

**BUSINESS RESCUE PLAN**

Prepared in terms of section 150 of the Companies Act, No. 71 of 2008, as amended

in relation to

**BASIL READ LIMITED**

(Registration Number. 1962/002313/06)

(in Business Rescue)

Prepared by:

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## INTRODUCTION

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### 1. INTERPRETATION AND PRELIMINARY

The headings of the paragraphs in this Business Rescue Plan are for the purpose of convenience and reference only and shall not be used in the interpretation of nor modify nor amplify the terms of this Business Rescue Plan nor any paragraph hereof. Unless a contrary intention clearly appears -

#### 1.1. words importing -

1.1.1. any one gender includes the other gender;

1.1.2. the singular includes the plural and *vice versa*;

1.1.3. persons include natural persons, created entities (corporated and unincorporated and the State) and *vice versa*;

#### 1.2. the following terms and/or expressions shall have the meanings assigned to them hereunder and cognate expressions shall have corresponding meanings -

1.2.1. “**Adamantem**” means Adamantem (Pty) Limited, Registration Number 2017/292632/07, a company incorporated in accordance with the laws of South Africa;

1.2.2. “**Adoption Date**” means the date upon which the Business Rescue Plan is approved in accordance with section 152(2), read with section 152(3)(b) and section 152(3)(c)(ii)(aa), of the Companies Act;

1.2.3. “**Advisors**” means the advisors to the BRPs, namely Matuson & Associates, Adamantem and Werksmans, and their respective employees or representatives;

1.2.4. “**Aluwani**” means Aluwani Capital Partners, Registration Number 2015/112266/07, a company incorporated in accordance with the laws of South Africa, an authorised financial services provider;

1.2.5. “**Affected Person**” or “**Affected Persons**” shall bear the meaning ascribed thereto in section 128(1)(a) of the Companies Act, being shareholders, creditors, employees of the Company and the registered Trade Unions representing employees of the Company;

- 1.2.6.** “**Assets Identified for Sale**” means those assets identified in paragraph 24;
- 1.2.7.** “**Basil Read Developments**” includes
- 1.2.7.1.** **Malibongwe Ridge**, a development for government housing and **Cosmo City**, a mixed-use, fully integrated and sustainable housing development, assets of **Codevco**;
  - 1.2.7.2.** **Rolling Hills**, an 800 hectares property, situated in Mpumalanga, initially intended to be a golfing estate for the second housing market, an asset of **Sunset Bay**;
  - 1.2.7.3.** **Klipriver Business Park**, a 120 hectares property, comprising 4 erven, situated off the R59 south of Johannesburg, an asset of **City Square**; and
  - 1.2.7.4.** **Savanna City**, one of the largest privately initiated urban lifestyle developments in South Africa, an asset of **Savanna City Developments**;
- 1.2.8.** “**Basil Read Holdings**” or “**Shareholder**” means Basil Read Holdings Limited, Registration Number 1984/007758/06, a public company, incorporated in accordance with the laws of South Africa and listed on the JSE, whose shares are currently suspended from trading;
- 1.2.9.** “**Basil Read Mining**” means Basil Read Mining (Pty) Limited, Registration Number 2003/00008/07, incorporated in accordance with the laws of South Africa, a wholly owned subsidiary of the Company;
- 1.2.10.** “**Basil Read St. Helena**” means Basil Read St. Helena Limited, Registration Number 90, incorporated in accordance with the laws of St. Helena, a wholly owned subsidiary of the Company;
- 1.2.11.** “**BCAWU**” means the Building Construction and Allied Workers’ Union, a trade union representing a number of the Employees;
- 1.2.12.** “**BRPs**” means the joint business rescue practitioners appointed in terms of section 129(3)(b) of the Companies Act on 15 June 2018, being Lightfoot and Dongwana;

- 1.2.13.** “**Buildings Contracts**” means those contracts as defined in paragraph 19.3.1;
- 1.2.14.** “**Business**” means the business of the Company from conducted by the Company and its Subsidiaries, time to time including, *inter-alia* -
- 1.2.14.1.** Building;
  - 1.2.14.2.** Civil engineering;
  - 1.2.14.3.** Road construction;
  - 1.2.14.4.** Mixed-use integrated housing developments;
  - 1.2.14.5.** Opencast mining and related services;
- 1.2.15.** “**Business Day**” means any day other than a Saturday, Sunday or official public holiday in South Africa;
- 1.2.16.** “**Business Rescue**” means proceedings to facilitate the rehabilitation of the Company, which is financially distressed, as more fully defined in section 128(1)(b) of the Companies Act and paragraph 7 herein;
- 1.2.17.** “**Business Rescue Costs**” means the remuneration and expenses of the BRPs and other claims arising out of the costs of the Business Rescue;
- 1.2.18.** “**Business Rescue Dividend**” means a distribution paid to Concurrent Creditors as a consequence of the Business Rescue of the Company;
- 1.2.19.** “**Business Rescue Plan**” or “**Plan**” means this document together with all of its annexures, as amended from time to time, and prepared in accordance with section 150 of the Companies Act;
- 1.2.20.** “**CCMA**” means the Commission for Conciliation, Mediation and Arbitration, established in terms of the LRA;
- 1.2.21.** “**CGIC**” means Credit Guarantee Insurance Corporation of Africa Limited, Registration Number 1956/000368/06;
- 1.2.22.** “**CIPC**” means the Companies and Intellectual Property Commission, established in terms of section 185 of the Companies Act;

- 1.2.23.** “**City Square**” means City Square Trading (Pty) Limited, Registration Number 2007/018141/07, incorporated in accordance with the laws of South Africa, a wholly owned subsidiary of the Company;
- 1.2.24.** “**Civils Contracts**” means those contracts as defined in paragraph 19.3.2;
- 1.2.25.** “**Claims**” includes secured, preferent or concurrent claims, as envisaged in Insolvency Law, against the Company, the cause of action in respect of which arose prior to the Commencement Date, of whatsoever nature and from whatsoever cause, including claims arising from contract or delict, actual and contingent, prospective, conditional and unconditional, liquidated and unliquidated, assessed and unassessed and whether or not due for payment or performance, specific or otherwise, and including all claims arising out of any agreements entered into by the Company on or prior, or post, the Commencement Date, all such claims to be determined, calculated, admitted by, and acceptable to, the BRPs as secured, preferent or concurrent in accordance with the provisions of Insolvency Law; any claim against the Company, the cause of action in respect of which arose but excluding claims against any subsidiaries;
- 1.2.26.** “**Codevco**” means Codevco (Pty) Limited, Registration Number 1974/002119/07, incorporated in accordance with the laws of South Africa, a wholly owned subsidiary of the Company;
- 1.2.27.** “**Commencement Date**” means 15 June 2018, being the date upon which Business Rescue commenced in accordance with section 129(1), read with section 132(1)(a)(i), of the Companies Act;
- 1.2.28.** “**Company**” means Basil Read Limited, Registration Number 1962/002313/06, a company incorporated in accordance with the laws of South Africa, with its registered address at 7 Romeo Street, Hughes Extension, Boksburg, Gauteng, at present in Business Rescue;
- 1.2.29.** “**Companies Act**” means the Companies Act, No. 71 of 2008, as amended;
- 1.2.30.** “**Competition “Act”**” means the Competition Act, No. 89 of 1998, as amended;
- 1.2.31.** “**Competition Commission**” means the Competition Commission as constituted in the Competition Act;

- 1.2.32. **“Concurrent Creditors”** means all Creditors that are not Secured Creditors or Preferent Creditors, and whose Claims arose prior to the Commencement Date;
- 1.2.33. **“Contracts”** means those contracts entered into by the Company with third parties, either prior to or after the Commencement Date;
- 1.2.34. **“Construction Contracts”** means those Buildings, Civils and Roads, Contracts entered into by the Company prior to the Commencement Date;
- 1.2.35. **“Contract Claims”** means outstanding claims on Construction Contracts that overran budgets, due to scope of work adjustments or operational challenges that had not been factored into the Construction Contracts at tender stage;
- 1.2.36. **“Construction Contracts’ Committees”** means the committees as discussed at the first meeting of creditors and formed in terms of paragraph 8.3.1 and paragraph 8.3.3;
- 1.2.37. **“Construction Plant and Equipment”** means all movables assets on several Construction Sites;
- 1.2.38. **“Creditors”** means all persons, including legal entities and natural persons, having Claims directly against the Company;
- 1.2.39. **“Creditors’ Committee”** means the committee formed in terms of section 145(3) of the Companies Act;
- 1.2.40. **“Directors”** means the directors of the Company as at the Commencement Date and contained in paragraph 5.2;
- 1.2.41. **“Disputed Claims”** means any and all Claims which may have been lodged by Creditors and whose Claims have been rejected either in whole or in part by the BRPs and which dispute shall be determined in terms of the Dispute Mechanism contained in paragraph 40;
- 1.2.42. **“Distribution”** means any distributions to be made by the Company in accordance with this Plan;
- 1.2.43. **“Dongwana”** means Siviwe Xolisile Dongwana, a business rescue practitioner as contemplated in Regulation 126 of the Companies Act;



- 1.2.44. **“Employees”** means employees of the Company as at the Commencement Date;
- 1.2.45. **“Employees’ Committee”** means the committee formed in terms of section 144(3)(c) of the Companies Act and also for the purposes of consulting with the Employees in terms of section 189(3), read together with section 189A, of the LRA;
- 1.2.46. **“Employers”** means those counter parties to the Construction Contracts entered into by the Company prior to the Commencement Date;
- 1.2.47. **“Finance Parties”** includes the IDC, SCB, CGIC and Lombards;
- 1.2.48. **“Financially Distressed”** shall bear the meaning ascribed thereto in section 128(1)(f) of the Companies Act;
- 1.2.49. **“Final Claims Date”** means the final date for the filing of Claims, being 20 November 2018;
- 1.2.50. **“Guarantees”** includes performance guarantees, retention guarantees, advance payments, or any other Construction Contract related guarantees;
- 1.2.51. **“Guarantors”** means ONE Sure, Guardrisk, CGIC, Lombards, Nedbank and SCB being Guarantors as at the Commencement Date;
- 1.2.52. **“Guardrisk”** means Guardrisk Insurance Company Limited, Registration Number 1992/001639/06, a company incorporated in accordance with the laws of South Africa, an authorised financial services provider;
- 1.2.53. **“High Court”** means the High Court of South Africa, having jurisdiction to entertain any relevant matters;
- 1.2.54. **“IDC”** means the Industrial Development Corporation of South Africa Limited, Registration Number 1940/014201/06, being a corporation established in terms of section 2 of the Industrial Development Corporation Act, No. 22 of 1940, as amended;
- 1.2.55. **“Immovable Property”** means the Head Office, registered in the name of Thunderstruck, situated at 7 Romeo Street, Hughes Extension, Boksburg, Gauteng, and on which the Company’s head office is situated;

- 1.2.56.** “**Insolvency Act**” means the Insolvency Act No. 24 of 1936, as amended;
- 1.2.57.** “**Investec**” means Investec Bank Limited, Registration Number 1969/004763/06;
- 1.2.58.** “**JSE**” means the Johannesburg Stock Exchange operated by JSE Limited;
- 1.2.59.** “**JV**” means those Joint Ventures in respect of the Construction Contracts;
- 1.2.60.** “**Lehateng**” means the 13.3% shareholding in Lehateng Mining Proprietary Ltd, the owner of the Lehateng Manganese Project, located in the Kalahari Manganese Field of the Northern Cape;
- 1.2.61.** “**Lenders**” includes Aluwani, Investec, Finance Parties and Guarantors;
- 1.2.62.** “**Lightfoot**” means John Dymoke Lightfoot, a business rescue practitioner as contemplated in Regulation 126 of the Companies Act;
- 1.2.63.** “**Lombards**” means Lombard Insurance Company Limited, Registration Number 1990/001253/06;
- 1.2.64.** “**LRA**” means the Labour Relations Act, No. 66 of 1995, as amended;
- 1.2.65.** “**Management**” means the management team of the Company and its Subsidiaries as at the Commencement Date;
- 1.2.66.** “**Matuson & Associates**” means Matuson & Associates (Pty) Limited, Registration Number 2009/008967/07, a company incorporated in accordance with the laws of South Africa;
- 1.2.67.** “**Nedbank**” means Nedbank Limited, Registration Number 1951/000009/06;
- 1.2.68.** “**Notice of Meeting**” means the notice of meeting to all Affected Persons as contemplated in terms of section 151(2) of the Companies Act;
- 1.2.69.** “**NUM**” means the National Union of Mineworkers, a trade union representing a number of the Employees;
- 1.2.70.** “**ONE Sure**” means ONE Insurance Underwriting Managers (Pty) Limited, Registration Number 1996/008987/07, a company incorporated in

accordance with the laws of South Africa, an authorised financial services provider;

