



**MATUSON**  
ASSOCIATES

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

29 June 2018

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# Disclaimer

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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.

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# Welcome and Objectives



# First Meeting of Creditors

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## 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

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## 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.

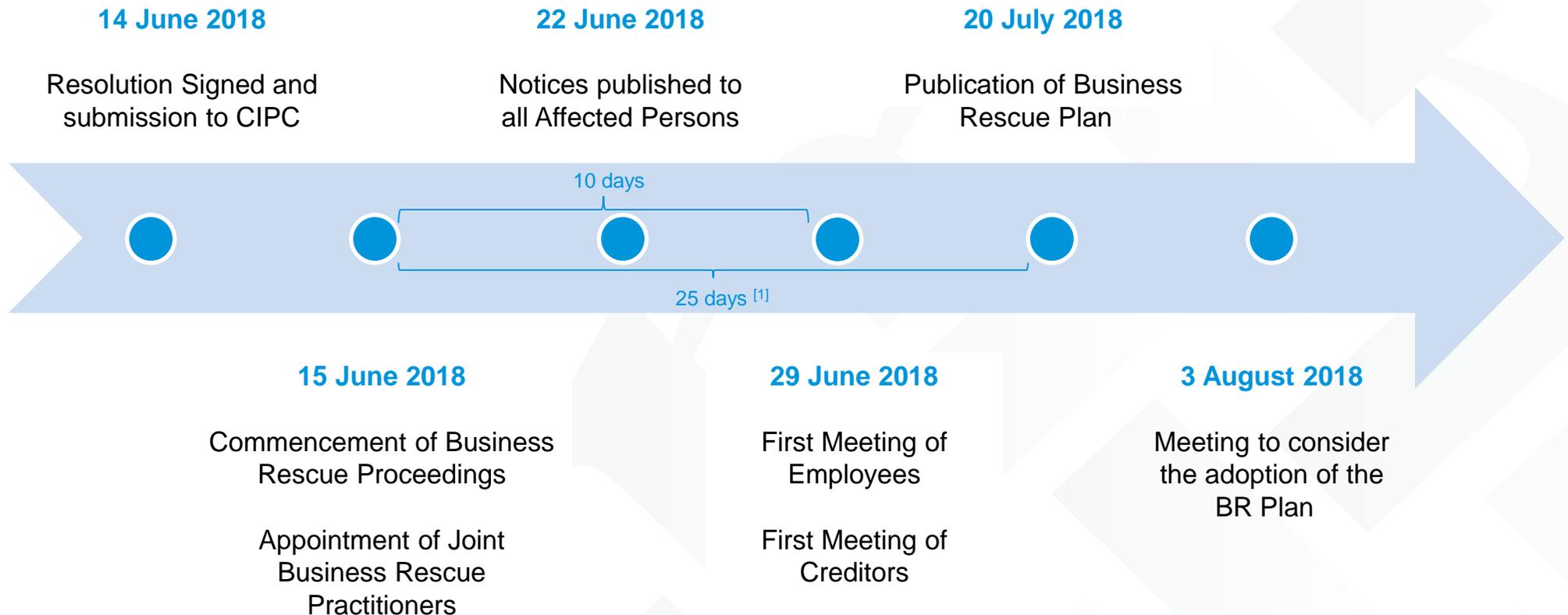
## Business Rescue Plan ("BR Plan")

- 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:



