



**MATUSON**  
ASSOCIATES

Meeting in terms of section 151 of the Companies Act:  
Basil Read Limited

03 September 2018

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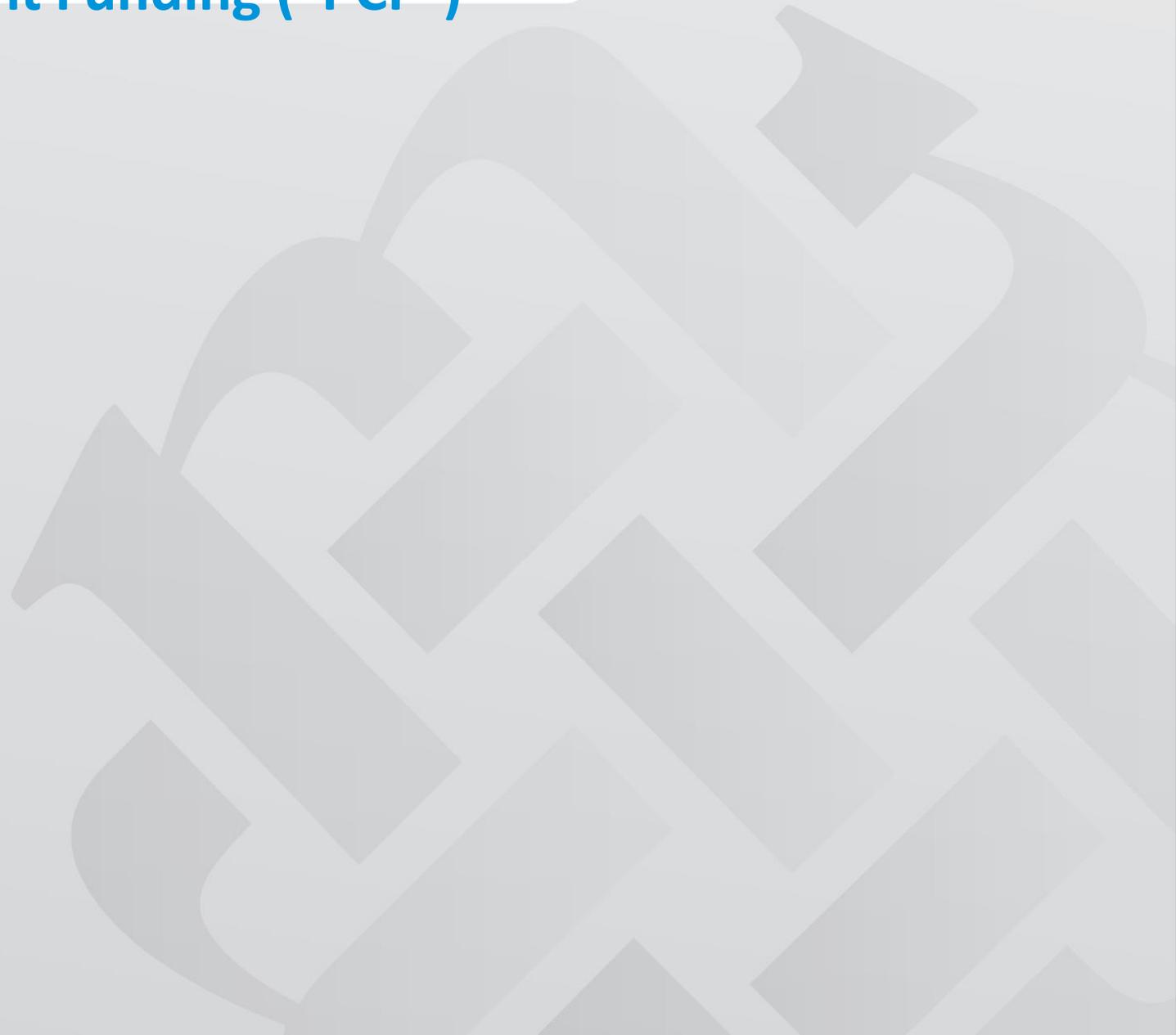
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# Background to Business Rescue Proceedings

