental income November 2009			Operational Expenses November 2009	-
				-
Monthly rental income December 2009	441,182.60		Operational Expenses December 2009	233,917.65
				233,917.65
Monthly rental income January 2010	225,386.49		Operational Expenses January 2010	276,648.69
			Once off Expenses January 2010(Loan repayment)	10,716.60
				287,365.29
Monthly rental income February 2010	-		Operational Expenses February 2010	374,932.10
			Once off Expenses February 2010	131,967.83
			Once off Expenses - LDP Auditors (still to be paid)	798.00
				507,697.93
				1,028,980.87
	666,569.09			

1. There is amount of R 65 000 owed by Bluezone Property Investments (Pty) Ltd (in liquidation).
2. Bluezone Property Investments (Pty) Ltd (in liquidation) has a claim for Rent Roll and Administration of R 267 770 against the company. This claim has already been proven at the first Creditors' Meeting.
3. The current account is held with FNB under acc number 62101811299 and is showing a zero balance. The Nedbank account is held under account number 901-591-7995 and has a credit balance of R 427 518.86 as on the 1st of March 2010.
4. The property's vacancy factor is 0% as on end February 2010.
5. The company's liability for VAT at 30 November 2009 is R 37 726.

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PD KRUGER/EL BESTER for all companies
ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

6. The company's arrear tax liability as at 30 November 2009 is R 115 321.
7. Total Immediate Obligations of the company : **R 552 784.83**
8. The company's current monthly income amounts to approximately R 244 000 with expenses of R 67 000 per month.
9. The bond payment is R 128 830.31 per month with bond account number 30089552 held with Nedbank. The outstanding bond balance amount to R 7 538 290.67 as on the 5th of February 2010. The bond is paid up to date.
10. It seems from documentation found in the offices of Bluezone Property Investments (Pty) Ltd (in liquidation) that the "loan" from the holding company was subordinated in favour of Nedbank.
11. No provisional judicial management fees have been charged or collected from the company, neither has the Master of the High Court granted any fees to be collect by the judicial managers as on date of this report

Forensic Auditors' Report Findings

The company was incorporated on 24 February 2006 as Summer Season Trading 51 (Pty) Ltd. under reference number 2006/005790/07. The company's registered office appears to be that of its auditor, Loubser Du Plessis Incorporated, and is given as De Waterkant Building, 10 Helderberg Street, Stellenbosch. Hennie Lamprecht is given as the sole director.

The company sole asset of significance are Sections 3 -8 of the sectional title scheme known as Bishops Court, Hillcrest which it acquired in April 2006 at a cost of R 15 800 000. The property is let on a long term lease expiring 30 September 2015 to the Special Investigating Unit. The property was valued by J.T. Seyffert in May 2006 for R 18 600 000 and formed the basis of a syndication arrangement by Bluezone at a value of R 21 772 000.

The difference between the syndication value and actual cost, amounting to R 5 972 000 was explained in the Disclosure Document to Investors as follows:

 Provisional Judicial Managers
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Purchase Price (agent commission transfer costs etc)	16 615 000
Marketing Commissions and other costs	1 525 000
Head Lease and Tenant Installation	1 800 000
Vacancy Fund	200 000
Bluezone Gross Profit	<u>1 632 000</u>

Total Syndication Amount R 21 772 000

Despite the sale agreement with the seller expressly providing that no agent's commission was payable, a total of R 500 000 was paid by BZPI, R 200 000 to Northern Spark Trading 254 (associated with Hennie Lamprecht and Paul Scheepers) and R 300 000 to BIS Financial Services (with Peter Griffen and Ian Steel listed as "agents")

THE PROPERTY SYNDICATION

The investment was geared to the extent of a mortgage bond by Nedbank Corporate for R 10 000 000. The balance of the funding requirement of R 13 100 000 was intended to be provided by a loan from the company's holding company and ultimately by investors.

A lump sum payment of R 1 100 000 was made against the bond in February 2008, thus reducing the bond to a level of R 8 672 000 in accordance with the Disclosure Document.

THE ADMINISTRATION OF THE COMPANY POST SYNDICATION

The company has rendered a VAT return to August 2009. There is a liability for VAT for the September/October 2009 period of R 37 726 (including penalties and interest of R 3 967) which remains unpaid.

