



MATUSON
ASSOCIATES

**Basil Read Limited
First Meeting of Creditors & Employees**

29 June 2018

Disclaimer

The details contained in this presentation are limited in nature, solely for the attention of the Creditors and Other Stakeholders of Basil Read Limited (“the Company”) and do not purport to contain all of the information relating to the various headings set out in this presentation.

Save where expressly otherwise stated, the Joint Business Rescue Practitioners (“BRPs”) have assumed and relied upon the accuracy and completeness of all information on which this presentation is based and have also assumed that any financial information reproduced herein and/or provided by their sources is complete, accurate, not misleading and based on reasonable assumptions. However, the BRPs are not making any warranty or representation, express or implied, as to the accuracy or completeness of the information contained herein, or as to the reasonableness of the assumptions on which any of the same is based.

This presentation also contains historical and forward-looking financial information. These may include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations and statements regarding future realisations. Such information is and statements are subject to various risks and uncertainties, many of which are difficult to predict, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information or balance sheets.

Save to the extent expressly confirmed in writing by the BRPs, this presentation should not be relied upon as financial and legal advice recommending any particular course of action. Furthermore, this presentation shall not be considered as legal, tax, accounting or similar specialist advice by the BRPs or any other person. Further, notwithstanding any other term of this disclaimer and to the maximum extent permissible under applicable law, each of the BRP and his advisors expressly disclaim any and all liability for the contents of, or for omissions from, this document or any written or oral communication transmitted or made to any person in connection with this presentation.

In furnishing this presentation, the BRPs do not undertake any obligation to provide access to any additional information or to update this presentation or any additional information or to correct any inaccuracies in any such information which may become apparent. The views expressed herein are subject to change. The business and financial position is subject to change which may not be reflected herein. This presentation should only be construed in light of the presentation to which it relates.

Disclaimer

The information in this presentation is based on, inter alia:

- Engagements with funders and guarantee providers;
- Discussions Financial information prepared by management (unaudited); and
- Discussions with various key stakeholders, including with staff and management and creditors.

The BRPs have attempted to ensure that the facts presented in this document are accurate. However, the information provided by management has not been verified by the BRPs. Any party that chooses to take any action with regard to the Company, should take adequate precaution to verify the information on which it acts.

Note: All financial information is sourced from management, including monthly management accounts.

Contents

	Section	Page
1	Welcome and Objectives	6
2	The Business Rescue Process	8
3	Background and Prospects	11
4	Financial Position	15
5	Actions to Date	17
6	Opinion of Joint Business Rescue Practitioners	19
7	Liquidation vs. Business Rescue	23
8	Proof of Claims	26
9	Committees	28
10	General	31

Welcome and Objectives



First Meeting of Creditors

Welcome

Objectives of the First Meeting of Creditors

- The main objectives of today's meeting are as follows:
 - The BRPs need to inform creditors as to whether they believe there is a reasonable prospect of a successful Business Rescue;
 - Appointment of a Creditors' Committee; and
 - Receipt of Claims from Creditors.

The Business Rescue Process



The Business Rescue Process

Business Rescue

- Business Rescue involves proceedings to facilitate the rehabilitation of a company that is financially distressed by providing for:
 - A temporary supervision of the company, and of the management of its affairs, business and property; and
 - A temporary moratorium on the rights of claimants against the company or in respect of property in its possession.

Primary Objective of Business Rescue

- The development and implementation of a Business Rescue Plan that either:
 - A) Rescues the company by restructuring its affairs, business, property, debt and other liabilities and equity in a manner that maximizes the likelihood of the company continuing its existence on a solvent basis, **OR**
 - B) If that is not possible, results in a better return for the company's creditors or shareholders than would result from the immediate liquidation of the company.