The following summary sets out the salient dates on which certain events have taken place during Business Rescue:

Event	Date
Board Resolution to Commence Business Rescue Proceedings, filed at the CIPC	14 June 2018
Appointment of BRPs	15 June 2018
First Employee Meeting	29 June 2018
First Creditors Meeting	29 June 2018
Request for Approval of Extension for Publication of Business Rescue Plan	12 July 2018
Approval of Extension	16 July 2018
Employees' Committee Meeting	27 July 2018
Creditor's Committee and Construction Contract Committee Meeting	15 August 2018
Publication of Business Rescue Plan	20 August 2018
Meeting to Consider the Business Rescue Plan	3 September 2018

## Post-Commencement Funding (“PCF”)



# Timeline of PCF Negotiations

## Key Meetings

- Chronology of key meetings with Lenders re PCF -

Date	Feedback	Amount
30 May 2018	Report provided - Total ask.	<b>R610 million</b>
5 June 2018	M&A Report provided - Total ask.	<b>R600 million</b>
13 June 2018	Sworn Statement to CIPC - Working capital requirements.	<b>R470 million</b>
21 June 2018	Update on BR of BRL - Total ask.	<b>R440 million</b>
26 June 2018	SCB R30m + Lombards R50m + CGIC R50m + 1Sure R11m + IDC R90m	<b>R231 million</b>
3 July 2018	SCB 30m + Lombards R50m + CGIC R50m + 1Sure R11m + IDC R20m	<b>R161 million</b>
5 July 2018	SCB R30m + Lombards R50m + CGIC R50m + 1Sure R11m + IDC R125m	<b>R265 million</b>
13 July 2018	Report back to IDC - Potential Impact of no PCF.	
16 July 2018	IDC has two stage approval process for the quantum to be provided. SCB R40m + Lombards R50m + CGIC R50m + IDC R125m	<b>R265 million</b>
August 2018	Provision of additional PCF from CGIC	<b>R50 million</b>

# PCF Position to Date

## PCF Position as at 31 August 2018

	Amount
Total PCF Approved	R315 million
Less: Cash Received	R72 million
Less: Guarantees Issued	R33 million
<b>Balance of PCF Remaining</b>	<b>R210 million</b>

## Total Drawdown requests for September 2018

### CGIC

- R30 million cash.
- R30 million from trade cover guarantees.

### IDC

- R27 million cash.

### Lombards

- R11 million cash.

# Proposed Business Rescue Plan



# Introduction

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## Purpose of Business Rescue

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

## Objective of Business Rescue

- 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:
  - 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
  - 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**”).

# Salient Points of the Business Rescue Plan

## Proposed Business Rescue Plan (“Plan”)

- 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:
  - Facilitate the completion of Construction Contracts in progress, where possible.
  - Realise maximum value of all assets:
    - Contract Claims.
    - Assets Identified for Sale.
    - Immovable Property. and
    - Surplus Construction Plant and Equipment.
    - Non-core investments.
  - Retain construction capacity.
  - Restrict job losses to a minimum.
  - Mitigate, as far as practically possible and with the assistance of Employers, the contingent risks of Guarantors. and
  - 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.

# Business Rescue Waterfall

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In terms of the Companies Act, the following order of priority is provided for -

1. The Business Rescue Costs, including but not limited to legal costs, the costs of the BRPs, the costs of the advisors to the BRPs, operating costs and other costs associated with the Business Rescue.
2. Pre-Commencement Secured Creditors, in respect of such secured asset.
3. Employees for their Employment during Business Rescue (PCF Employees).
4. Secured PCF Creditors.
5. Unsecured PCF Creditors.
6. Remuneration, reimbursement or expenses relating to Employment prior to Business Rescue.
7. Pre-Commencement Concurrent Creditors.