- 1.2.71. **“Payment Waterfall”** means the order of preference for payment of the Distribution to Creditors that will be made in terms of the paragraph 28.
- 1.2.72. **“PCF”** means Post-Commencement Finance advanced, or the provision of services or supplies authorised by, and provided to, the Company after the Commencement Date as contemplated in section 135(2) of the Companies Act;
- 1.2.73. **“PCF Agreement”** means the agreement concluded by the Company with the Finance Parties for the provision of PCF;
- 1.2.74. **“PCF Employee Claims”** means Claims by Employees as contemplated in section 135(1) of the Companies Act;
- 1.2.75. **“Person”** means any natural or juristic person, association, business, close corporation, company, concern, enterprise, firm, partnership, joint venture, trust, undertaking, voluntary association, body corporate, and any similar entity;
- 1.2.76. **“Post-Commencement Date Creditors” / “PCF Creditors”** means all Persons having Claims against the Company which arose after the Commencement Date;
- 1.2.77. **“Pre-Commencement Claims”** means any claim in respect of which the cause of action which arose prior to the Commencement Date;
- 1.2.78. **“Preferent Creditors”** means all Creditors having preferent Claims against the Company as envisaged in Insolvency Law, and whose Claims arose prior to the Commencement Date;
- 1.2.79. **“Publication Date”** means the date on which this Business Rescue Plan is published to Affected Persons in terms of section 150(5) of the Companies Act, being 20 August 2018;
- 1.2.80. **“PwC”** means PricewaterhouseCoopers Advisory Services (Pty) Limited, Registration Number 1999/024417/07, a company incorporated in accordance with the laws of South Africa;
- 1.2.81. **“Rand” or “R” or “ZAR”** means the lawful currency of South Africa;

- 1.2.82. **“Redundancy Plan”** means the proposed plan by the Company in respect of the Employees, in particular the proposed retrenchment of certain Employees;
- 1.2.83. **“Related Parties”** shall bear the meaning ascribed thereto in section 2(1) of the Companies Act;
- 1.2.84. **“Retained Businesses”** means Basil Read Mining and Basil Read Developments, being the businesses, which are not under Business Rescue, and which the Company is required to retain under the PCF Agreement;
- 1.2.85. **“Roads Contracts”** means those contracts as defined in paragraph 19.3.3;
- 1.2.86. **“SARS”** means the South African Revenue Services;
- 1.2.87. **“Savanna City”** means Savanna City Developments (Pty) Limited, Registration Number 2007/014109/07, incorporated in accordance with the laws of South Africa, where the Company has a 50% shareholding;
- 1.2.88. **“SCB”** means Standard Chartered Bank Limited, Registration Number 2003/020177/10;
- 1.2.89. **“Secured Creditors”** means those Creditors who hold security for their Claims against the Company, and whose Claims arose prior to the Commencement Date;
- 1.2.90. **“SENS”** means the Stock Exchange News Service;
- 1.2.91. **“SHAP”** means the St. Helena Airport Project;
- 1.2.92. **“South Africa”** means the Republic of South Africa;
- 1.2.93. **“Subsidiary” or “Subsidiaries”** means any company controlled by the Company;
- 1.2.94. **“Substantial Implementation Date”** means the date upon which the BRPs file with CIPC a notice that all of those events contemplated in paragraph 36 have occurred and whereupon Business Rescue will terminate;

- 1.2.95.** “**Sunset Bay**” means Sunset Bay Trading 282 (Pty) Limited, Registration Number 2005/013716/07, incorporated in accordance with the laws of South Africa, a wholly owned subsidiary of the Company;
- 1.2.96.** “**Tax/Taxation**” means any tax payable to the South African Revenue Service (“SARS”) in terms of the laws of South Africa;
- 1.2.97.** “**Thunderstruck**” means Thunderstruck Investments 136 (Pty) Limited, Registration Number 2002/024532/07, a company incorporated in accordance with the laws of South Africa, where the Company has a 50% shareholding;
- 1.2.98.** “**Trade Unions**” includes BCAWU and NUM;
- 1.2.99.** “**Turnaround Plan**” means the turnaround plan initiated by the Management prior to the Commencement Date;
- 1.2.100.** “**VAT**” means the value-added tax levied in terms of the South African Value- Added Tax Act, No. 89 of 1991 as amended;
- 1.2.101.** “**VAT Act**” means the South African Value-Added Tax Act, 89 of 1991, as amended;
- 1.2.102.** “**Werksmans**” means Werksmans Incorporated, attorneys practising as such at The Central, 96 Rivonia Road, Sandton;
- 1.3.** any reference to any statute, regulation or other legislation in this Business Rescue Plan shall be a reference to that statute, regulation or other legislation as at the Publication Date, and as amended or substituted from time to time;
- 1.4.** any reference in the Business Rescue Plan to any other agreement or document shall be construed as a reference to such other agreement or document as same may have been; or may from time to time be, amended, varied, novated or supplemented;
- 1.5.** if figures are referred to in numerals and in words and if there is any conflict between the two, the words shall prevail;
- 1.6.** if any provision in a definition in this Business Rescue Plan is a substantive provision conferring a right or imposing an obligation on any person or entity then, notwithstanding that it is only in a definition, effect shall be given to that provision as if it were a substantive provision in the body of this Business Rescue Plan;

- 1.7. where any term is defined in this Business Rescue Plan within a particular paragraph other than this paragraph 1, that term shall bear the meaning ascribed to it in that paragraph wherever it is used in this Business Rescue Plan;
- 1.8. where any number of days is to be calculated from a particular day, such number shall be calculated as excluding such particular day and commencing on the next day. If the last day of such number so calculated falls on a day which is not a Business Day, the last day shall be deemed to be the next succeeding day which is a Business Day;
- 1.9. any reference to days (other than a reference to Business Days), months or years shall be a reference to calendar days, months or years, as the case may be; and
- 1.10. words or terms that are capitalised and not otherwise defined in the narrative of this Business Rescue Plan (excluding capitalised words or terms used for the purpose of tables) shall bear the meaning assigned to them in the Companies Act.

## **2. ACTION TO BE TAKEN BY AFFECTED PERSONS**

- 2.1. If any Affected Person is in doubt as to what action should be taken arising from the contents of this Business Rescue Plan, such Affected Person or Affected Persons are advised to consult an independent attorney, accountant or any other professional advisor (including Tax advisor) in addition to any consultation with or direction received from the BRPs.
- 2.2. Nothing contained in this Business Rescue Plan shall constitute Tax, accounting or legal advice to any Affected Person, nor do the BRPs make any representations in respect thereof, other than expressly stated in this Business Rescue Plan.
- 2.3. The BRPs shall not be responsible for any acts taken by (or omissions arising from) an Affected Persons' reliance on this Business Rescue Plan, save for a failure by the BRPs to give effect to any action or obligation imposed on the BRPs in terms of this Business Rescue Plan.

## **3. STRUCTURE OF THE PLAN**

For the purposes of section 150(2) of the Companies Act, this Business Rescue Plan is divided into 3 (three) parts as follows -

### **3.1. Part A – Background**

This part sets out the background to the Company and the factors that resulted in the Company being Financially Distressed and being placed under Business Rescue.

### **3.2. Part B – Proposals**

This part describes the Proposal in terms of this Business Rescue and includes, *inter-alia*, the benefits and/or effect of adopting the Business Rescue Plan as opposed to the Company being placed into liquidation.

### **3.3. Part C – Assumptions and Conditions**

This part sets out, *inter-alia*, what conditions need to be fulfilled in order for the Business Rescue Plan to become effective, and to be implemented.

## **4. EXECUTIVE SUMMARY**

**4.1.** The Business Rescue Plan has been prepared in terms of the requirements of section 150 of the Companies Act.

**4.2.** In preparing the Business Rescue Plan, the BRPs have taken into consideration the views expressed by the stakeholders and make the proposal as set out below.

### **4.3. Prime Objectives**

**4.3.1.** Facilitate the completion of Construction Contracts in progress, where possible.

**4.3.2.** Realise maximum value from the following assets -

**4.3.2.1.** Contract Claims;

**4.3.2.2.** Assets Identified for Sale;

**4.3.2.3.** Immovable Property;

**4.3.2.4.** Surplus Construction Plant and Equipment; and

**4.3.2.5.** Non-core investments.

**4.3.3.** Optimise and preserve value of the Retained Businesses.

**4.3.4.** Optimise value and balance the interests of Affected Persons and Related Parties.

**4.3.5.** Achieve and pay a Business Rescue Dividend that is better than a dividend that would arise from the immediate liquidation of the Company, from the following sources -

**4.3.5.1.** net cash flows, after taking into account the completion of Construction Contracts, asset sales, overheads and Business Rescue costs; and

**4.3.5.2.** anticipated Distributions from the Retained Businesses, being those businesses which the Company is required to retain under the PCF Agreement.

**4.3.6.** Restrict job losses to a minimum.

**4.3.7.** Mitigate, as far as practically possible and with the assistance of Employers, the contingent risks of Guarantors.

#### **4.4. Challenges**

The BRPs are of the opinion that a successful Business Rescue is achievable, but draw attention to the following significant challenges -

##### **4.4.1. Delays in approval and flow of PCF**

**4.4.1.1.** The delay in the approval and flow of PCF resulted in curtailed activity on construction sites and as a consequence, a material decline in revenue inflows for the months of July and August 2018.

**4.4.1.2.** The salaries and wages for June and July were paid by way of an advance by Lenders, deductible from the final provision of PCF.

**4.4.1.3.** The final provision of PCF was only approved on 31 July 2018 and the PCF Agreements signed on 8 August 2018.

**4.4.1.4.** Only after the signing of the agreements, were the BRPs able to commence with draw-down requests.

**4.4.1.5.** The additional strain placed on the cash flows resulting in the delay in receiving PCF will require particular focus when managing the PCF resource.



#### **4.4.2. Completion of Construction Contracts**

**4.4.2.1.** Obtaining support from the Employers to enable the Company to complete their projects.

**4.4.2.2.** Mitigating the financial strain placed on sub-contractors in respect of the ongoing payment of wages for their own employees.

**4.4.2.3.** Dealing with demands from critical sub-contractors, suppliers and other service providers for the payment of pre-commencement debt, that is subject to the Business Rescue moratorium.

#### **4.4.3. Cost Reduction Initiatives**

**4.4.3.1.** Scope for significant cost reductions have been identified, however, these cost reductions are subject to procedural and legislative timing constraints.

**4.4.3.2.** The BRPs continue to identify opportunities for cost reductions on an ongoing basis.

#### **4.4.4. Uncertainty of timing and amounts to be realised from the disposal of Assets Identified for Sale and Immovable Property**

**4.4.4.1.** Whilst the BRPs have endeavoured to determine realistic valuations of Assets Identified for Sale and the Immovable Property, uncertainties remain as to the likely timing of such sales and the quantum of proceeds.

**4.4.4.2.** The BRPs are working on the best and most optimum method of sale in order to achieve the best possible values from the sales process.

The combination of the above has placed further stress on the Company's cash flows and delays in the publication of the Business Rescue Plan.

#### 4.5. Dividend to Affected Persons

The aforesaid proposal should result in the following anticipated dividend for Affected Persons -

Class of Creditor	Business Rescue	
	High Range	Low Range
Secured	90c	70c
PCF Employees	100c	100c
PCF Creditors	100c	100c
Pre-Commencement Employees	100c	100c
Concurrent	Refer to paragraph 4.6 below	

#### 4.6. Dividend for Concurrent Creditors

##### 4.6.1. Initial Business Rescue Dividend

4.6.1.1. Notwithstanding the uncertainties associated with the completion of Construction Contracts, realisation of Contract Claims and realisation from the Assets Identified for Sale and Immovable Property, the Company's net cash flows indicate that an initial Business Rescue Dividend equal to/better than that of a liquidation dividend could be paid within the next 12 months.

##### 4.6.2. Subsequent Business Rescue Dividend

4.6.2.1. In addition to the initial Business Rescue Dividend, the BRPs have considered various options in respect of extracting value from the Retained Businesses for the benefit of the Company's concurrent creditors. The BRPs currently propose, having regard to the restrictions set out in the PCF Agreement, that -

4.6.2.1.1. the Concurrent Creditors are to be converted to preference shareholders; and

4.6.2.1.2. the preference shareholders may receive further Business Rescue Dividends from Distributions that may be received from the Retained Businesses over time.

**4.6.3.** Notwithstanding the restrictions set out in the PCF Agreement, the BRPs will consider any offer to purchase Basil Read Mining, provided that the terms of any such offer is expressly agreed to by the Finance Parties. In the event that Basil Read Mining is sold, the preference shareholders could receive a further Business Rescue Dividend from the proceeds thereof.

**4.7. Benefits of this Business Rescue Plan**

**4.7.1.** Continuation of Retained Businesses, with a possibility of further Distributions to Concurrent Creditors by way of a Business Rescue Dividend/s.

**4.7.2.** Preservation of jobs.

**4.7.3.** Retaining construction capability.

**4.7.4.** Ongoing work for existing sub-contractors.

**4.7.5.** Better return to Creditors than would result from the Company being immediately liquidated.

**4.7.6.** Mitigation, as far as practically possible, of the contingent risks from Guarantors.

**4.8. Opinion of the BRPs**

It is the opinion of the BRPs that a Business Rescue in terms of this proposal will result in a better return than would result from the immediate liquidation of the Company.