The company has rendered an income tax return up to the 2008 tax year. There is an amount outstanding on the income tax account of R 115 321 for which the Company has received a final demand.

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PD KRUGER/EL BESTER for all companies
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 MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

FINANCIAL POSITION

- The Bishops Court property has been valued by Messrs of Valuers & Appraisers at R 20 000 000. This resulted in a write down in the carrying value of the property of R 1 236 998;
- Unpaid property and admin expenses of R 267 700 have been accrued, and

The company's liabilities exceed its assets by R 935 268 (based on Sonia Massyn's valuation) and is therefore insolvent.

Provisional Judicial Managers
PD KRUGER/EL BESTER for all companies

ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
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Valley View

- Copper Sunset Trading 201 Ltd

(under provisional judicial management Master Ref Nr T7752/09)

The provisional judicial managers couldn't provide information on the company during the previous reporting dates mainly due to insufficient information available. The company's account records, financial statements and all other documents were unobtainable. A preliminary report is hereby given with the limited information at our disposal.

PRELIMINARY REPORT ON VALLEY VIEW STERKSPRUIT PROPERTIES LIMITED

1. The current account is held with FNB under acc number 62114379937 and is showing a **debit** balance of R 1 171.70. The Nedbank account is held under account number 901-591-7911 and has a credit balance of R 1 438.69 as on the 1st of March 2010.
2. No development is so far undertaken on this property.
3. Total Immediate Obligations of the company : **Undeterminable at this stage**

THE COMPANY

The company was incorporated on 12 April 2006 as Copper Sunset Trading 201 Limited under reference number 2006/011283/06. Hennie Lamprecht, Paul de Waal and Izak van Niekerk are given as the directors of the Company whilst Christo Singleton acts as Company Secretary.

The company sole asset is Portion 214 of the Farm Sterkspruit 33, situated on the outskirts of Lydenburg which it acquired in May 2007 from Roebus Beleggings (Pty) Ltd at a cost of R 33 000 000.

The disclosure document stated that Roebus is a subsidiary company of Nelesco 136 (Proprietary) Limited, which acquired the shares in Roebus in September 2004 for R 5,4 million (para 12.6 pg 14 of the Disclosure Document). From the review of the company books of Nelesco from 1 March 2005, the investment in Roebus does not appear to be reflected.

The Sterkspruit property was valued by G.R. Miller in August 2008 for R 29 400 000 and by M.D. De Klerk in July 2008 for R 30 470 000. At the time of valuation, the property constituted 21,761 ha of unserviced agricultural

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land although the town planning application for re-zoning had been approved.

In November 2008, the property (as is) was syndicated by Bluezone in an attempt to raise R 100,5 million for the payment of the land to Roebus Beleggings (Pty) Ltd and further development of the property into a residential township.

THE SCOPE OF WORK UNDERTAKEN

The forensic auditors have been unable to find the books of account of Copper Sunset trading 201 Ltd (Valley View) company since inception and have relied on the following:

- the bank statements of the Company's account with FNB since September 2006 to date, which the forensic auditors have analysed in detail;
- various invoices relating to the payments made by the Company from its FNB bank account;
- a copy of the disclosure document issued by Bluezone dated November 2008;
- the intercompany account between Bluezone and the company as reflected in the books of Bluezone; and
- a summary from Honey & Partners prepared in September 2009 reflecting amounts received and disbursed in respect of the Valley View placement.

The forensic auditors consider the above to be sufficient to form an initial opinion on the transaction.

THE PROPERTY SYNDICATION

The following terms of the Valley View disclosure document are relevant:

- the property was transferred from Roebus to the company without any portion of the purchase price having been paid (sale of land agreement read with the addendum dated 11 November 2008 pg 27 – 42 of disclosure document);

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PD KRUGER/EL BESTER for all companies
 ML MHLONGO/A MCQUARRIE/ADM MOHASOA/ MS MOTSHEKGA/SS MPHAHLELE/LM MOLOTO/ W
 YZEL/ KC MOYELA/ PB MOKWENA/L MOARAKE/EM MOTLALA/NA MATLALA/ VT
 MATSEPE/TSDS MATHEBULA/ MWH MATHIBEDI

- between the first sale agreement and the addendum, the company passed a surety bond over its property in support of a R 22,3 million loan which Nedbank had extended to the HCL Family Trust (para 12.2.4 pg 13);
- the offer was made subject to a minimum subscription of R 35,2 million (para 22 page 16), failing which (other than for 10%) the funds were to be retained by Honey & Partners for the benefit of investors (para 20 & 31); and
- the addendum (which provided for a portion of the purchase price of R 33,0 million to be used to redeem the Nedbank bond) was made subject to the minimum subscription being received by 30 April 2009 (para 5 page 41); and
- both Hennie Lamprecht and Durant van Zyl had an indirect financial interest in Roebus (through Nelesco 136).

