



Basil Read Limited (in business rescue)

Registration number 1962/002313/06

("The Company")

May 2024

35th Update Report to the

Companies and Intellectual Property Commission ("CIPC")

and to all Affected Persons

In Terms of Section 132(3)(a) of the Companies Act 71 of 2008

Prepared by:

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35TH UPDATE REPORT TO THE COMPANIES AND INTELLECTUAL PROPERTY COMMISSION FOR THE BUSINESS RESCUE OF

BASIL READ LIMITED (IN BUSINESS RESCUE)

1. Introduction

- 1.1. The Company was placed in business rescue under the supervision of the joint business rescue practitioners (“the Practitioners”) in business rescue proceedings on 15 June 2018, and the Business Rescue Plan (“the Plan”) proposed by the Practitioners was presented to and approved by 99% of all creditors and 98% of independent creditors on 27 September 2018.
- 1.2. One of the Practitioners, Mr John Lightfoot, resigned in October 2023, as reported in the 32nd Update Report. The Lenders as well as the CIPC were informed at this time.
- 1.3. This report, being the **Thirty Fifth (35th) Update Report**, is being tabled in terms of Section 132(3)(a) of the Companies Act 71 of 2008 (“the Act”) as the business rescue proceedings of the Company have not been concluded within three months of the date of commencement as required.
- 1.4. Reference is made in this report to the Plan, it is therefore important that this report be read in conjunction with the Plan and all the previous update reports.
- 1.5. Please refer to www.matusonassociates.co.za/basilread/ for further information on the business rescue proceedings of the Company.

2. Current Status

2.1. Construction Contracts (“Contracts”)

- 2.1.1. Eskom Medupi Building Contract – All remaining works by the Company and its subcontractors have been concluded and the Final Account value agreed. The Engineer has issued the Final Payment Certificate to the Company and Employer.

2.2. Guarantees

- 2.2.1. Since the last update report, no further guarantees have been called by the Employers.
- 2.2.2. The value of guarantees outstanding is R25,046 million (**Twenty-five million, forty-six thousand Rand**) compared to R1.1 billion (**One billion one hundred million Rand**) as at June 2018 when the Company filed for business rescue.
- 2.2.3. The outstanding guarantee is in favour of the National Department of Public Works for the construction contract of the Port Shepstone Magistrate Court, which the Company terminated in 2018 and is subject to litigation.

2.3. Contract Claims Receivable

- 2.3.1. The aggregate sum of contract claims receivable is substantial and the Practitioner believes the extent to which the Company can recover these claims will impact materially on the result of the business rescue process.
- 2.3.2. The resolution of contract claims remains protracted, tedious and costly, particularly where matters are subject to court or arbitration proceedings.
- 2.3.3. Notwithstanding these challenges, the Company has been successful in obtaining settlements and favourable rulings on certain of these claims. Unfortunately, some Employers continue to unlawfully withhold payments due in terms of these rulings. Consequently, the Company has taken legal action to enforce the rulings. As a result, the timing of receipts of funds for these claims remains uncertain.
- 2.3.4. The unlawfully withheld payments include the following:
- 2.3.4.1. Skilpadshek Border Post – R5 million
 - 2.3.4.2. The Department of Agriculture, Land Reform & Rural Development (“DRDLR”) – R5 million
- 2.3.5. The following two significant claims are currently being pursued in connection with the Admin Craft Basin project:
- 2.3.5.1. Return of delay damages for R 28.3 million. An arbitration in this regard is currently underway.
 - 2.3.5.2. A professional indemnity insurance claim of R84.9 million and for which litigation has commenced.
- 2.3.6. Whilst the Company remains committed to realising claims to meet its commitments, the Practitioner nevertheless wishes to highlight that to the extent that the pursuit of these claims continues into the future, the benefit to be derived therefrom may diminish.
- 2.3.7. The Company is currently exploring the raising of 3rd party funding to progress the remaining claims due to the constrained financial situation it is currently facing.

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2.4. Realisation of Non-Core Assets

2.4.1. Some progress has been made in the realisation of certain of the non-core assets. Certain of the assets, which were the security package to certain of the lenders have been successfully sold via auctions and the proceeds thereof were applied in terms of their loan agreements. Certain of the non-core assets have attracted interest recently, however, no firm offers have been received and we remain hopeful that these transactions will gain traction in the near future.

2.4.2. To the extent that the proceeds from the sale of non-core assets do not fully extinguish the debt for which the said assets were provided as collateral, the remaining unsecured debt will become part of the general concurrent creditors as defined in the Plan.