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## PART A - BACKGROUND

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### 5. COMPANY INFORMATION

#### 5.1. Shareholding Structure

As at the Publication Date, the issued share capital of the Company comprises 3 100 ordinary shares all held by Basil Read Holdings.

#### 5.2. Directors

5.2.1. As at the Commencement Date, the active Directors and officers of the Company, according to CIPC, were -

#	Name of Director	Role	Date of Appointment
1	Baloyi, Paul Cambo	Chairman	25 November 2014
2	Castle, Darryll John	Non-executive Director	20 December 2017
3	Luvhengo, Shammy Arewanga	Non-executive Director	20 December 2017
4	Manning, Claudia Estelle	Non-executive Director	25 November 2014
5	Mapasa, Khathutshelo	Chief executive Director	6 October 2014
6	Ndoni, Andiswa Thandeka	Company Secretary	1 January 2014

#### 5.3. Company Information

Financial Year End: 31 December

Registered Business Address: The Basil Read Campus Phase 1  
7 Romeo Street  
Hughes Extension  
Gauteng  
1459

Postal Address: Private Bag X170  
Bedfordview  
South Africa  
Gauteng  
2008

Business Telephone Number: 011 418 6300

Business Fax Number:	011 418 6334
Accountants / Auditors:	PricewaterhouseCoopers Incorporated
Sponsor - Basil Read Holdings Limited	Grindrod Bank Limited

## **6. COMPANY BACKGROUND**

### **6.1. Background to the Company**

**6.1.1.** The Company commenced business in the 1960s and comprises of five operational segments, namely -

**6.1.1.1.** Roads;

**6.1.1.2.** Construction (including Civils and Buildings);

**6.1.1.3.** Mining;

**6.1.1.4.** Developments; and

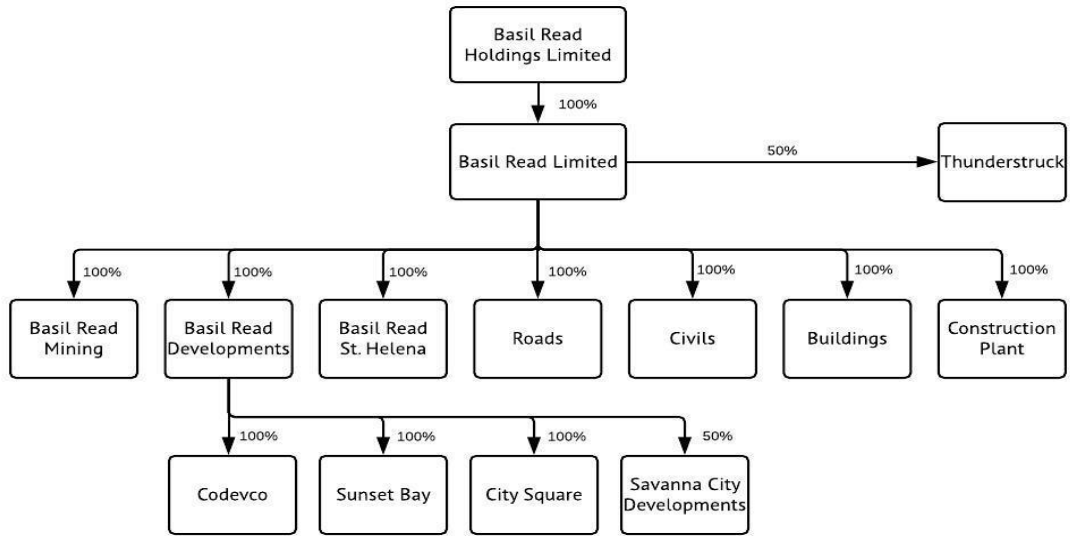
**6.1.1.5.** SHAP.

**6.1.2.** The Company is a wholly-owned subsidiary of Basil Read Holdings Limited, a company listed on the JSE.

**6.1.3.** At 31 December 2017, the Company had 43 active sites in 5 operating countries, namely South Africa, Namibia, Botswana, Lesotho and St. Helena island.

**6.1.4.** As at the Commencement Date, the Company employed 4 730 people and approximately 2 500 indirectly through sub-contractors. The Company is therefore an important contributor to the South African economy.

## 6.2. Simplified Group Organogram



## 6.3. Background to the Company's Financial Distress

- 6.3.1.** The South African construction industry has become increasingly constrained in recent years due to diminishing spend on public and private sector infrastructure as evidenced by a number of construction companies under financial distress, including Business Rescue, with no significant improvements in the short-term outlook.
- 6.3.2.** Low margins on projects awarded left the Company with no buffer for unexpected obstacles and delays. As a result, major projects that became distressed, caused significant financial penalties and losses for the Company.
- 6.3.3.** The Company reflected an operating loss before tax of R733.8 million for the financial year ended 31 December 2017, which compared negatively to the budget of R218.5 million profit before tax.
- 6.3.4.** The Company experienced negative cash flows from operating activities of R334.5 million for the 2017 financial year.

**6.3.5.** The main reasons why the Company finds itself Financially Distressed are the following -

**6.3.5.1.** onerous Construction Contracts are taking longer to complete;

**6.3.5.2.** guarantees are not being extended and new guarantees are not readily available;

**6.3.5.3.** uncertainty relating to the timing of the sale of Assets Identified for Sale;

**6.3.5.4.** creditors tightened payment terms; and

**6.3.5.5.** the resolution of Contract Claims were taking longer than expected.

**6.3.6.** Resulting from the poor performance of the Company, in May 2017, Management developed a Turnaround Plan. The salient points of this Turnaround Plan were -

**6.3.6.1.** concluding a debt standstill agreement with Lenders and Guarantors;

**6.3.6.2.** raising R300 million equity to support ongoing business in terms of a rights issue;

**6.3.6.3.** selling non-core assets;

**6.3.6.4.** resolving long outstanding claims; and

**6.3.6.5.** concluding onerous legacy Construction Contracts.

**6.3.7.** A debt standstill agreement, dated 30 November 2017, was signed with the Lenders as per the SENS announcement dated 05 December 2017. This agreement allows for a moratorium of 18 months on the capital repayment on loans, totalling R390 million, from 01 December 2017 to 31 May 2019.

**6.3.8.** The Company successfully completed a rights offer of R300 million in February 2018, the proceeds of which were used to improve working capital and settle the IDC's bridge loan of R150 million.

**6.3.9.** Notwithstanding the progress made in implementing the Turnaround Plan, Management advised that the Company did not have sufficient funding to meet its financial obligations in the short term.

**6.3.10.** The Company anticipated that there was a reasonable prospect of bridge funding being made available to the Company. However, after protracted negotiations between the Company and the Lenders, the Company was advised on 14 June 2018 that the majority of the Lenders were not prepared to make bridge funding available in an informal process, i.e. outside of Business Rescue.

**6.3.11.** Accordingly, the Directors resolved to place the Company in Business Rescue.

## **7. SUMMARY OF BUSINESS RESCUE**

### **7.1. Introduction**

Business Rescue, as defined in section 128(1)(b) of the Companies Act, refers to proceedings to facilitate the rehabilitation of a company that is financially distressed by providing for -

**7.1.1.** the temporary supervision of a company by one or more business rescue practitioners, and of the management of its affairs, business and property;  
and

**7.1.2.** a temporary moratorium on the rights of claimants against a company or in respect of property in its possession.

### **7.2. Primary Objective of Business Rescue**

**7.2.1.** The development and implementation, if approved, of a plan that either -

**7.2.1.1.** rescues the company in question by restructuring its affairs, business, property, debt and other liabilities, and equity in a manner that maximises the likelihood of the company in question continuing in existence on a solvent basis ("**Part A**");

or



**7.2.1.2.** if it is not possible for the company to so continue in existence, results in a better return for the company's creditors or shareholders than would result from the immediate liquidation of the company ("**Part B**").

**7.3.** The following summary sets out the salient dates on which certain events have taken and will take place during Business Rescue -

<b>Event</b>	<b>Date</b>
Board Resolution to Commence Business Rescue Proceedings, filed at the CIPC	14 June 2018
Commencement of Business Rescue	15 June 2018
Appointment of BRPs	15 June 2018
Meeting of Employees	18 June 2018
First Employees' Meeting	29 June 2018
First Creditors' Meeting	29 June 2018
First Update to Affected Persons	5 July 2018
Second Update to Affected Persons	11 July 2018
Request for Approval of Extension for Publication of Business Rescue Plan	12 July 2018
Approval of Extension for Publication of Business Rescue Plan	16 July 2018
Third Update to Affected Persons	24 July 2018
First Update to Employees	24 July 2018
First Employees' Committee Meeting	27 July 2018
Creditors' Committee Meeting	15 August 2018
Construction Contract Committees Meetings	15 August 2018
Publication of Business Rescue Plan	20 August 2018
Meeting to Consider the Business Rescue Plan	3 September 2018

## **8. STEPS TAKEN SINCE THE APPOINTMENT OF THE BRPS**

### **8.1. Administrative Matters**

#### **8.1.1. Appointment of BRPs**

The BRPs were appointed by CIPC on 15 June 2018.

#### **8.1.2. SENS Announcements**

The BRPs communicated to the shareholders of Basil Read Holdings by way of issuing SENS announcements.

### **8.1.3. Management Control**

In terms of section 140(1)(a) of the Companies Act, the BRPs took over full management control of the Company, but as they are entitled to do, the BRPs delegated certain functions to Management in terms of section 140(1)(b) of the Companies Act.

### **8.1.4. Reporting to CIPC**

The BRPs have complied with all statutory obligations under the Companies Act and will render monthly update reports to CIPC as contemplated in section 132(3) of the Companies Act.

### **8.1.5. PwC Appointed to Calculate Potential Liquidation Dividend**

**8.1.5.1.** The BRPs appointed PwC as independent experts to -

**8.1.5.1.1.** calculate the potential dividend that could have been realised had the Company been placed into liquidation as at the Commencement Date; and

**8.1.5.1.2.** determine a fair and reasonable estimate of the return to each secured creditor, preferent creditor and concurrent creditor if the Company was liquidated.

**8.1.5.2.** Based on the work performed by PwC, concurrent Creditors would have received a dividend of 5,4 cents in the Rand had the Company been liquidated at the Commencement Date.

### **8.1.6. Extension for Publication of Business Rescue Plan**

In terms of section 150(5) of the Companies Act, the Business Rescue Plan was required to be published on 20 July 2018, i.e. within 25 days from the appointment of the BRPs. The BRPs obtained an extension from the Creditors as contemplated in section 150(5)(b) of the Companies Act for the publication of the Business Rescue Plan to 20 August 2018.

**8.1.7. Publication of Notice of Meeting and Business Rescue Plan**

**8.1.7.1.** the Business Rescue Plan was prepared and will be published to all Affected Persons on 20 August 2018.

**8.1.7.2.** the Business Rescue Plan will be made available in the following manner -

**8.1.7.2.1.** via email to all known Creditors, as provided by the Company, to the extent that the email addresses of known Creditors are available;

**8.1.7.2.2.** on [www.matusonassociates.co.za/basilread](http://www.matusonassociates.co.za/basilread); and

**8.1.7.2.3.** at the registered office and site offices of the Company.

**8.2. Labour**

**8.2.1. Employees' Meetings**

**8.2.1.1.** The BRPs held the first meeting of Employees on 18 June 2018, whereby the BRPs explained the Business Rescue process.

**8.2.1.2.** A meeting of Employees, as contemplated in section 144(3) of the Companies Act, was convened on 29 June 2018, wherein the BRPs -

**8.2.1.2.1.** explained the Business Rescue Process and possible outcomes to the Employees; and

**8.2.1.2.2.** provided answers to questions raised by the Employees.

**8.2.2. Employees' Committee**

**8.2.2.1.** After the first meeting of Employees, nominations were requested for the establishment of the Employees' Committee, which was duly established.

**8.2.2.2.** The Employees' Committee comprises the following -

**8.2.2.2.1.** representative from NUM;

**8.2.2.2.2.** representative from BCAWU; and

**8.2.2.2.3.** representatives from the independent Employees (being those Employees unrepresented by Trade Unions).

**8.2.2.3.** The Employees' Committee met on 27 July 2018.

### **8.2.3. Section 189 of the LRA Process**

**8.2.3.1.** For the Business Rescue efforts to be successful, and for liquidation to be avoided, it is necessary for the Company to reduce its costs significantly.

**8.2.3.2.** Prior to Business Rescue, the Company had initiated a section 189 process in terms of the LRA, however, such process was not finalised. It is the intention of the BRPs to finalise this process.

**8.2.3.3.** The BRPs will issue notices in terms of section 189(3) read together with section 189A of the LRA ("section 189(3) notices") to all Employees and their Trade Unions.

**8.2.3.4.** The issuance of the section 189(3) notices will be the first step in a statutory facilitated consultation process in terms of the LRA.