The forensic auditors have formed an initial view that the minimum subscription of R 35,2 million was NOT ACHIEVED as:

- from an analysis of the bank statements and the Honey & Partners reconciliation, an amount of R 33,75 million has been accounted for;
- the list of investments received (as maintained by Izak Butler of Bluezone) reflects R 33,25 million (at this stage, the difference is not material to our opinion); and
- Honey & Partners reconciliation dated September 2009 also reflects investments of R 33,75 million, and
- there is no evidence that any shares were issued to Roebus as part payment for the property or that any funds were received or any shares issued to any connected party.

No further amounts were received by Valley View after August 2009. It is possible (but not probable) that further amounts were received by Honey & Partners between September 2009 and 31 October 2009 (the 2nd closing date).

What is of interest is that Honey & Partners confirmed by e mail dated 25 May 2009 (Annexure "B") that the minimum subscription had been received, yet its later e- mail of 9 September (Annexure "C") enclosing the reconciliation of investments received reflects only R 33,75 million.

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It has been established that the R 33,75 million received by Honey & Partners was applied as follows:

Payment of a guarantee (presumably to Nedbank)	18 000 000
Fees to Honey & Partners	267 000
Transferred to Valley View Bank Account	<u>15 483 000</u>
	<u>33 750 000</u>

If we are correct in our view that the minimum subscription was not received, then the addendum to the sale agreement fails. Valley View would then, in the forensic auditors' opinion, have a claim against the HCL Trust for repayment of the R 18,0 million.

The forensic auditors' analysis reveals that no amounts appear to have been paid to Roebus for the property, but an amount of R 11,45 million to Nelesco 136. In the absence of any authority to the contrary, payment to Nelesco would not constitute payment to Roebus. We are therefore of the view that Valley View may well have a claim against Nelesco for repayment of the amount received from Valley View.

We have combined the bank statement analysis with other source documents to ascertain the financial position of Valley View as at 30 November 2009. The statement reflects:

- a carrying value of the property of R 34,8 million. This is likely to be far in excess of the fair value of the property, which would bring the methodology utilised in the valuations into question;
- a potential claim against Nelesco 136 of R 11,45 million;
- a potential claim against the HCL Trust of R 17,76 million, and
- a potential VAT claim of R 4,62 million.

CONCLUSION

The forensic auditors have concluded that there is no purpose in continuing with the Judicial Management of this company. It is therefore recommend that the Judicial Managers consider:

- placing the Company under liquidation without further delay; and
- holding an enquiry under Sec 417 and Sec 418 of the Companies Act whereby the liquidators can subpoena both the directors and Honey & Partners to provide both evidence and documentation to investigate the matters raised in this report in further detail. This would

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also allow the liquidators to confirm the receipt of the funds as outlined in the analysis and assist with the recovery of these amounts.

It is the forensic auditors' opinion that there may well be a case against the Directors, and possibly Honey & Partners. This aspect should be discussed with the attorneys.

The forensic auditors stress that this is purely a preliminary report based on the information at their disposal.

It is of importance to notice that Nelesco 136 (Proprietary) Limited has been liquidated on the 9th of February 2010 and that the following liquidators have been appointed: PD Kruger, EL Bester, P Bermann and NA Matlala. The judicial managers are actively pursuing all avenues to recovery monies for the investors.

General Information on Judicial management Order

The judicial managers still receive emails on a daily basis from investors enquiring when repayment of their interest on their investment will commence.

We urge all brokers to forward this report as well as the two previous reports to investors as it seems that most of the investors are still completely unaware of the factual position of the judicial management order on the property companies.