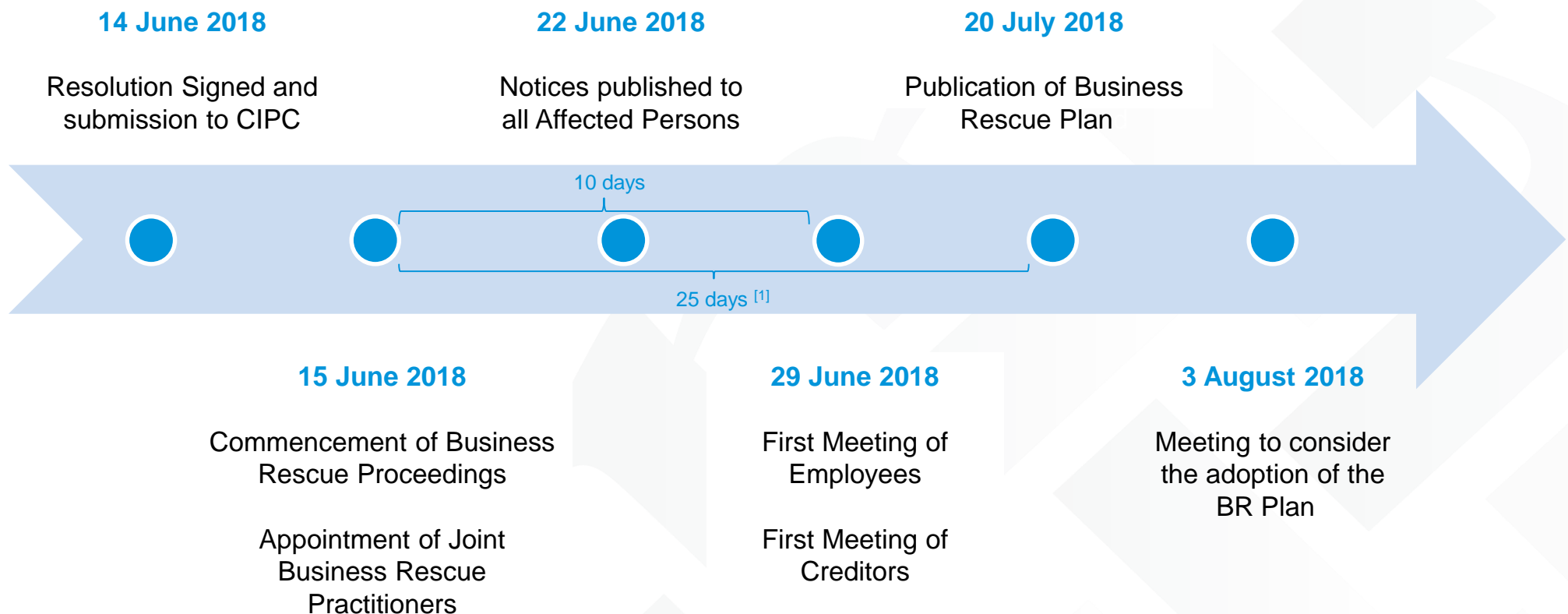
Business Rescue Plan ("BR Plan")

- The BR Plan will be approved if:
 - A) It is supported by the holders of more than 75% of the creditors' voting interests that were voted, **AND**
 - B) The votes in support of the proposed plan include at least 50% of the independent creditors' voting interests, if any, that were voted.

Business Rescue Timeline

Keys Dates

- The key dates for the Business Rescue of the Company:



[1] The Business Rescue Plan must be published within 25 days after the appointment of the BRPs or such longer time allowed by either, an [application to court](#) or by [approval from the holders of a majority of creditors' voting interests](#).