## **8.3. Creditors**

### **8.3.1. Creditors' Meeting**

**8.3.1.1.** A first meeting of Creditors, as contemplated in section 145(1) of the Companies Act, was convened on 29 June 2018.

- 8.3.1.2.** At the first meeting, the BRPs -
- 8.3.1.2.1.** explained the Business Rescue process and possible outcomes to the Creditors;
  - 8.3.1.2.2.** provided feedback in respect of the on-going engagement with various stakeholders;
  - 8.3.1.2.3.** explained the need and extent for PCF;
  - 8.3.1.2.4.** provided an overview of the intended Business Rescue Plan;
  - 8.3.1.2.5.** provided answers to various queries raised by Creditors;
  - 8.3.1.2.6.** received claims from Creditors;
  - 8.3.1.2.7.** formed a Creditors' Committee; and
  - 8.3.1.2.8.** undertook to form various site-specific Construction Committees as suggested and recommended by Creditors.

**8.3.2. Creditors' Committee**

- 8.3.2.1.** As set out above at the first meeting, a Creditors' Committee was formed.
- 8.3.2.2.** The Creditors' Committee comprises members who were in a position to consult to the BRPs in respect of the Company and the development of the Business Rescue Plan.
- 8.3.2.3.** Prior to the Publication Date, the Creditors' Committee has consulted with the BRPs. Refer to paragraph 8.3.3.4 below.

**8.3.3. Construction Contracts' Committees**

- 8.3.3.1.** As set out above, at the first meeting of Creditors, the BRPs undertook to form various Construction Contracts' Committees.

**8.3.3.2.** On 11 July 2018, Affected Persons were required to complete a form in order to assist the BRPs in the formation of the Construction Contracts' Committees.

**8.3.3.3.** The form made provision for, *inter-alia*, the following -

**8.3.3.3.1.** nature of supply and services provided;

**8.3.3.3.2.** any contract specific questions; and

**8.3.3.3.3.** whether the Affected Person wished to be included in the proposed Construction Contracts' Committees.

**8.3.3.4.** The BRPs held a combined Creditors' Committee and Construction Contracts' Committee on 15 August 2018, where the following was discussed -

**8.3.3.4.1.** update on PCF and related challenges;

**8.3.3.4.2.** challenges on specific Construction Contracts;

**8.3.3.4.3.** key elements of the Business Rescue Plan;

**8.3.3.4.4.** consideration for a proposed dividend to Concurrent Creditors;

**8.3.3.4.5.** sale of Basil Read Mining; and

**8.3.3.4.6.** other administrative issues.

#### **8.3.4. Claims Reconciliation**

**8.3.4.1.** As at the Publication Date, the BRPs have received a significant number of claims.

**8.3.4.2.** A verification process is underway to reconcile Creditors' Claims reflected in the Company's records. The BRPs will endeavour to -

**8.3.4.2.1.** send a confirmation to Creditors, where Claims have been accepted;

**8.3.4.2.2.** notify Creditors where discrepancies between the Company's records and Claims received have been identified; and

**8.3.4.2.3.** notify Creditors of any disputed Claim.

## **8.4. Legal**

### **8.4.1. Suspension of Contracts**

Section 136(2)(2) of the Companies Act provides for the BRPs during Business Rescue to entirely, partially or conditionally suspend, for the duration of the Business Rescue Proceedings, any obligation of the Company that arises under an agreement to which the Company was a party at the Commencement Date and would otherwise become due during the Business Rescue. The BRPs reserve the right to suspend the Company's obligations under any agreement that become due during Business Rescue.

### **8.4.2. Cancellation of Contracts**

The BRPs reserve the right to terminate any agreement that they deem necessary to terminate, on application to the High Court, in accordance with the provisions of section 136 of the Companies Act.

### **8.4.3. Investigation of affairs of the Company**

**8.4.3.1.** In terms of section 141(1), shortly after the BRPs were appointed they investigated the Company's affairs, Business, property and financial situation.

**8.4.3.2.** Section 141(2) of the Companies Act provides that if, at any time during the Business Rescue, the BRPs conclude that there is evidence, in the dealings of the Company before the Commencement Date of -

**8.4.3.2.1.** voidable transactions, or the failure by the Company or any Director to perform any material obligation relating to the Company, the BRPs must take any necessary steps to rectify the matter and may direct Management to take appropriate steps;

**8.4.3.2.2.** reckless trading, fraud or other contravention of any law relating to the Company, the BRPs must forward the evidence to the appropriate authority for further investigation and possible prosecution and direct Management to take any necessary steps to rectify the matter, including recovering any misappropriated assets of the Company.

**8.4.3.3.** The BRPs are continuing to investigate the dealings of the Company prior to the Commencement Date. At this early stage of the Business Rescue, the BRPs are unable to make any such findings.

**8.4.4. General**

**8.4.4.1.** The BRPs were required to engage attorneys to advise on, *inter-alia*, issues relating to -

**8.4.4.1.1.** employment;

**8.4.4.1.2.** competition;

**8.4.4.1.3.** Tax;

**8.4.4.1.4.** regulatory issues;

**8.4.4.1.5.** contractual disputes;

**8.4.4.1.6.** PCF;

**8.4.4.1.7.** any post-commencement agreements;

**8.4.4.1.8.** the sales process;

**8.4.4.1.9.** reservation of ownership Claims;

**8.4.4.1.10.** Claims against the Company;

**8.4.4.1.11.** development and publication of the Business Rescue Plan; and



**8.4.4.1.12.** various issues arising out of Business Rescue.

## **8.5. Business Rescue Initiatives**

### **8.5.1. Continuation with the Turnaround Plan**

In consideration of the Turnaround Plan having been initiated by Management prior to the Commencement Date, the BRPs have resolved to utilise the expertise of Management to consider appropriate aspects of the Turnaround Plan when developing the Business Rescue Plan.

### **8.5.2. Engagement with Employers**

**8.5.2.1.** From the onset of Business Rescue Proceedings, the BRPs identified the engagement with the Employers as one of the main critical factors for a successful Business Rescue.

**8.5.2.2.** The BRPs met with the Employers on each Construction Contract and requested the following -

**8.5.2.2.1.** for consent to continue with the Construction Contract to completion in the ordinary course of business;

**8.5.2.2.2.** to not call on any performance guarantees that have been issued in respect of the Construction Contract;

**8.5.2.2.3.** to assist with the resolution of any outstanding Contract Claims;

**8.5.2.2.4.** to honour payment certificates in terms of the Construction Contract for work performed; and

**8.5.2.2.5.** to communicate to the BRPs any areas of concern regarding the Construction Contracts.

**8.5.2.3.** The meetings with Employers are ongoing. As at the Publication Date, the BRPs had received positive feedback and support from most of the Employers.

**8.5.3. SHAP**

The BRPs have been in negotiations with the St. Helena Government in respect of SHAP and which negotiations are ongoing and continue as at the Publication Date. Refer to paragraph 20.

**8.5.4. Engagement with Finance Parties**

**8.5.4.1.** Prior to Business Rescue, the Company anticipated that there was a reasonable prospect of bridge funding being made available by the Finance Parties. However, after protracted negotiations, the Company was advised that the Finance Parties were not prepared to make bridge funding available in an informal process, i.e. outside of Business Rescue.

**8.5.4.2.** Since the Commencement Date, the BRPs continued engagements with the Finance Parties with the view to securing PCF. Refer to the table in paragraph 8.5.11 below.

**8.5.4.3.** Furthermore, the BRPs have been in regular communication with the Finance Parties in regard to, *inter-alia*, cash flow forecasts, the release of guarantees on Construction Contract completion and other Business Rescue related matters.

**8.5.5. Engagement with Shareholders of Basil Read Holdings**

**8.5.5.1.** As at the Publication Date, the BRPs have engaged with the shareholders of Basil Read Holdings in respect of, *inter-alia* -

**8.5.5.1.1.** the Business Rescue process;

**8.5.5.1.2.** the provision of PCF; and

**8.5.5.1.3.** the safeguarding and preservation of the Retained Businesses.

## **8.5.6. Engagement with Government**

**8.5.6.1.** As the majority of the Company's Construction Contracts are with government departments, the BRPs have made approaches to government, at the appropriate level, to assist with various matters, including resolving the settlement of Contract Claims.

**8.5.6.2.** Although not without challenges, initial indications from these meetings have been positive and will be ongoing.

## **8.5.7. Engagement with Board**

**8.5.7.1.** The BRPs have engaged with the board of the Company in respect of aspects of the Business Rescue process.

**8.5.7.2.** The engagements included discussions on the provision of PCF, operational updates relating to the Company and a general discussion in respect of the development and publication of the Business Rescue Plan.

## **8.5.8. Cost Reduction Initiatives**

Since their appointment, the BRPs have made ongoing efforts to reduce operating costs, wherever possible.

## **8.5.9. Cash Management**

**8.5.9.1.** In order to minimise the operating expenses of the Company, the BRPs continue to -

**8.5.9.1.1.** monitor the cash flow and financial position;

**8.5.9.1.2.** perform daily bank reconciliations;

**8.5.9.1.3.** control payments; and

**8.5.9.1.4.** enforce general controls.

**8.5.10. Reservation of Ownership**

- 8.5.10.1.** An ongoing analysis is being performed to reach a solution with Creditors, who are claiming that material and equipment supplied by them to the Company, is subject to reservation of ownership.
- 8.5.10.2.** The validity of these Claims are being investigated. If any Creditor is able to establish a valid entitlement to ownership, then such Creditor will be treated as a Secured Creditor in terms of the Business Rescue Plan.
- 8.5.10.3.** If any reservation of ownership is disputed and cannot be resolved, the matter will be determined by way of the Dispute Resolution, in terms of paragraph 40 below.

**8.5.11. Asset Based Finance**

- 8.5.11.1.** The BRPs performed an analysis of all assets subject to instalment sale agreements, lease agreements or rental agreements in an attempt to reach an agreement with these sellers, lessors and financiers.
- 8.5.11.2.** Consideration was given to the cancellation of contracts and to the return of assets in order to reduce the monthly cash burn. These considerations are ongoing and if the BRPs cannot reach agreement, the BRPs will then have to apply to court to cancel such contracts.
- 8.5.11.3.** If any of the contracting parties have suffered any damages as a result of the cancellation will result in them ranking as a concurrent creditor subject to such party proving its claims for damages. Such party will be dealt with in accordance with paragraph 40, insofar as any Claim for damages is disputed by the BRPs.

## 8.5.12. Post Commencement Finance

8.5.12.1. The following summary sets out the salient dates on which meetings were held, with the Finance Parties, to discuss the funding and PCF requirements of the Company -

### *Meetings Prior to Business Rescue -*

<b>Event</b>	<b>Feedback</b>	<b>Date</b>
First Report to Lenders	Total ask of R610 million	30 May 2018
Second Report to Lenders	Total ask of R600 million	5 June 2018
Third Report to Lenders	Total ask of R470 million	13 June 2018

### *Meetings Post Business Rescue -*

<b>Event</b>	<b>Feedback</b>	<b>Date</b>
Update on Business Rescue	Total ask of R440 million	21 June 2018
Feedback from Lenders	PCF of R231 million offered	26 June 2018
First Tranche of PCF for Salaries	R30 million made available	29 June 2018
Feedback from Lenders	PCF of R161 million offered	3 July 2018
Feedback from Lenders	PCF of R266 million offered	5 July 2018
Report to IDC	Impact of no PCF	13 July 2018
Feedback from Lenders	R265 million to be made available	16 July 2018
Second Tranche of PCF for Salaries	R23 million made available	23 July 2018

8.5.12.2. Between July 2018 and August 2018, the Finance Parties granted various PCF term loan facilities to the Company for an aggregate amount of R238 million as PCF and Lombards has made available a loan facility in an unspecified quantum subject to the terms and conditions contained therein.

8.5.12.3. Each PCF term loan facility will be utilised in accordance with the specific Construction Contracts and/or disbursements contained therein.

**8.5.12.4.** The PCF is secured by way of the following -

- 8.5.12.4.1.** Counter Indemnity Agreements entered into by the Company;
- 8.5.12.4.2.** Counter Indemnity Agreements entered into by the Obligors;
- 8.5.12.4.3.** various General Notarial Bonds and Special Notarial Bonds registered by the Original Guarantors (as defined in the various PCF term loan facilities) in favour of Capmount 3 Proprietary Limited (the Security SPV);
- 8.5.12.4.4.** Security SPV Guarantee;
- 8.5.12.4.5.** Obligor Security Cessions;
- 8.5.12.4.6.** Borrower Security Cessions;
- 8.5.12.4.7.** Obligor Pledges and Cessions;
- 8.5.12.4.8.** Borrower Pledges and Cessions;
- 8.5.12.4.9.** Deed of Hypothecation registered by Basil Read Mining Botswana Proprietary Limited and B&E Botswana Proprietary Limited; and
- 8.5.12.4.10.** statutory pledge entered into by Basil Read Mining Botswana Proprietary Limited and B&E Botswana Proprietary Limited respectively.