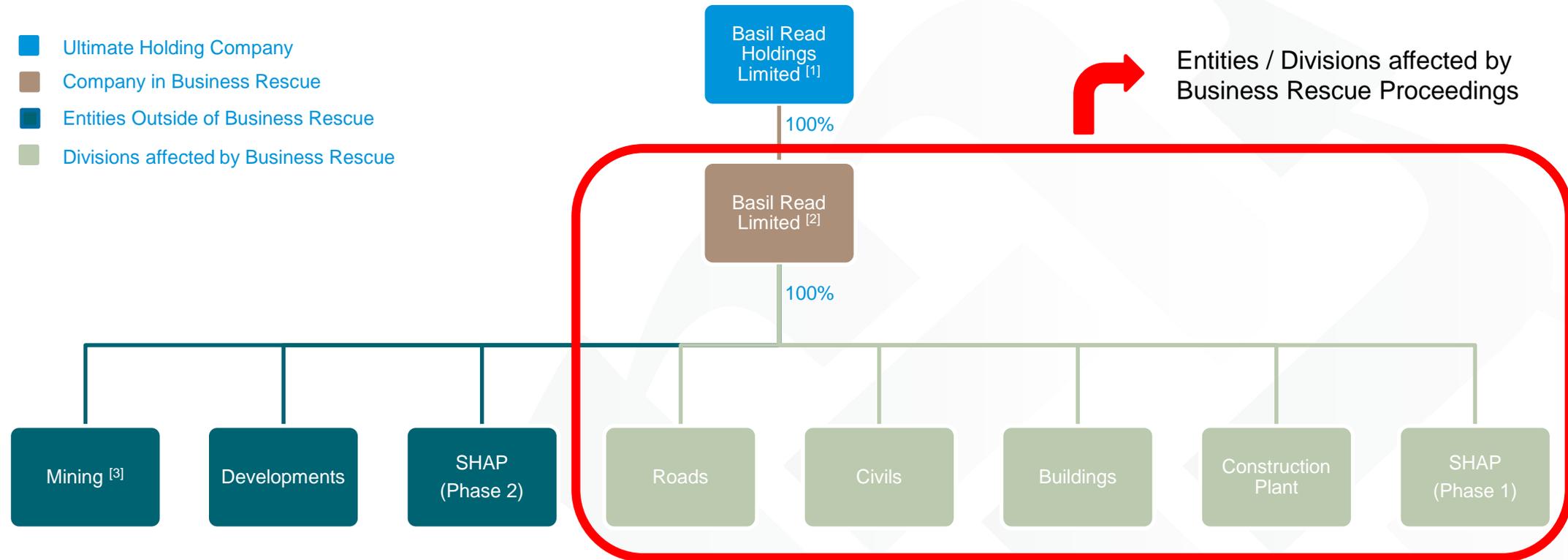
**[1]** The Business Rescue Plan must be published within 25 days after the appointment of the BRPs or such longer time allowed by either, an [application to court](#) or by [approval from the holders of a majority of creditors' voting interests](#).

# Background



# Organogram

## Organogram of Basil Read Holdings Limited



**[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

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## 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

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## 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<br>R'000 | Dec-17<br>R'000  | Dec-16<br>R'000  | Dec-15<br>R'000  |
|-------------------------------|-------------------|------------------|------------------|------------------|
| <b>Non-Current Assets</b>     | <b>614 485</b>    | <b>553 838</b>   | <b>797 128</b>   | <b>801 575</b>   |
| 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          |
|                               |                   |                  |                  |                  |
| <b>Current Assets</b>         | <b>3 384 910</b>  | <b>2 773 133</b> | <b>2 546 132</b> | <b>2 060 497</b> |
| 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           | -                | -                |
|                               |                   |                  |                  |                  |
| <b>TOTAL ASSETS</b>           | <b>3 999 395</b>  | <b>3 414 603</b> | <b>3 343 260</b> | <b>2 862 072</b> |

Source: Management

# Financial Position

## Balance Sheet for Basil Read Limited as at:

| LIABILITIES                           | April-18<br>R'000         | Dec-17<br>R'000         | Dec-16<br>R'000         | Dec-15<br>R'000         |
|---------------------------------------|---------------------------|-------------------------|-------------------------|-------------------------|
| <b>Non-Current Liabilities</b>        | <b>191 702</b>            | <b>194 898</b>          | <b>181 489</b>          | <b>66 396</b>           |
| Borrowings                            | 191 702                   | 194 898                 | 181 489                 | 66 396                  |
| <b>Current Liabilities</b>            | <b>4 446 758</b>          | <b>3 947 763</b>        | <b>2 994 561</b>        | <b>2 889 157</b>        |
| 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                  | -                       |
| <b>TOTAL LIABILITIES</b>              | <b>4 638 460</b>          | <b>4 142 661</b>        | <b>3 176 050</b>        | <b>2 955 553</b>        |
| <b>EQUITY</b>                         | <b>April-18<br/>R'000</b> | <b>Dec-17<br/>R'000</b> | <b>Dec-16<br/>R'000</b> | <b>Dec-15<br/>R'000</b> |
| <b>Equity</b>                         | <b>(639 065)</b>          | <b>(728 058)</b>        | <b>167 210</b>          | <b>(92 035)</b>         |
| Capital & Reserves                    | 191 702                   | 194 898                 | 181 489                 | 66 396                  |
| Accumulated Loss                      | (1 379 093)               | (1 468 086)             | (572 818)               | (92 305)                |
| <b>TOTAL EQUITY &amp; LIABILITIES</b> | <b>3 999 395</b>          | <b>3 414 603</b>        | <b>3 343 260</b>        | <b>2 862 072</b>        |

Source: Management

## Actions to Date



# Actions to Date

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

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

# Prospects of Rescue



# Proposed BR Plan

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## 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

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## 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

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

# Business Rescue vs. Liquidation

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

# Proof of Claims



# Proof of Claims

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- 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](http://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

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## 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

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## 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

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- 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](http://www.matusonassociates.co.za/basilread)
- Queries can be directed to the BRPs at [basilread@matusonassociates.co.za](mailto:basilread@matusonassociates.co.za)
- Questions



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