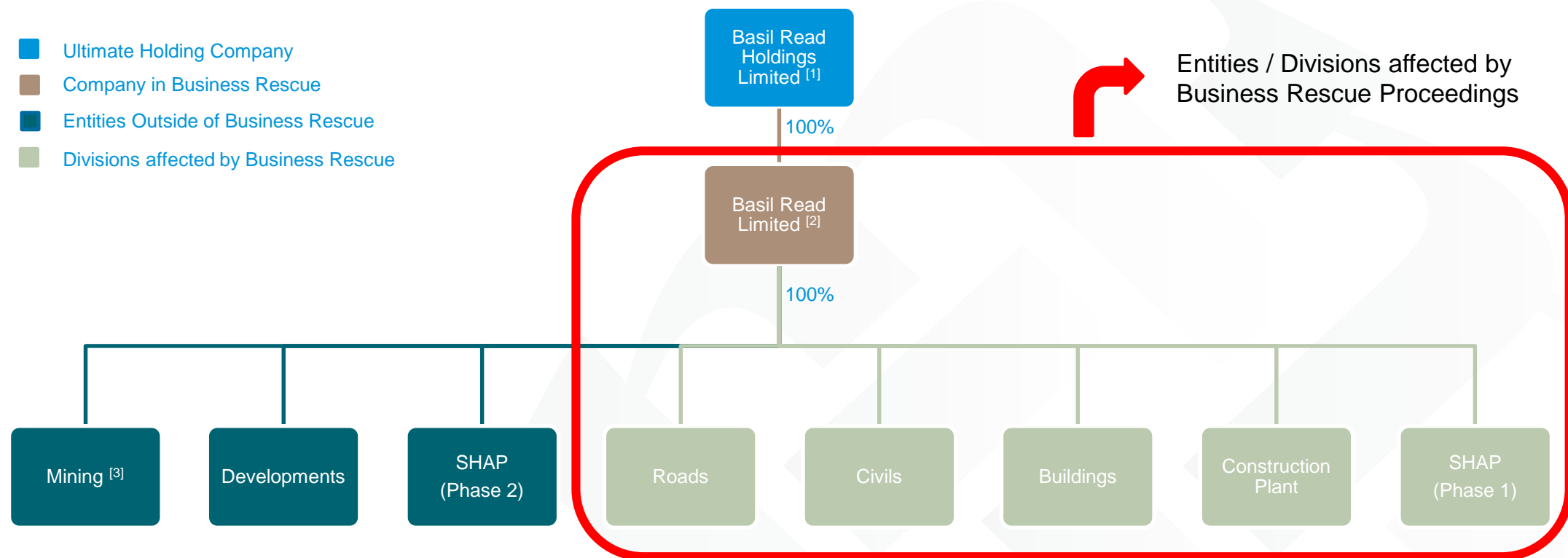
Background



Organogram

Organogram of Basil Read Holdings Limited

- Ultimate Holding Company
- Company in Business Rescue
- Entities Outside of Business Rescue
- Divisions affected by Business Rescue



[1] Basil Read Holdings Limited, a public company incorporated in accordance with the laws of South Africa and listed on the JSE.

[2] Basil Read Limited, a company incorporated in accordance with the laws of South Africa and currently in Business Rescue.

[3] Mining and Developments, which are housed in separate legal entities, are successful, self-sustaining and have to date partially subsidised the Company's construction business.

Background

Introduction

- Basil Read Limited is a wholly-owned subsidiary of Basil Read Holdings, which commenced business in the 1960s and comprises of five operational segments, namely, [Roads](#), [Construction](#), [Mining](#), [Developments](#) and the [St Helena Airport Project](#).
- The Company employs [4 730](#) people and approximately [2 500](#) indirectly through sub-contractors.
- It is therefore an important contributor to the South African economy.

Debt Standstill

- On 1 December 2017 (announced 5 December 2017), Basil Read Limited entered into a debt standstill arrangement with certain of the Banks and Guarantors:
 - The arrangement provides for a standstill of 18 months.
 - None of the Banks and Guarantors will call for default during the period.
 - Only interest is payable during the standstill period.

Rights Offer

- Basil Read successfully completed an oversubscribed Rights Offer in late February 2018
- [R300m](#) was raised and used to repay the IDC Bridge Loan of [R150m](#) with the balance being used to fund working capital.

Overview of Current Situation

Reasons for Financial Distress

- Basil Read's Construction operational segments, which consists of, **Roads, Buildings and Civils**, have experienced cash flow difficulties emanating from:
 - Onerous contracts are taking longer to complete;
 - Guarantees are not being extended and new guarantees are not being made readily available;
 - Creditors have tightened payment terms; and
 - Claims resolution are taking longer than expected.

Reasons for Commencing Business Rescue Proceedings

- To mitigate the cash flow difficulties, the Company endeavored to raise bridge funding for the finalisation of the construction contracts.
- The Company was unable to obtain such funding in an informal process, i.e. outside of Business Rescue, and as such, the directors had no option but to file for Business Rescue.

Only the construction business is financially distressed and will be restructured in Business Rescue Proceedings.

Financial Position



Financial Position

Balance Sheet for Basil Read Limited as at:

ASSETS	April-18 R'000	Dec-17 R'000	Dec-16 R'000	Dec-15 R'000
Non-Current Assets	614 485	553 838	797 128	801 575
Property, Plant and Equipment	105 020	137 594	163 379	186 670
Investments	429 858	336 637	390 267	390 423
Deferred Taxation	79 607	79 607	243 482	224 482
Current Assets	3 384 910	2 773 133	2 546 132	2 060 497
Contract Work-in-Progress	507 342	244 254	225 768	366 860
Trade and Other Receivables	993 237	928 400	729 773	346 603
Inventories	2 946	3 093	6 083	4 747
Taxation	-	-	-	882
Loans to Group Companies	1 753 275	1 465 055	1 305 136	1 108 892
Cash and Cash Equivalents	128 110	132 331	279 372	232 513
Non-Current Assets for Sale	-	87 632	-	-
TOTAL ASSETS	3 999 395	3 414 603	3 343 260	2 862 072