**8.5.12.5.** The PCF will be repaid as follows -

- 8.5.12.5.1.** from the proceeds of various asset disposals subject to the terms and conditions of the various PCF term loan facilities and any Business Rescue Plan; and
- 8.5.12.5.2.** any other source of funding.

**8.5.13.** It is anticipated that with the available PCF, the BRPs will be able to continue with the Business Rescue, subject to the cash flows being in line with the forecasts contained in [Annexure C](#).

**9. TRADING SUBSEQUENT TO THE COMMENCEMENT DATE**

**9.1.** Delays in the approval of the PCF and the flow of funds to the Company, have inevitably compelled the BRPs to partially curtail work on the Construction Contracts and SHAP, from the Commencement Date until the Publication Date.

**9.2.** In consequence, cash generation to date has been limited to -

**9.2.1.** receipts from progress certificates, which have been declining;

**9.2.2.** sale of excess Construction Plant and Equipment; and

**9.2.3.** emergency bridge finance from Finance Parties.

**10. MATERIAL ASSETS AND SECURITY OF THE COMPANY AS AT THE COMMENCEMENT DATE**

A list of the categories of material assets of the Company at book value and the security given in relation thereto is attached hereto as Annexure A. If any Affected Person requires a detailed schedule of assets, please contact [basilread@matusonassociates.co.za](mailto:basilread@matusonassociates.co.za).

**11. CREDITORS OF THE COMPANY AS AT THE COMMENCEMENT DATE**

**11.1.** A list of the Creditors of the Company, as reflected in the Company's records, as at the Commencement Date is attached hereto as [Annexure B](#).

**11.2.** As required in terms of the Companies Act, [Annexure B](#) indicates -

**11.2.1.** which Creditors are secured, preferent or concurrent in terms of the laws of insolvency; and

**11.2.2.** have proved their Claims.

**12. CREDITORS VOTING INTEREST AND VOTING PROXY**

**12.1.** In accordance with section 145(4) of the Companies Act, a Commencement Date Creditor is entitled to vote as follows -

**12.1.1.** a secured or unsecured creditor has a voting interest equal to the value of the amount owed to that creditor by a company; and





**12.6. Vote by Proxy**

**12.6.1.** Voting by proxy will be allowed if the form of proxy attached to the Notice of the Meeting is lodged with the BRPs in terms of section 152 of the Companies Act. Affected Persons are required to lodge their forms of proxy by no later than 31 August 2018.

**12.6.2.** All forms of proxy given on behalf of a company, a legal entity or a trust must be accompanied by a valid and authorised resolution supporting the appointment of the proxy.

**12.6.3.** Notwithstanding what has been stated in this paragraph, the BRPs have a discretion to accept any proxy submitted.

**13. PROBABLE LIQUIDATION DIVIDEND**

**13.1.** The BRPs engaged PwC as an independent expert to calculate the probable dividend in a liquidation scenario as at the Commencement Date.

**13.2.** If any Affected Person requires details relating to the liquidation dividend calculation, please contact the Business Rescue team [basilread@matusonassociates.co.za](mailto:basilread@matusonassociates.co.za).

**13.3.** The probable dividend which Creditors would receive if the Company was liquidated as at the Commencement Date, is set out in the table below -

<b>Class of Creditor</b>	<b>Liquidation</b>
Secured	85 cents in the Rand
Preferent	97.5 cents in the Rand
Concurrent	5.4 cents in the Rand

**14. HOLDERS OF THE COMPANY'S ISSUED SECURITIES**

Basil Read Holdings is the sole shareholder of the Company's issued securities. Refer to paragraph 5.1 above.

**15. THE PRACTITIONERS' REMUNERATION**

**15.1.** The regulations to the Companies Act prescribe an hourly tariff (inclusive of VAT) for the payment of the fees of a business rescue practitioner.

- 15.2.** The Company is classified, in terms of regulation 26(2) read with regulation 127(2)(b)(i) of the Companies Act, as a large company in that it has a public interest score greater than 500 points. The Company's public interest score is a factor of 18.
- 15.3.** Accordingly, in terms of regulation 127(5), the Company required the appointment of a senior business rescue practitioner.
- 15.4.** In terms of regulation 128(1)(c) of the Companies Act, a business rescue practitioner appointed for a large company is entitled to charge an amount of R2 000 an hour (inclusive of VAT) and up to an amount of R25 000 a day (inclusive of VAT).
- 15.5.** To date, the BRPs have charged out their time at the prescribed tariff rates set out in terms of regulation 128 of the Companies Act.
- 15.6.** As contemplated in section 143(2) of the Companies Act -
- 15.6.1.** The BRPs hereby propose an agreement providing for further remuneration, additional to the prescribed tariff, resulting in an increase in the charge out rate from R2 000 (including VAT) per hour to R3 000 per hour (including VAT), retrospectively, with effect from the date of their appointment.
- 15.6.2.** The BRPs will call for a meeting in terms of section 143(3) of the Companies Act to approve the proposed agreement.

**16. PROPOSAL MADE INFORMALLY BY A CREDITOR**

The Business Rescue Plan does not include any informal proposals made by a Creditor or Creditors of the Company.

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## PART B - PROPOSALS

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### 17. PURPOSE AND OBJECTIVE OF BUSINESS RESCUE

17.1. The purpose of the business rescue provisions contained in the Companies Act, as set out in section 7(k) of the Companies Act, is to provide for the rescue and recovery of financially distressed companies, in a manner that balances the rights and interests of all relevant stakeholders.

17.2. The objective of business rescue, as set out in section 128(1)(b)(iii) of the Companies Act, is to develop and implement a plan that rescues the company -

17.2.1. by restructuring its affairs, business, property, debt and other liabilities, and equity in a manner that maximises the likelihood of the company continuing in existence on a solvent basis (“**Part A**”); or

17.2.2. if the aforementioned 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 (“**Part B**”).

17.3. This proposal seeks to provide Affected Persons with information so that they may -

17.3.1. assess the likely outcome of the dividend yield calculation under Business Rescue, as set out in [Annexure C](#); and

17.3.2. be reasonably assured of the likelihood of obtaining a better outcome under Business Rescue for all Affected Persons, when compared to a liquidation.

### 18. PROPOSAL IN TERMS OF THIS BUSINESS RESCUE PLAN

18.1. In preparing the Business Rescue Plan, the BRPs have taken the views expressed by stakeholders into consideration and as such have presented the following proposal -

18.1.1. facilitation of the completion of certain Construction Contracts;

18.1.2. resolution of Contract Claims;

18.1.3. preservation and growth of Retained Businesses; and

18.1.4. realisation of Assets Identified for Sale and the realisation of Immovable Property;

**18.2.** Affected Persons are referred to paragraph 31 for information relating to the advantages of proceeding in terms of Business Rescue as opposed to liquidation.

**18.3.** Based on a Distribution in terms of the Payment Waterfall and subject to the risks and assumptions set out in this Business Rescue Plan, the proposal referred to in paragraph 18 above should result in a better return than upon the immediate liquidation of the Company and will achieve a balance of the interests of all stakeholders.

**19. COMPLETION OF EXISTING CONSTRUCTION CONTRACTS**

**19.1.** The Company is a contractor in respect of various Construction Contracts, which have either been completed or will be completed within the next two years.

**19.2.** For the purposes of this Business Rescue Plan, Construction Contracts are made up of Buildings, Civils and Roads Contracts.

**19.3.** Details relating to these Construction Contracts are as follows -

**19.3.1. Buildings Contracts**

#	Employer	Contract Name	Description	Anticipated Completion Date
1	Department of Education, WC Government	CT Schools	Construction of new schools.	31 October 2018
2	Department of Infrastructure, Gauteng	Julius Sebolae	Design and build of primary school.	30 September 2018
3	Johannesburg Development Agency	Kazerne	Construction of new taxi holding and ranking facility.	30 September 2018
4	Eskom	Medupi	Construction of miscellaneous buildings.	30 September 2018
5	Department of Infrastructure, Gauteng	Nokuthula	Construction of a new school.	30 September 2018
6	Department of Public Works	Port Shepstone	Construction of new Magistrate Court.	31 October 2018

**19.3.2. Civils Contracts**

#	Employer	Contract Name	Description	Anticipated Completion Date
1	Eskom	Kusile Civils	Civils works on main power station.	30 April 2019
2	Eskom	Medupi Ash	Construction of ash disposal facility.	30 September 2018
3	Eskom	Medupi Clarifiers	Construction of clarifiers.	30 September 2018
4	Eskom	Medupi Phase 3	Construction of excess coal stockyard.	30 May 2019
5	Department of Water Affairs, Botswana	Mmamashia	Construction of ductile iron pipeline.	30 April 2019
6	Prasa	Prasa	Construction of new railway signalling system.	30 June 2019
7	Umgeni Water	Rosetta	Construction of water treatment plant.	30 March 2019
8	TCTA	TCTA	Olifants River Water Resources Development Project.	30 August 2018
9	Rand Water	Zuikerbosch	Manufacture of lime handling plant.	30 September 2018

**19.3.3. Roads Contracts**

#	Employer	Contract Name	Description	Anticipated Completion Date
1	Department of Transport, & Public Works, Western Cape Government	Ashton to Montagu	Rehabilitation of TR31 and construction of bridge.	To be advised.
2	Transnet	Coega	Construction of freeway and bridges.	30 September 2018
3	SANRAL	Mthatha	Upgrade of N61.	30 March 2019
4	SANRAL	Musina	Construction of Musina ring road.	30 August 2019
5	N3TC	N3 Cedara	Rehabilitation of N3.	To be advised.

6	SANRAL	Polokwane	Construction and improvements to Polokwane ring road.	30 March 2019
7	SANRAL	Vereeniging	Routine road maintenance.	19 February 2020

**19.4.** The anticipated completion dates set out above are based on best estimates provided by the Company but may vary depending on any exigencies that may arise.

**19.5.** The BRPs will endeavour to maximise value realisation and reduce possible Claims against the Company in respect of the Construction Contracts by, *inter-alia* -

**19.5.1.** completing Construction Contracts to the benefit of all stakeholders, i.e. where -

**19.5.1.1.** the Construction Contract is nearing completion;

**19.5.1.2.** a positive net cash inflow from completion is anticipated;

**19.5.1.3.** PCF has been specifically provided to assist with the completion of such Construction Contracts;

**19.5.1.4.** the Construction Contracts are funded by the Employer to completion; and

**19.5.1.5.** there is an outstanding Contract Claim, with a strong likelihood of recovery;

**19.5.2.** collecting the outstanding debts, including retention debtors as when they fall due.

**19.5.3.** avoiding any possible penalties and claims from Employers in terms of guarantees.

**19.5.4.** facilitating the transfer of such Construction Contract to a JV partner.

## **20. SHAP**

- 20.1.** A Design, Build, Operate and Handover Agreement was concluded with St. Helena Government for developing and managing the airport on the island of St Helena.
- 20.2.** There has been ongoing engagement between the BRPs and the St. Helena Government in respect of SHAP.
- 20.3.** The BRPs have proposed to the St. Helena Government that they provide PCF for the completion of SHAP, alternatively, agree to the following proposal as has been put forward by SCB and Lombards -
- 20.3.1.** SCB and Lombards would be willing provide PCF for the completion of Phase 1 (airport construction) and Phase 2 (airport operation) of SHAP, and while a contract review takes place by them in consultation with the practitioners and the St. Helena Government.
- 20.3.2.** The purpose of the contract review is to understand, *inter-alia*, precisely what works remain outstanding for the completion of SHAP and what issues remain unresolved as between the Company and the St. Helena Government, in order to prepare a works program and detailed cash flow and costs for the completion of SHAP.
- 20.3.3.** It is estimated that such contract review will take approximately 2 months and could potentially be completed by the end of November 2018.
- 20.3.4.** It is anticipated that whilst the detailed contract review process is taking place, consideration be given to identify the appropriate entity to continue with Phase 2 (airport operations) of the SHAP. However, in the interim period existing staff and support would remain in place.
- 20.3.5.** Whilst the contract review process takes place and thereafter, project expenses would be paid from the aforesaid PCF. The Guarantees which SCB and Lombards have provided to the St. Helena Government in respect of SHAP would accordingly be reduced with the amount of PCF provided.
- 20.3.6.** After completion of Phase 1 (airport construction) of SHAP, a new guarantee would be issued at an agreed value to the new entity which has been identified to continue with Phase 2 (airport operations) of SHAP.

**20.4.** The St. Helena Government advised the BRPs that due to constitutional and regulatory challenges they could not provide PCF to the Company, and that they would revert with respect to the proposal set out directly above in due course.

**20.5.** As at the Publication Date, the BRPs continue to engage with the St. Helena Government. Accordingly, the manner in which SHAP will be completed, and the provision of PCF in respect thereof, remains unresolved as at the Publication Date.

**21. CONTRACT CLAIMS**

**21.1.** The Company and the BRPs have negotiated with the various Employers in attempting to resolve the significant legacy Construction Claims, however, the conclusion and settlement of such Construction Claims are not yet finalised.