# Business Rescue Dividend

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1. No compromise envisaged.
2. Moratorium debt to be converted to equity by way of a preference share.
3. Business Rescue Dividend Payable

1. Initial Business Rescue Dividend, better than liquidation

From the Company's net cash flows, equal to/better than that of a liquidation dividend could be paid within the next 12 months, subject to approval by PCF providers.

2. Subsequent Business Rescue Dividends

From Distributions from the Retained Businesses, over time.

3. Payable in line with the Business Rescue Waterfall

# Benefits and Challenges of Business Rescue

## Benefits of Business Rescue

- Continuation of Retained Businesses, with a possibility of further Distributions to Concurrent Creditors by way of a Business Rescue Dividend/s.
- Preservation of jobs.
- Retention of construction capability.
- Continued work for existing sub-contractors.
- Better return to Creditors than would result from the Company being immediately liquidated.
- Mitigation, as far as practically possible, of the contingent risks from Guarantors.

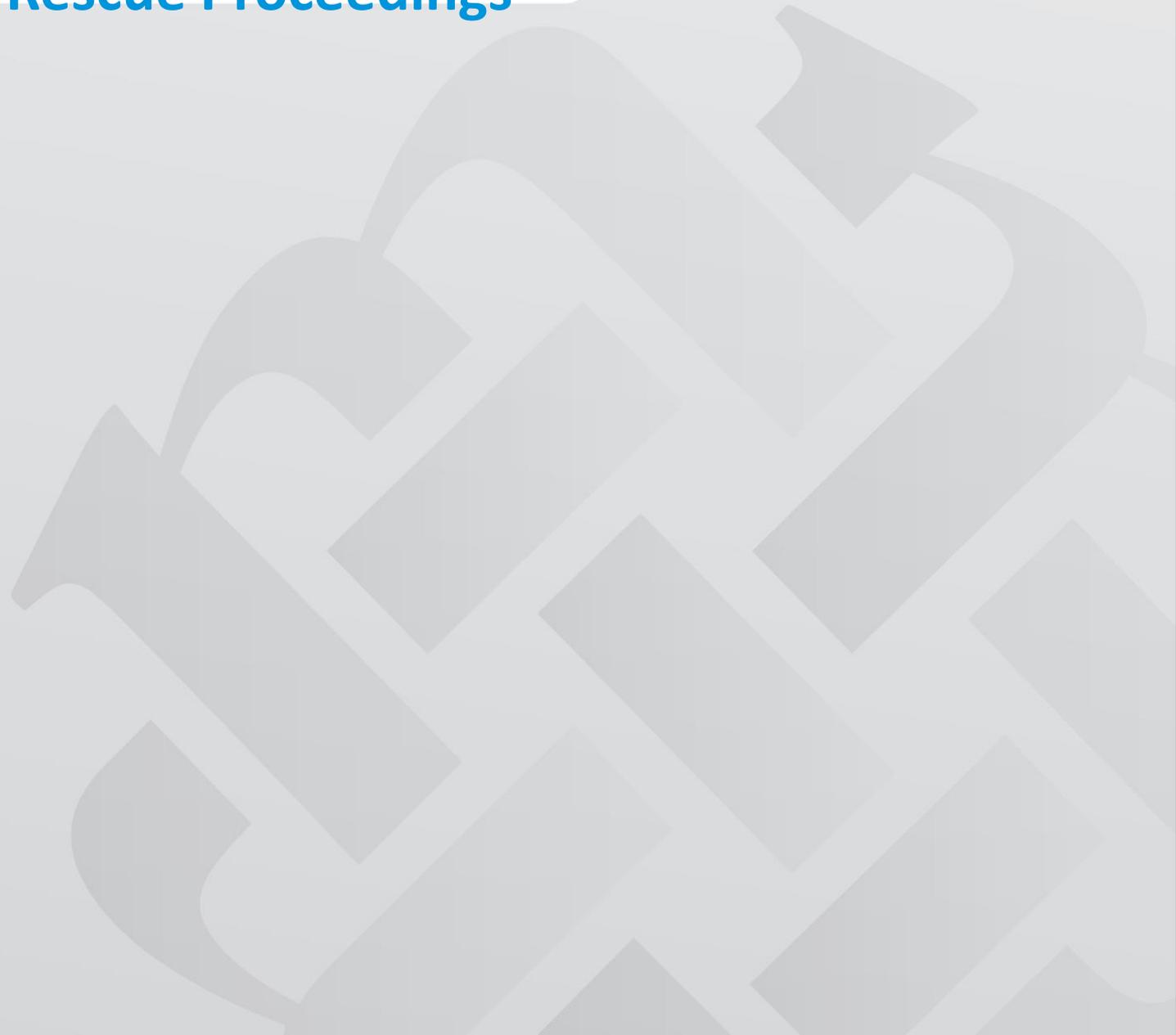
## Challenges of Business Rescue

- Delays in approval and flow of PCF.
- Completion of Construction Contracts.
- Cost Reduction Initiatives.
- Uncertainty of timing and amounts to be realised from Contract Claims.
- Uncertainty of timing and amounts to be realised from the disposal of Assets Identified for Sale and Immovable Property.

# Risks of Business Rescue

	Risks
<b>General</b>	<ul style="list-style-type: none"> <li>▪ Unforeseen litigation of any nature whatsoever.</li> <li>▪ Changes in legislation that impact Business Rescue.</li> <li>▪ Challenges to this Business Rescue Plan, the rejection thereof or any amendments.</li> <li>▪ Regulatory challenges of any nature.</li> <li>▪ Unforeseen circumstances, outside of the control of the BRPs that impacts on Business Rescue.</li> <li>▪ Accepted Claims differ materially from the Company's records.</li> <li>▪ Unforeseen damages or penalties claimed against the Company.</li> <li>▪ Section 189(A) of the LRA taking longer than expected.