2.4.3. Notwithstanding market challenges we, however remain optimistic and continue to market these assets. Should any affected person know of or be interested in any of the properties for sale, please contact the business rescue team at basilread@matusonassociates.co.za.

2.5. Winding-down of the Mining and Developments Businesses

2.5.1. The Plan had as one of its objectives of the safeguarding and preservation of the Mining and Developments businesses.

2.5.2. At the time, the businesses were operating independently of the Company and trading profitably. However, the trading circumstances of both businesses have over the last couple of years changed drastically.

2.5.3. Consequently, on 06 September 2023, the directors of Basil Read Mining SA (Pty) Limited (in business rescue) ("BRMSA") resolved to place BRMSA into voluntary business rescue as BRMSA was considered to be in financial distress as defined in the Companies Act. It was reported that BRMSA had incurred operating losses of R73 million for the seven-months period ending 31 July 2023 and experienced negative cash flows of R38.8 million over the same period.

In July 2023, BRMSA lost its largest contract at the Gamsberg zinc mine following the termination of the contract by the client, Vedanta Zinc Incorporated. This, despite protracted negotiations with the client to avert same. The remaining contracts of BRMSA are relatively small and do not generate sufficient revenue and cash flow to carry the current overheads and, at the same time, BRMSA had no significant contracts in its immediate pipeline.

Thus, BRMSA was placed into business rescue with a view of obtaining a better return for its creditors than would be in a liquidation.

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- 2.5.4. Also on 6 September 2023, the directors of the subsidiaries of BRMSA, being Blasting & Excavating (Pty) Ltd (in business rescue) and Hytronix (Pty) Ltd (in business rescue) jointly referred to as the **BRMSA entities**, also resolved to place them in business rescue as they were also deemed to be in financial distress.
- 2.5.5. Following the termination of the Gamsberg contract, the lenders of the Company, concerned about the potential deterioration in the value of their security, called on the assets which was their security, which assets includes those assets belonging to the BRMSA entities.
- 2.5.6. The business rescue plans of BRMSA and the BRMSA entities were approved by the overwhelming majority of their creditors at the section 151 meetings held for each of the entities on 6 December 2023.
- 2.5.7. The above business rescue plans all contemplate the winding down of all the businesses and the sale of all assets therein. Consequently, a number of auctions have since been held for the disposal of the assets, which process is still currently underway.
- 2.5.8. Please refer to www.basilread.co.za for further details on the business rescue of these entities.

2.6. Delisting of Basil Read Holdings Limited

- 2.6.1. The Business Rescue team is currently engaged in discussions with the Johannesburg Stock Exchange (“JSE”) regarding the delisting of the shares of Basil Read Holdings from the Construction and Materials Board.
- 2.6.2. The trading of the shares was voluntarily suspended by the then board of Basil Read Holdings on 20 June 2018, shortly after the commencement of the BRL business rescue proceedings.

2.7. Repayment of Post-Commencement Finance

- 2.7.1. As mentioned elsewhere in this report, the lenders of the Company had called on their security which comprises all assets in the Company and its related entities.
- 2.7.2. To this end, proceeds realised from the disposal of assets previously utilised in by BRMSA and BRMSA entities, and which were pledged as security to the PCF funding providers for the implementation of the business rescue, have been applied in terms of the payment waterfall, as contained in the Plan, and in line with the Company Act.
- 2.7.3. Consequently, the capital portion of PCF funding from the Company’s Lenders has now been settled in full.
- 2.7.4. The process to finalise the interest amounts due to the Company’s Lenders in lieu of PCF funding is close to finalisation with payments to be made shortly to settle outstanding amounts.

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3. Proof of Claims

- 3.1. The claims submission period has closed.
- 3.2. Please refer any questions or queries relating to your claim to basilread@matusonassociates.co.za

4. Conclusion

- 4.1. Owing to the above-mentioned delays and setbacks, the dividend to concurrent creditors, as anticipated in the Plan, is likely to be significantly reduced and will largely depend on the value of asset realisations and contract claims.
- 4.2. Notwithstanding the above-mentioned uncertainties, it is anticipated that:
 - 4.2.1. subject to the anticipated realisation of Claims, all PCF and other post-commencement obligations will be settled in full; and
 - 4.2.2. the risk of further guarantees being called, although not eliminated, has been significantly reduced.
 - 4.2.3. It remains the opinion of the Practitioner that a full implementation of the Plan will achieve a better result than a liquidation.