**21.2.** The BRPs are committed to robustly move towards resolution of the Construction Claims in the course of the Business Rescue process.

**21.3.** In addition to the work performed by Management to date, the BRPs have engaged with relevant Employers and with Government to assist with the resolution of any Construction Claims. Refer to paragraph 8 for Steps Taken since the Appointment of BRPs.

**21.4.** Details relating to these Contract Claims are as follows -

#	Employer	Contract Name	Division	Anticipated Timing
1	Department of Education, Western Cape Government	CT Schools	Buildings	December 2018
2	Eskom	Medupi Buildings	Buildings	November 2018
3	Department of Public Works	Port Shepstone	Buildings	December 2018
4	Department of Public Works	Skilpadshek	Buildings	December 2018
5	Eskom	Medupi	Civils	November 2018
6	Prasa	Prasa	Civils	August 2019
7	Umgeni Water	Rosetta	Civils	March 2019
8	Rand Water	Zuikerbosch	Civils	December 2018
9	Department of Transport & Public Works, Western Cape Government	Ashton	Roads	August 2019
10	Transnet	Coega	Roads	December 2018
11	TCTA	TCTA	Civils	March 2019



**21.5.** The valuation of the Contract Claims above are in accordance with Management's best estimates. Due to the nature of these Contract Claims, the BRPs have taken a prudent approach, in both the quantum and timing, in the calculation of the Business Rescue Dividend, as set out in [Annexure C](#).

**21.6.** Refer to paragraph 32 for Risks of the Business Rescue, which could affect the collectability of the Contract Claims.

## **22. BASIL READ DEVELOPMENTS**

**22.1.** Basil Read Developments focuses on large-scale, mixed-income and integrated housing developments, while also undertaking the group's construction work.

**22.2.** The Company will continue with profitable projects in Basil Read Developments, being-

**22.2.1.** Cosmo City;

**22.2.2.** Malibongwe Ridge; and

**22.2.3.** Savanna City.

**22.3.** The Company identified Klipriver Business Park and Rolling Hills as Assets Identified for Sale, as set out in paragraph 24 below.

## **23. BASIL READ MINING**

**23.1.** Basil Read Mining specialises in surface contract mining, which includes drill, blast, load, haul, dump, material handling and processing services for the mining, quarrying and construction industries. This division continues to deliver strong financial performances that are geared for continued sustainability in coming years.

**23.2.** Basil Read Mining has a healthy project pipeline, good customer base, viable contracts, strong management and is a positive contributor to the Company.

**23.3.** Going forward, it is anticipated that Basil Read Mining will be able to make further distributions to the Company and from which Business Rescue Dividends will be paid.

## 24. REALISATION OF ASSETS IDENTIFIED FOR SALE

### 24.1. The Company's Assets Identified for Sale comprise -

Asset Identified	Nature	Sales Strategy	Anticipated Timing
Klipriver Business Park	Development Land	Auction / Sell to Developer	April 2019
Rolling Hills	Development Land	Auction / Sell to Developer	April 2019
Head Office	Offices, Workshop and Land	Private Treaty	January 2019
Lehateng	Non-Core Investment	Private Treaty	January 2019
Construction Plant and Equipment	Construction Plant and Equipment	Disposal Strategy	August 2018 - February 2020

**24.2.** Due to the nature of the Assets Identified for Sale, the BRPs have taken a prudent approach, in both the quantum and timing, in the calculation of a possible Business Rescue Dividend, as set out in [Annexure C](#).

**24.3.** As the Construction Plant and Equipment are situated on various sites, the timing of such sale is contingent on the timing of the completion of the Construction Contract and where these assets are situated.

**24.4.** As at the Publication Date, the Company is indebted to the IDC in the amount of R206 265 962. This indebtedness is secured by way of a mortgage bond registered over Klipriver Business Park. The IDC is accordingly entitled to receive all the proceeds from the realisation of Klipriver Business Park, up to the amount of the indebtedness. In the event of a shortfall, such shortfall will be included with all other Concurrent Creditors and will be paid in terms of the Payment Waterfall, as set out in paragraph 28. It is unlikely that there would be a surplus, however, in the event that there is a surplus, such surplus will accrue for the benefit of all Creditors

**24.5.** Refer to paragraph 32 for Risks of the Business Rescue, which could affect the realisation of these Assets Identified for Sale.

## 25. EFFECT ON CREDITORS

### 25.1. Contracts

To the extent that Contracts are cancelled, modified, suspended or restructured, Creditors' Claims for damages will be limited as contemplated in paragraph 25.3.

## **25.2. Construction Contracts**

In the event of any Construction Contracts not being completed, the relevant guarantees could crystallise as liabilities of the Company and would therefore be included in the body of Concurrent Creditors.

## **25.3. Damages**

**25.3.1.** Any Creditors' Claims for damages, whether contractual or delictual, against the Company, if accepted by the BRPs by way of the Dispute Mechanism or by Court or similar proceedings, will be treated as follows -

**25.3.1.1.** as Concurrent Claims, unless the Creditor holds security for such claim;

**25.3.1.2.** will be deemed to be limited to general damages suffered over the lesser of 6 (six) months from the date on which the alleged damages Claim arose or the balance of the Contract duration. For purposes hereof, general damages are those which, on an objective basis, would be reasonably foreseeable at the time of entering into the relevant Contract as a probable consequence of, and with a sufficiently close connection to, any breach by the Company of such Contract so as to be said to flow naturally and generally and not to be too remote;

**25.3.1.3.** will be deemed to exclude all consequential (including loss of profit) and indirect damages; and

**25.3.1.4.** if disputed, will be resolved in terms of the Dispute Mechanism, detailed in paragraph 40 .

## **25.4. SARS**

**25.4.1.** Any compromise contemplated in this Business Rescue Plan is conditional upon the Company fully meeting its material obligations to Creditors as set out in this Business Rescue Plan.

**25.4.2.** The BRPs undertake that the Company shall ensure that all future tax obligations (including the filing of returns and payment of outstanding taxes) will be met until proceedings have been terminated on any ground listed in terms of section 132 of the Companies Act.

**25.4.3.** No compromise is contemplated in this Business Rescue Plan and therefore no VAT liability is triggered by this Plan in terms of section 22 of the VAT Act.

**26. EFFECT ON EMPLOYEES**

**26.1.** The BRPs are undertaking a variety of cost reduction initiatives which include the review of the Company's staff compliment, taking into account the completion of Construction Contracts and the requirements of the Company going forward.

**26.2.** The Company may in this regard commence the necessary proceedings under the LRA to reduce its staff compliment as appropriate.

**27. EFFECT ON THE HOLDERS OF EACH CLASS OF THE COMPANY'S ISSUED SHARES**

The shareholder will be requested to vote in favour of the Business Rescue Plan and in order to give effect to the Business Rescue Plan.

**28. ORDER OF DISTRIBUTION – PAYMENT WATERFALL IN BUSINESS RESCUE**

**28.1.** In term of the Companies Act, to the extent that there are funds available to pay all categories of Creditors, the Distribution to Creditors will be made in the following order of priority -

**28.1.1.** The Business Rescue Costs, including but not limited to legal costs, the costs of the Advisors, operating costs and other costs associated with the Business Rescue;

**28.1.2.** Pre-Commencement Secured Creditors will rank to the extent of their security in priority to all other claims, other than the BRPs' remuneration and expenses, as contemplated in section 143 of the Companies Act. Any residual Claim remaining after realisation of such security will be treated as a Concurrent Claim;

**28.1.3.** PCF Employees for their employment during Business Rescue (to the extent that they have not been paid for their services during Business Rescue);

**28.1.4.** Secured PCF Creditors in respect of their security;

**28.1.5.** Unsecured PCF Creditors which will rank in the order in which such PCF has been incurred;

**28.1.6.** Any remuneration, reimbursement or expenses or other amount of money relating to employment that became due and payable prior to Business Rescue and has not been paid to that Employee; and

**28.1.7.** Pre-Commencement Concurrent Creditors.

## **29. PROOF OF CLAIMS BY CREDITORS**

**29.1.** The exchange rate in respect of all Claims expressed in foreign currency will be translated to South African Rands by applying the appropriate exchange rate ruling at the Commencement Date.

**29.2.** In the event that simple interest applies, a Creditor would only be entitled to payment of the interest amount once the capital outstanding amount has been paid in full.

**29.3.** Creditors are required to lodge their Claims prior to the Final Claims Date for purposes of participating in the Distribution -

**29.3.1.** The BRPs have a discretion as to whether to allow a Creditor to lodge any Claim after the Final Claims Date; and

**29.3.2.** Creditors who lodge Claims after the Final Claims Date, and whose Claims are subsequently accepted by the BRPs in the exercise of the BRPs' aforesaid discretion, forfeit their right to participate in any Distributions that might have been made prior to the lodgement of their Claims.

**29.4.** Notwithstanding any amount reflected in the Company's records / [Annexure B](#), Claims shall be proved to the satisfaction of the BRPs and supported by a claim form. If any Creditor requires the claim form, please contact [basilread@matusonassociates.co.za](mailto:basilread@matusonassociates.co.za).

**29.5.** In the event that the BRPs dispute a Claim or security, such disputed Claims will be dealt with in accordance with the Dispute Mechanism more fully dealt with in paragraph 40.

### **30. NATURE AND DURATION OF THE MORATORIUM**

- 30.1.** The moratorium imposed by section 133 of the Companies Act prohibits any legal proceedings, including enforcement action, against the Company, or in relation to any property belonging to the Company or lawfully in its possession, from being commenced or being proceeded with for the duration of the Business Rescue. This means that Creditors, even though their rights may be secured, will not be able to proceed in any forum against the Company for non- payment of debts during Business Rescue.
- 30.2.** The intention of a moratorium is to give the Company a breathing space and further to provide the Company with the best possible opportunity to implement the Business Rescue Plan.
- 30.3.** In the current circumstances, the moratorium in relation to the Company took effect on the Commencement Date and is expected to remain in place until the termination of Business Rescue as defined in paragraph 35.

### **31. BENEFITS OF ADOPTING THE BUSINESS RESCUE PLAN COMPARED TO LIQUIDATION**

The benefits to Creditors of adopting the Business Rescue Plan compared to a liquidation are as follows -

#### **31.1. Completion of Construction Contracts**

- 31.1.1.** Going forward, many Creditors will have the benefit of future supply of goods and services to the Company.
- 31.1.2.** Guarantees will be released upon completion, thereby mitigating the risk of the crystallising of such guarantees.
- 31.1.3.** The prospect of collecting outstanding debts and retentions will be improved.
- 31.1.4.** Reduce the risk of any potential claims or penalties against the Company.

## **31.2. Guarantees**

**31.2.1.** In the event of a liquidation, all Construction Contracts would be terminated resulting in the crystallisation of the Guarantees as liabilities of the Company.

**31.2.2.** In Business Rescue, the completion of Construction Contracts and resulting cancellation of Guarantees would eliminate the risk of these Guarantees crystallising as liabilities of the Company. Accordingly, this would give rise to higher Business Rescue Dividend.

**31.2.3.** As at the Commencement Date, the Company had the following Guarantees in respect of Construction Contracts -

<b>Industry / Segment</b>	<b># of Guarantees</b>	<b>Amount</b>
Building Contracts	8	91 352 389
Civils Contracts	16	419 669 547
Roads Contracts	12	350 258 109
SHAP	4	280 476 422
<b>Total</b>	<b>40</b>	<b>1 141 756 467</b>

## **31.3. Realisation of Assets**

**31.3.1.** Assets are to be realised at maximum value and not in terms of a fire sale process.

## **31.4. Mining**

**31.4.1.** Preserving and safeguarding of Basil Read Mining for the benefit of all stakeholders.

## **31.5. Developments**

**31.5.1.** Preserving and safeguarding of Basil Read Developments for the benefit of all stakeholders.

## **31.6. Quantum**

**31.6.1.** According to the PwC calculation, the dividend that would be received by Creditors on a liquidation of the Company would be significantly lower than the dividend that is anticipated to be received by Creditors as a result of the Business Rescue.

### **31.7. Timing**

Typically a business rescue will be concluded in a far shorter time than that of a liquidation.

### **31.8. Fees and Costs**

**31.8.1.** The BRPs submit that the entire costs of the Business Rescue will be significantly lower than the liquidation costs that would be incurred if the Company was to be liquidated.

**31.8.2.** The estimated fees a liquidator would be entitled to would be based on a percentage of gross realisation of the assets.

### **31.9. Employees**

**31.9.1.** While Employees continue to be employed, they will receive full salaries and benefits.

**31.9.2.** Employees will receive full retrenchment packages in the event of any retrenchments.

**31.9.3.** In a liquidation -

**31.9.3.1.** all jobs will be lost immediately unless the liquidator agrees to continue trading against an indemnity. In the current circumstances, it is highly unlikely that a liquidator would agree to continue trading or that a liquidator would be indemnified against trading losses;

**31.9.3.2.** employees would be entitled to receive a maximum amount of R28 000 per employee, to the extent that there are funds available, with the balance treated as a Concurrent Claim; and

**31.9.3.3.** employees will only receive payment once the final liquidation and distribution account has been approved at the end of the liquidation process.