Source: Management

Financial Position

Balance Sheet for Basil Read Limited as at:

LIABILITIES	April-18 R'000	Dec-17 R'000	Dec-16 R'000	Dec-15 R'000
Non-Current Liabilities	191 702	194 898	181 489	66 396
Borrowings	191 702	194 898	181 489	66 396
Current Liabilities	4 446 758	3 947 763	2 994 561	2 889 157
Contract Income in Advance	806 545	808 878	606 114	598 117
Trade and Other Payables	1 703 881	1 499 133	1 278 770	1 118 702
Borrowings	69 351	219 255	51 923	49 464
Provisions	131 940	160 068	24 672	223 505
Intergroup Loans	1 714 710	1 240 098	1 011 036	899 369
Bank Overdraft	20 331	20 331	22 046	-
TOTAL LIABILITIES	4 638 460	4 142 661	3 176 050	2 955 553
EQUITY	April-18 R'000	Dec-17 R'000	Dec-16 R'000	Dec-15 R'000
Equity	(639 065)	(728 058)	167 210	(92 035)
Capital & Reserves	191 702	194 898	181 489	66 396
Accumulated Loss	(1 379 093)	(1 468 086)	(572 818)	(92 305)
TOTAL EQUITY & LIABILITIES	3 999 395	3 414 603	3 343 260	2 862 072

Source: Management

Actions to Date



Actions to Date

The BRPs together with management have engaged with the following Stakeholders:

Employees	<ul style="list-style-type: none"> ▪ Meeting with employees on 18 June 2018. ▪ First Meeting of Employees, per the Act, 29 June 2018.
Employers / Customers	<ul style="list-style-type: none"> ▪ Engaged and have found support with each employer on a contract-by-contract basis.
Lenders / Funders	<ul style="list-style-type: none"> ▪ Meetings with Lenders, Funders and Guarantee providers to assist with providing the necessary Post-Commencement Funding (“PCF”).
Government	<ul style="list-style-type: none"> ▪ To assist and expedite the resolution of claims and support with the various contracts.
Shareholders	<ul style="list-style-type: none"> ▪ To assist with Post-Commencement Funding (“PCF”).

Prospects of Rescue



Proposed BR Plan

Proposed BR Plan

- The proposed plan for Basil Read Limited will include the following initiatives:
 - Completing existing construction contracts, where possible.
 - Resolution of claims.
 - Selling of non-core assets.
 - Preserving and safeguarding the [Mining, Developments Businesses](#) and [Phase 2 of the St. Helena](#).

Critical Success Factors

- Securing of Post-Commencement Finance (“PCF”)
- Support and participation from:
 - Employees;
 - Financial and other institutions, including guarantors;
 - Employers under existing contracts;
 - Suppliers and subcontractors; and
 - Other stakeholders.
- Key stakeholders will be engaged to retain value in Basil Read Limited and its assets (including, without limitation, its subsidiaries).

Opinion of BRPs

Opinion

It is the view of the BRPs that, notwithstanding inevitable risks and challenges, there is a reasonable prospect of a successful Business Rescue, based on the following:

- Availability of PCF during Business Rescue.
- Ongoing support from Employers with regards to:
 - Completion of contracts;
 - Payment of certificates in the ordinary course of business; and
 - Timeous resolution of any potential claims.
- Ongoing support from Employees, Sub-Contractors, Creditors and Critical Suppliers.

- The Business Rescue Process will achieve a better result than a liquidation.
- All options will be investigated, together with input from management, shareholders, lenders and creditors.

Termination of Business Rescue Proceedings

- In terms of the Act, should the BRPs at [any time](#) conclude that there is [no longer a reasonable prospect](#) of rescuing the Company, the BRPs [must](#) advise affected persons and apply to court for an order discontinuing the proceedings and placing the Company into liquidation.

Termination of Business Rescue Proceedings

- The BR Plan proposed is rejected and proceedings are not extended.
- The court orders the conversion of the Business Rescue Proceedings into liquidation.
- The BRPs conclude that the Company is no longer in financial distress.
- The BRPs file a notice of substantial implementation of the approved Plan.