Please advise your clients as follows:

- 1) **The client's investment is in the Holding Company. Previous monthly payments were made by the holding company and the judicial managers are appointed in the property company and therefore should only report to the directors of the holding company and NOT to individual investors.**
- 2) An initial view was taken by the judicial managers to keep the individual investors informed as a matter of courtesy. We therefore tried to assist shareholders with factual information of the property companies under management. This situation **cannot** continue in future and the judicial managers will arrange for a meeting with the directors of the holding companies in order to provide them with the necessary information required to assist with your enquiries.
- 3) Bluezone Property Investments (Pty) Ltd (in liquidation) consisted of 39 employees who dealt with property management, investment administration and investor enquiries.

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The current staff compliment of only 4 previous staff members, still assisting the judicial managers cannot be expected to give the same level of feedback as what stakeholders are used to. You will agree that this is an impossible task.

In spite of this increased workload and diminished staff, property management is maintained, accounts are paid and legal enquiries from attorneys are answered on a daily basis over and above client and broker enquiries. Therefore the urgent request to you as financial advisor to assist your clients at an agreed service level as clearly defined in terms of the FIAS Act.

We re-iterate: ***During a judicial management order, the court replaces the directors, in this case the director/s of the property companies. The judicial managers did NOT step in to the role of Bluezone Property Investments (Pty) Ltd (in liquidation).***

- 4) Numerous requests are received from various parties to disclose the shareholders' registers of the holding companies. The judicial managers are **NOT** in possession of the holding companies' shareholder registers. The shareholders of the property companies are: Bluezone Property Investments (Pty) Ltd (in liquidation) - 15% and the Holding Company (85%). The judicial managers communicate thus with the liquidators of Bluezone and the directors of the holding companies only. The judicial managers have NO ACCESS to holding company shareholder registers.

In conclusion, the judicial managers suggest that the directors of the holding companies together with their shareholders give instructions to finalize the process in one of the following matters:

- 1) to carry on the process as during the last 4 months, clean up the property companies and hand it back to the holding companies on the return date as indicated on page 4 on this report, **or:**
- 2) that the individual shareholders give instructions to the holding company to finalise its transaction with Bonatla since the property companies are only the asset and not a party to the negotiations between Bonatla and the holding companies. It is claimed that Special Resolution Meetings were held and shareholder votes, in favour of the transaction, were given to the holding companies.

Please note that the judicial managers received a letter from Messrs Weavind and Weavind in Pretoria where they indicated that they were instructed by unknown investors to set aside the Special Resolutions adopted by the holding companies' shareholders in terms of Sec 228 of

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the Companies Act. This instruction was however sent to the wrong party as the property companies are not parties to the transaction. Please note that the directors in the holding companies need to act on this as the judicial managers do NOT have *locus standi* in this matter.

The judicial managers have been informed that Messrs Stonevest also made offers similar to those of Bonatla and the directors of the holding companies need to advise the shareholders thereon, **or**;

- 3) that the shareholders instruct the directors of the holding companies to request the judicial managers, as an 85% shareholder to sell these properties on their behalf by way of private treaty, tender or public auction. On date of said sale the property companies would then be able to repay the loans to the holding companies, which in turn would repay the shareholders' interest.

Finally, it is of extreme importance that a decision on abovementioned suggestions be made as soon as possible.


It is note worthy that the total monthly rent roll of these properties have increased from R 2 817 953.60 in November 2009 to R 3 333 111.46 end of February 2010. The properties are well managed and new tenants are sought where vacancies arise.

Yours Faithfully



PD KRUGER

Provisional Judicial Manager



EL BESTER

Provisional Judicial Manager



p.p.

MATOME STANLEY MPHAHLELE

Provisional Judicial Manager



p.p.

ENVER MOHAMED MOTLALA

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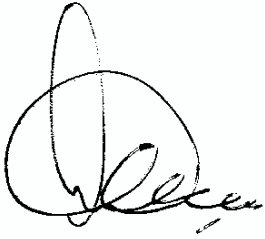
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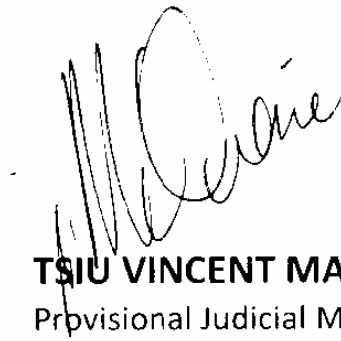
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