### **31.10. PCF**

The Finance Parties were not prepared to provide PCF in an informal process, outside of Business Rescue. Affected Persons are referred to paragraph 8.5.7 for more information relating to the PCF available.



### **31.11. SARS**

SARS ranks as a Concurrent Creditor under Business Rescue, whereas, under liquidation, SARS would rank as a Preferent Creditor.

### **31.12. Protecting Goodwill**

**31.12.1.** By continuing trading, the BRPs are able to preserve the goodwill of the Retained Businesses. Accordingly, the BRPs will be able to sell the Assets Identified for Sale at an amount greater than what would be expected in a liquidation.

**31.12.2.** A liquidator would only consider to continue to trade provided if he/she received an indemnity to cover him/her for any losses in trading. Given the circumstances, it is highly unlikely that this would happen. As a result, the liquidator would proceed with a fire sale of the Company's assets, thus realising far lower values.

## **32. RISKS OF THE BUSINESS RESCUE**

**32.1.** Notwithstanding the proposals and estimates in this Business Rescue Plan, the following risks, which may adversely impact on the Business Rescue process, should be borne in mind -

### **32.1.1. Risks to Consider: General**

**32.1.1.1.** unforeseen litigation of any nature whatsoever, howsoever arising, from any cause of action whatsoever;

**32.1.1.2.** any changes in legislation that impact Business Rescue;

**32.1.1.3.** any challenges to this Business Rescue Plan, the rejection thereof or any amendments thereto;

**32.1.1.4.** any regulatory challenges of any nature whatsoever, howsoever arising;

**32.1.1.5.** any unforeseen circumstances, outside of the control of the BRPs of any nature whatsoever howsoever arising that impacts on Business Rescue;

**32.1.1.6.** the accepted Claims differ materially from the Company's records;

- 32.1.1.7. any unforeseen damages or penalties claimed against the Company;
- 32.1.1.8. process in terms of section 189(A) of the LRA and negotiations with the Trade Unions taking longer than expected;
- 32.1.1.9. the revocation of support from any Affected Persons and/or service providers;
- 32.1.1.10. unexpected liquidity event, withdrawal or restricted access to PCF provided by Finance Parties or delays thereto;
- 32.1.1.11. the final verification and agreement of the Claims taking longer than expected;
- 32.1.1.12. material discrepancies in the information made available to the BRPs by Management;
- 32.1.1.13. perceived negative impact of the Company's Business Rescue on the Retained Businesses;
- 32.1.1.14. incomplete, inaccurate accounting records of the Company and inadequate supporting information; and
- 32.1.1.15. the deterioration and worsening of market conditions.

**32.1.2. Risks to Consider: Construction Contracts**

- 32.1.2.1. unforeseen damages Claims arising from the cancellation of any contracts or agreements of any nature;
- 32.1.2.2. crystallisation of Guarantees resulting in Claims against the Company by the Guarantors;
- 32.1.2.3. the Company's debtors, retention debtors and Contract Claims not being realised or partially realised; and
- 32.1.2.4. adverse operational performance on Construction Contracts that are to be completed.

**32.1.3. Risks to Consider: Realisation of Assets**

- 32.1.3.1.** the expected realisation for Construction Plant and Equipment, Assets Identified for Sale and Immovable Property that the BRPs anticipate achieving at a sale or an auction, differs materially from the actual values realised; and
- 32.1.3.2.** discrepancies in the asset registers differing materially from the actual assets on hand thus reducing the purchase price as being received on the sale of such assets;

**32.1.4. Risks to Consider: Retained Businesses**

- 32.1.4.1.** worsening economic conditions;
- 32.1.4.2.** changes in Creditor payment terms; and
- 32.1.4.3.** specific industry risks.

**32.2.** It should be noted that, in the unlikely event of an immediate liquidation of the Company, the risks set out in this paragraph 32 would still apply.

**33. BINDING NATURE OF THIS BUSINESS RESCUE PLAN**

**33.1.** The BRPs draw the attention of Affected Persons of the Company to the provisions of section 154(2) of the Companies Act.

**33.2.** This section provides that once the Business Rescue Plan has been adopted, it is binding on the Company, its Creditors and every holder of the its Securities (the latter in terms of the provisions of section 146(d) and 152(3)(c) of the Companies Act) whether or not such a person was -

- 33.2.1.** present at the meeting to determine the future of the Company;
- 33.2.2.** voted in favour of adoption of the Business Rescue Plan; or
- 33.2.3.** in the case of Creditors, has proven a claim against the Company.

**34. ASSUMPTIONS MADE WITH REGARD TO FORECAST OF THE BUSINESS RESCUE DIVIDENDS**

Refer to [Annexure E](#) for the Assumptions made with regard to the forecast of the Business Rescue Dividend.

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## PART C - ASSUMPTIONS AND CONDITIONS

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### 35. TERMINATION OF BUSINESS RESCUE

35.1. The Business Rescue will end -

- 35.1.1. if the Business Rescue Plan is proposed and rejected and no Affected Person or Affected Persons act to extend the Business Rescue Plan in any manner contemplated by the Companies Act; or
- 35.1.2. this Business Rescue Plan is adopted and implemented and the BRPs have filed a notice of substantial implementation of the Business Rescue Plan with the CIPC;
- 35.1.3. the BRPs file a notice of termination with the CIPC; or
- 35.1.4. a High Court orders the conversion of the Business Rescue into liquidation proceedings.

### 36. SUBSTANTIAL IMPLEMENTATION OF BUSINESS RESCUE

36.1. Substantial implementation will be deemed to have occurred upon all of the following having taken place -

- 36.1.1. the Construction Contracts identified for completion have been completed;
- 36.1.2. the Contract Claims have been resolved;
- 36.1.3. the Assets Identified for Sale and Immovable Property have been realised and the proceeds utilised;
- 36.1.4. the BRPs have adjudicated all Claims, paid all outstanding Business Rescue costs and have put in place a mechanism for the payment of Business Rescue Dividends.

36.2. Notwithstanding the above, the Substantial Implementation of this Business Rescue will remain within the sole and reasonable discretion of the BRPs.

### 37. EFFECT OF THE BUSINESS RESCUE PLAN ON EMPLOYEES

37.1. Refer to paragraph 25.4 in this regard.

### **38. PROJECTED BALANCE SHEET AND PROJECTED INCOME STATEMENT**

The projected Balance Sheet and Income Statement are included as [Annexure E](#).

### **39. EXISTING LITIGATION**

All parties who have instituted legal proceedings, including any enforcement action, in respect of any Claims against the Company in any forum will be subject to the provisions of 29, dealing with the proof of Claims.

### **40. DISPUTE RESOLUTION**

**40.1.** Subject to paragraph 40.3, save as provided for in section 133 of the Companies Act, in respect of all or any disputes by the BRPs on Claims submitted by Creditor(s), PCF Creditors and Employees, which disputes include, but are not limited to, disputes on the existence or otherwise of Claim(s), on quantum of Claim(s), security claimed by a Creditor, the nature of the security, the extent and value of the security and the like (“the dispute”) such dispute may be resolved in accordance with the dispute mechanism outlined below (“the Dispute Mechanism”).

**40.2.** The dispute mechanism procedure will be as follows:

**40.2.1.** All creditors who have received notification from the BRPs of a dispute are within 60 days after the Final Claims Date, to contact the BRPs and to meet with the BRPs during this period in an attempt to reach agreement on the dispute.

**40.2.2.** If the Creditor does not avail itself of this 15-day opportunity or if after having availed itself and the dispute is not resolved within the 15-day period, the Creditor will be afforded 7 days (reckoned from the date of expiry of the 15 days) to nominate one of the retired judges from the list below as an expert (not as an arbitrator or mediator) to preside over and to resolve the dispute. Should the Creditor not make this nomination the BRPs will do so on behalf of that Creditor and this nomination will be binding on the Creditor. The list of these retired judges are -

**40.2.2.1.** E. Goldstein;

**40.2.2.2.** P. Blieden;

**40.2.2.3.** J. Heher;

**40.2.2.4.** P. Streicher; and

**40.2.2.5.** M. Joffe.

**40.2.3.** The retired judge when nominated and who agrees to accept such appointment (hereinafter referred to as the “expert”) will endeavour to complete his mandate within 30 days of his appointment or within such further time period as the expert in his sole discretion may determine. To the extent that any expert as nominated by the Creditor or Employee/s refuses to act or is not available to act, the Creditor or Employee/s, or if he refuses or does not do so within three days of being requested by the BRPs to do so, the BRPs on his/her/its behalf is then obliged to choose another retired judge(s) from the above list until one such judge is available to act and is agreeable to act.

**40.2.4.** The expert will in his sole and absolute discretion determine:

**40.2.4.1.** the venue at which the dispute is to be resolved;

**40.2.4.2.** the rules, regulations and procedures that will govern the determination of the dispute;

**40.2.4.3.** the date(s) for the determination of the dispute;

**40.2.4.4.** will give his award / determination within 5 days of the completion of the process as determined by him;

**40.2.4.5.** will as part of his award / determination determine who is liable for the costs of the determination such costs to include his costs, legal costs, venue costs, recording equipment (if applicable), transcript of evidence (if applicable) and the like.

**40.2.5.** The Creditor/s or Employee/s agrees that, save for any manifest error the determination of the expert will be final and binding on the Creditor/s or Employee/s, the Company and the BRPs and will not be subject to any subsequent review or appeal application / procedure / process.

**40.2.6.** The expert shall be entitled to make an award for costs in his discretion.

**40.2.7.** The Creditor, the Employee/s, the Company and the BRPs agree to use their utmost endeavours to ensure that the entire dispute is determined by the expert within the 30-day period as set out above.

**40.2.8.** To the extent necessary, should the BRPs be of the view that certain disputes may be settled or compromised, the BRPs shall be authorised to settle and compromise such a dispute.

**40.3.** The BRPs may in their sole and absolute discretion decide that the dispute mechanism is not appropriate for resolving the dispute and/or that the application of the dispute mechanism may result in prejudice to other Creditors or Employees or the Company. In such event, the Creditor or Employee/s concerned shall be entitled in terms of 133 of the Companies Act to refer the dispute to Court and if an expert has already been nominated, such nomination shall lapse and be of no further force or effect.

#### **41. ABILITY TO AMEND THE BUSINESS RESCUE PLAN**

**41.1.** The BRPs shall have the ability, in their sole and absolute discretion, to amend, modify or vary any provision of this Business Rescue Plan, provided that the BRPs procure the requisite approval from Creditors for approval of such amendment in accordance with the provision of section 152 of the Companies Act. The amendment will be deemed to take effect on the date of written notice of the amendment to all Affected Persons.

**41.2.** It is specifically recorded that the provisions of paragraph 41.1 shall, *mutatis-mutandis*, apply to the extension or reduction of any timeframes by the BRPs.

#### **42. SEVERABILITY**

**42.1.** Each provision of this Business Rescue Plan is, notwithstanding the grammatical relationship between that provision and the other provisions of this Business Rescue Plan, severable from the other provisions of this Business Rescue Plan.

**42.2.** Any provision of this Business Rescue Plan which is or becomes invalid, unenforceable or unlawful in any jurisdiction shall, in such jurisdiction only, be treated as pro non scripto to the extent that it is so invalid, unenforceable or unlawful, without invalidating or affecting the remaining provisions of this Business Rescue Plan which shall remain of full force and effect.

**42.3.** The BRPs declare that it is their intention that this Business Rescue Plan would be executed without such invalid, unenforceable or unlawful provision if he were aware of such invalidity, unenforceability or unlawfulness at the time of execution of this Business Rescue Plan.

#### 43. CONCLUSION

43.1. For the reasons set out above -

43.1.1. it is the view of the BRPs that, notwithstanding the inevitable risks and challenges, there is a reasonable prospect of a successful Business Rescue, that balances the rights and interests of all relevant stakeholders.

43.1.2. the initial Business Rescue Dividend will result in Concurrent Creditors receiving an estimated dividend of 8 cents in the Rand as opposed to a liquidation in terms whereof Concurrent Creditors will receive 5.4 cents in the Rand.

43.1.3. should the Business Rescue Plan not be approved and adopted, the BRPs are of the view that the Business Rescue will have to be converted to liquidation proceedings immediately.

#### 44. BRPS' CERTIFICATE

44.1. We, the undersigned, John Lightfoot and Siviwe Dongwana, hereby certify to the best of our knowledge and belief that -

44.1.1. any actual information provided herein appears to be accurate, complete and up to date;

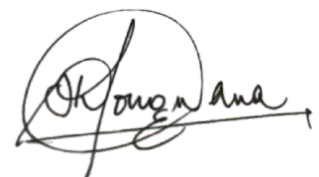
44.1.2. the BRPs have relied on financial information including opinions and reports furnished to them by Management;

44.1.3. any projections provided are estimates made in good faith on the basis of factual information and assumptions as set out herein;

44.1.4. in preparing the Business Rescue Plan, the BRPs have not undertaken an audit of the information provided to them by Management and by the Company's auditors, although where practical, the BRPs have endeavoured to satisfy themselves of the accuracy of such information.