Business Rescue vs. Liquidation



Business Rescue vs. Liquidation

	Business Rescue	Liquidation
Employees	<ul style="list-style-type: none"> While employees continue to be employed by the Company they receive full salaries and benefits. Employees will receive full salaries and benefits from the commencement of the Business Rescue to the date of implementation of the plan or termination of the Business Rescue Proceedings or termination of employment. Should anyone be retrenched during Business Rescue, they receive their full entitlement. 	<ul style="list-style-type: none"> Employment contracts suspended on liquidation. Employees receive capped severance in terms of the Insolvency Act. Maximum of R28 000 per employee as a preferent claim, with the balance treated as a concurrent claim.
Realisation of Assets	<ul style="list-style-type: none"> Maximum value is preserved and realised. 	<ul style="list-style-type: none"> Assets are usually sold at distressed prices.
Fees	<ul style="list-style-type: none"> BRPs fees are prescribed per an hourly tariff or as agreed by stakeholders. 	<ul style="list-style-type: none"> Liquidators remuneration is based on a percentage fee based on the gross value of realisations but can be objected to by creditors. Fees are significantly in excess of Business Rescue process.
Completion of Contracts	<ul style="list-style-type: none"> The ability to complete the construction contracts in the ordinary course of business. 	<ul style="list-style-type: none"> Liquidators will generally not trade unless indemnified to do so. Difficult from a regulatory perspective. Minimal value will be realised for assets on a forced sale basis.
Performance Bonds	<ul style="list-style-type: none"> Performance Bonds would be released on completion of the construction contract. 	<ul style="list-style-type: none"> Crystallisation of Performance Bonds due to inability to trade.

Business Rescue vs. Liquidation

	Business Rescue	Liquidation
Employer Claims and Penalties	<ul style="list-style-type: none"> Ability to resolve and collect on any outstanding or potential claims against the employer. Completing the contract timeously would mitigate any risk of penalties. 	<ul style="list-style-type: none"> Inability to resolve and collect on any outstanding or potential employer claims. Cancellation of contracts may result in additional penalties.
Voting Process	<ul style="list-style-type: none"> Requires approval: <ul style="list-style-type: none"> 75% of all creditors. 50% of independent creditors. 50% of security holders (if the Plan alters any rights). 	<ul style="list-style-type: none"> Liquidator discretion to realise in terms of second meeting resolutions.
Preferent Creditors	<ul style="list-style-type: none"> SARS does not enjoy any preference in Business Rescue. 	<ul style="list-style-type: none"> Creditors who have been granted a preference over any free residue by way of statute. These creditors include: <ul style="list-style-type: none"> Employees SARS Unperfected general notarial bondholders
Timing	<ul style="list-style-type: none"> Implemented in a shorter time frame than Liquidation proceedings. Advance dividends 	<ul style="list-style-type: none"> The average time 18 – 24 months depending on the complexity of the company.

Proof of Claims



Proof of Claims

- Outstanding amounts for services rendered and goods delivered prior to 15 June 2018, being the date of commencement of Business Rescue, are subject to the moratorium.
- A claim form will need to be submitted for such amounts - these claims will be reconciled to the Company's records and any discrepancies investigated.
- The payment of these amounts will be dealt with in terms of the Business Rescue Plan.
- The claim form is available at the following link: www.matusonassociates.co.za/basilread
- A manual claim form is available for those creditors who experience difficulties submitting their claim form online.

Committees



Creditors' and Employees' Committee

Functions, Duties and Membership of the Creditors' Committee

- A committee, appointed in terms of s147 of the Companies Act, may:
 - Consult with the BRPs about any matter relating to the Business Rescue Proceedings; and
 - Receive and consider reports relating to the Business Rescue Proceedings.
- Members need to be independent creditors or an authorised agent of an independent creditor.
- It is the view of the BRPs that the input of a pro-active Creditors' Committee will add significantly to the process and will be helpful in achieving the goals set out in the Business Rescue Plan.

Employees' Representative Committee

- The employees' representatives may determine whether or not an employees' committee should be appointed and, if so, may appoint the members of the committee.

Other Committees

Recommended Committees

- In addition to the Creditors' and Employees' Committee, the BRPs recommend that the following additional committees be formed to further assist in achieving the goals set out in the Business Rescue Plan.
 1. PCF Providers.
 2. Contracts Committee, including Performance Bond Providers.
 3. Asset based Lenders.
 4. Sub-Contractors.

General



General

- The BRPs will communicate timeously with all stakeholders, in writing, as required.
- The BRPs will meet with the relevant Committees as and when required.
 - Committees will be advised of these meetings and minutes of these meetings will be provided.
- Further information relevant to the Business Rescue Proceedings of Basil Read Limited can be found on www.matusonassociates.co.za/basilread
- Queries can be directed to the BRPs at basilread@matusonassociates.co.za
- Questions



MATUSON

ASSOCIATES