**John Lightfoot**



**Siviwe Dongwana**

Joint Business Rescue Practitioners appointed in terms of the Companies Act.

Date: 20 August 2018



## ANNEXURES

### ANNEXURE A - LIST OF MATERIAL ASSETS AND SECURITY OF THE COMPANY

As per the 30 June 2018 Consolidated Management Accounts, the Assets of the Company are as follows -

<b>Category</b>	<b>Amount R'000</b>
Property, Plant and Equipment	103 819
Investments	460 412
Deferred Taxation	79 607
Contract Work-in-Progress	594 314
Inventories	2 862
Trade and Other Receivables	1 138 963
<b>Total</b>	<b>2 379 977</b>

**Note 1** - The secured assets as at the Publication Date were the Klipriver Business Park and Rolling Hills Development, owned by City Square and Sunset Bay respectively, in favour of IDC by way of a mortgage bond.

**Note 2** - Bonds are presently being registered in favour of the Finance Parties for PCF provided in respect of a number of assets, including *inter-alia*, of the Company -

1. Assets Identified for Sale; and
2. Basil Read Mining.

Refer to paragraph 8.5.12.4 for further information on the security provided.

## ANNEXURE B - LIST OF THE CREDITORS OF THE COMPANY

As at the Commencement Date, the Company's total known Creditors are set out below -

Category	Amount per Company's Records	Amount per Claim Received
Secured	228 278 643	25 273 086
Preferent	-	-
Concurrent	1 148 894 437	1 456 957 441
<b>Total</b>	<b>1 377 173 081</b>	<b>1 482 530 527</b>

**Note 1** - As at the Commencement Date, the Company's known non-independent Creditors are set out below -

Category	Amount per Company's Records	Amount per Claim Received
Secured	-	264 713
Concurrent	663 415 487	666 829 796
<b>Total</b>	<b>663 415 487</b>	<b>667 094 509</b>

**Note 2** - Contingent and Guarantee Claims as at the Commencement Date amounted to R1.1 billion. Refer to paragraph 31.2 for further information on Guarantees.

**Note 3** - The BRPs continue to verify claims in order to establish which Claims are owed by the Company, which should therefore be accepted as valid Claims against the Company.

**Note 4** - An interim list of total known Creditors is available on request.

## ANNEXURE C - BUSINESS RESCUE DIVIDEND

### Sources of the Business Rescue Dividend

#### 1. Operational Cash Flows – Initial Business Rescue Dividend

1.1. The below proposed Initial Business Rescue Dividend has been estimated after taking into account the following (refer to paragraph 2.1 under [Annexure D](#) below) -

1.1.1. Completion of Construction Contracts

1.1.2. Realisation of Contract Claims

1.1.3. Realisation of Assets Identified for Sale and Immovable Property;

1.1.4. Repayment of PCF and interest thereon.

1.1.5. Payment of operating expenses.

#### 2. Retained Businesses

2.1. Further dividends from the Retained Businesses will be realised in terms of the proposal in paragraph 2.2 under [Annexure D](#) below.

<b>CASH FLOW FROM OPERATIONS</b>	
<b>Construction Contracts</b>	
Inflows	1 021 997 042
Outflows	-972 268 556
<b>Net Construction Contract Inflows</b>	<b>49 728 486</b>
<b>Contract Claims Received</b>	<b>218 194 811</b>
<b>Head Office Costs</b>	<b>-241 582 743</b>
<b>NET INFLOW FROM OPERATIONS</b>	<b>26 340 554</b>
<b>CASH FLOW FROM DISPOSAL OF ASSETS</b>	
<b>Assets Identified for Sale</b>	
Rolling Hills	40 000 000
Surplus from Realisation of Secured Asset (Klipriver)	-
13% Shareholding in Lehateng Mine	15 000 000
Construction Plant	127 596 188
<b>Immovable Property</b>	<b>50 000 000</b>
50% Shareholding in Head Office	50 000 000
<b>TOTAL NET INFLOW FROM ASSETS FOR REALISATION</b>	<b>232 596 188</b>
<b>CASH AVAILABLE</b>	<b>258 936 742</b>
<b>POST COMMENCEMENT COSTS</b>	
<b>Operating Costs</b>	<b>-146 146 672</b>
<b>AMOUNT AVAILABLE FOR PAYMENT OF CREDITORS</b>	<b>112 790 070</b>
<b>POST COMMENCEMENT FINANCE</b>	
PCF Utilised	247 953 322
Repayment of PCF Interest and Capital	-247 953 322
<b>AMOUNT AVAILABLE FOR CONCURRENT CREDITORS</b>	<b>112 790 070</b>
<b>CONCURRENT DIVIDEND</b>	
Dividend to Concurrent Creditors	-100 000 000
<b>Initial Dividend - Estimated Cents in the Rand</b>	<b>0.08</b>
<b>CLOSING BALANCE</b>	<b>12 790 070</b>

## **ANNEXURE D - ASSUMPTIONS MADE WITH REGARD TO THE FORECAST OF THE BUSINESS RESCUE DIVIDEND**

### **1. General**

1.1. Whilst the BRPs are confident of achieving a Business Rescue Dividend, better than would result from the Company being liquidated, the following variables and uncertainties must be borne in mind -

#### **1.1.1. Construction Contracts**

Some uncertainties exist as to net cash flows after completion of work, recovery of retentions, settlement of Contract Claims and counter claims.

#### **1.1.2. Roads Contracts**

The manner in which the Roads Contracts will be completed, and the provision of PCF in respect thereof, remains unresolved as at the Publication Date. Proposals are currently awaited from SANRAL.

#### **1.1.3. Asset Realisations**

A limitation exists in determining the realisable value of these assets, due to the uncertainty associated with the prevailing economic climate.

#### **1.1.4. Basil Read Mining**

The PCF Agreement requires that Basil Read Mining be retained, thus any contributions by it towards a Business Rescue Dividend, must first take into account its working capital and capital requirements.

#### **1.1.5. Concurrent Creditor Liability**

At the date of publication of the Business Rescue Plan there was no certainty as to the aggregate quantum of Concurrent Creditor Claims, for the following reasons -

1.1.5.1. outstanding claims;

1.1.5.2. variances between the Company's records and Claims received; and

1.1.5.3. uncertainty as to the possible crystallisation of contingent Claims.

## **2. Proposal for Concurrent Creditors**

### **2.1. Initial Business Rescue Dividend**

Notwithstanding the uncertainties associated with the completion of Construction Contracts, realisation of Contract Claims and realisation from the Assets Identified for Sale and Immovable Property, the Company's net cash flows indicate that an initial Business Rescue Dividend equal to/better than that of a liquidation dividend could be paid within the next 12 months.

### **2.2. Subsequent Business Rescue Dividend**

**2.2.1.** In addition to the initial Business Rescue Dividend, the BRPs have considered various options in respect of extracting value from the Retained Businesses for the benefit of the Company's Concurrent Creditors. The BRPs currently propose, having regard to the restrictions set out in the PCF Agreement, that -

**2.2.1.1.** the Concurrent Creditors are to be converted to preference shareholders; and

**2.2.1.2.** the preference shareholders may receive further Business Rescue Dividends from Distributions that may be received from the Retained Businesses over time.

**2.3.** Notwithstanding the restrictions set out in the PCF Agreement, the BRPs will consider any offer to purchase Basil Read Mining, provided that the terms of any such offer is expressly agreed to by the Finance Parties. In the event that Basil Read Mining is sold, the preference shareholders could receive a further Business Rescue Dividend from the proceeds thereof.

## **3. Assumptions**

**3.1.** Given the uncertainties mentioned above, the assumptions relate primarily to the timing and quantum of estimated cash flows, relating to the following -

**3.1.1.** Construction Contracts;

**3.1.2.** Contract Claims; and

**3.1.3.** Realisation of Assets Identified for Sale and Immovable Property.

## **4. Concurrent Creditor Assumptions**

**4.1.** As at the Publication Date, not all Creditor Claims had been verified and adjudicated. Consequently, the BRPs have made a provision for Concurrent Creditors of R1.3 billion having regard to the amounts per the Company records and information provided by Creditors.

**4.2.** The provision of R1.3 billion has been applied in estimating the Business Rescue Dividend.

## ANNEXURE E - PROJECTED BALANCE SHEET AND PROJECTED INCOME STATEMENT

### RESTRUCTURED BALANCE SHEET

	Balance Sheet as at 30 June 2018	Proposed Restructure	Note	Restructured / Post-Business Rescue
	R'000s	R'000s		R'000s
<b>ASSETS</b>				
<b>Non-Current Assets</b>	643 838	-180 426		463 412
Property, Plant and Equipment	103 819	-100 819	1	3 000
Investments	460 412		2	460 412
Deferred Taxation	79 607	-79 607	3	-
<b>Current Assets</b>	1 830 675	-1 830 675		-
Contract Work-in-Progress	594 314	-594 314	4	-
Trade and Other Receivables	1 138 963	-1 138 963	5	-
Inventories	2 862	-2 862		-
Cash and Cash Equivalents	94 536	-94 536	6	-
<b>TOTAL ASSETS</b>	<b>2 474 513</b>	<b>-2 011 101</b>		<b>463 412</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>	<b>-858 574</b>	<b>121 986</b>		<b>463 412</b>
Stated Capital	740 028			740 028
Preference Share			8	1 200 000
Accumulated Loss	-1 598 602	121 986	7	-1 476 616
<b>LIABILITIES</b>				
<b>Non-Current Liabilities</b>	196 464	-196 464		-
Borrowings and Other Liabilities	196 464	-196 464	8	-
<b>Current Liabilities</b>	3 136 623	-3 136 623		-
Contract Income Received in Advance	979 814	-979 814	4	-
Trade and other Payables	1 694 861	-1 694 861	8	-
Borrowings and other Liabilities	91 923	-91 923	8	-
Bank Overdraft	78 091	-78 091	6	-
Provisions	291 934	-291 934	8	-
<b>TOTAL LIABILITIES</b>	<b>3 333 087</b>	<b>-3 333 087</b>		<b>-</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 474 513</b>	<b>-3 211 101</b>		<b>463 412</b>

## **Notes to the Restructured / Post-Business Rescue Balance Sheet -**

### **Note 1 - Property, Plant and Equipment (“PPE”)**

The majority of the PPE comprises of Construction Plant and Equipment situated on various sites. In terms of this Business Rescue Plan, these assets are included in the Assets Identified for Sale and will be sold as such.

### **Note 2 - Investments**

The Company’s investments in its Retained Businesses are to remain post restructure, where relevant.

### **Note 3 - Deferred Taxation**

Deferred Taxation is to be written off as part of the restructuring.

### **Note 4 - Contract Work-in-Progress and Contract Income Received in Advance**

Contract Work-in-Progress and Contract Income Received in Advance to unwind as the Construction Contracts are completed.

### **Note 5 - Trade and Other Receivables**

Trade Receivables, including Construction Contract debtors and retention debtors, to be collected in the ordinary course of business.

Amounts due from Subsidiaries to collected, where possible.

### **Note 6 - Cash and Cash Equivalents and Bank Overdraft**

Any cash available during the Business Rescue of the Company will be used to pay PCF, PCF Creditors, Employees and Concurrent Creditors.

### **Note 7 - Accumulated Loss**

The movement in the Accumulated Loss is as a result of the numerous restructuring initiatives noted within this Business Rescue Plan and more specifically, in [Annexure E](#).

### **Note 8 - Borrowings, Other Liabilities, Trade and Other Payables and Provisions**

These will be dealt with in terms of the provisions of this Business Rescue Plan.

**PROJECTED INCOME STATEMENT**

	Total	Year End December 2018	Year End December 2019	Year End December 2020
<b>Construction Contracts</b>				
Income	1 021 997 042	430 642 093	584 819 037	6 535 912
Expenses	-972 268 556	-535 880 913	-436 387 643	-
<b>Net Contract (Loss) / Profit</b>	<b>49 728 486</b>	<b>-105 238 820</b>	<b>148 431 394</b>	<b>6 535 912</b>
Construction Contract Claim Income	218 194 811	95 194 811	123 000 000	-
Operating Expenses	-365 734 901	-138 197 406	-174 445 882	-53 091 612
<b>Operating (Loss) / Profit</b>	<b>-97 811 604</b>	<b>-148 241 415</b>	<b>96 985 512</b>	<b>-46 555 701</b>
Financing Costs	-21 994 515	-10 026 372	-11 968 142	-
<b>Net (Loss) / Profit before Taxation</b>	<b>-119 806 118</b>	<b>-158 267 787</b>	<b>85 017 370</b>	<b>-46 555 701</b>
Taxation		-	-23 804 863	
<b>NET (LOSS) / PROFIT</b>	<b>-97 811 604</b>	<b>-158 267 787</b>	<b>61 212 506</b>	<b>-46 555 701</b>