</li> <li>▪ Revocation of support from any Affected Persons and/or service providers.</li> <li>▪ Withdrawal or restricted access to PCF provided by Finance Parties or delays.</li> <li>▪ Final verification and agreement of Claims taking longer than expected.</li> <li>▪ Material discrepancies in the information made available to the BRPs by Management.</li> <li>▪ Perceived negative impact of the Company's Business Rescue on the Retained Businesses.</li> <li>▪ Deterioration and worsening of market conditions.</li> </ul>
<b>Construction Contracts</b>	<ul style="list-style-type: none"> <li>▪ Unforeseen damages Claims arising from the cancellation of any contracts or agreements.</li> <li>▪ Crystallisation of Guarantees resulting in Claims against the Company.</li> <li>▪ Debtors, retention debtors and Contract Claims not being realised or partially realized.</li> <li>▪ Adverse operational performance on Construction Contracts that are to be completed.</li> </ul>
<b>Realisation of Assets</b>	<ul style="list-style-type: none"> <li>▪ Expected values for Assets to be realised may differ materially from the actual values realised.</li> <li>▪ Discrepancies in the asset registers differing materially from the actual assets.</li> </ul>
<b>Retained Businesses</b>	<ul style="list-style-type: none"> <li>▪ Changes in Creditor payment terms.</li> <li>▪ Specific industry risks.</li> </ul>

# Update on Business Rescue Proceedings



# Update on Business Rescue Proceedings

## Construction Contracts

- **Contracts Cancelled since commencement of Business Rescue Proceedings**
  - N3TC
  - Ashton – negotiation with Western Cape Government re amicable separation.
  - Kazerne
- **Contracts Continuing**
  - Where PCF has been made available.
  - Self funded.

## St. Helena Airport Project

- Proposal submitted to St. Helena Government and Department for International Development.
- Negotiations continue.

## Contract Claims and Assets Identified for Sale

- Negotiations continue.
- Long drawn out process.
- Preference share proposed due to the uncertainty around timing and quantum.

# Presentations



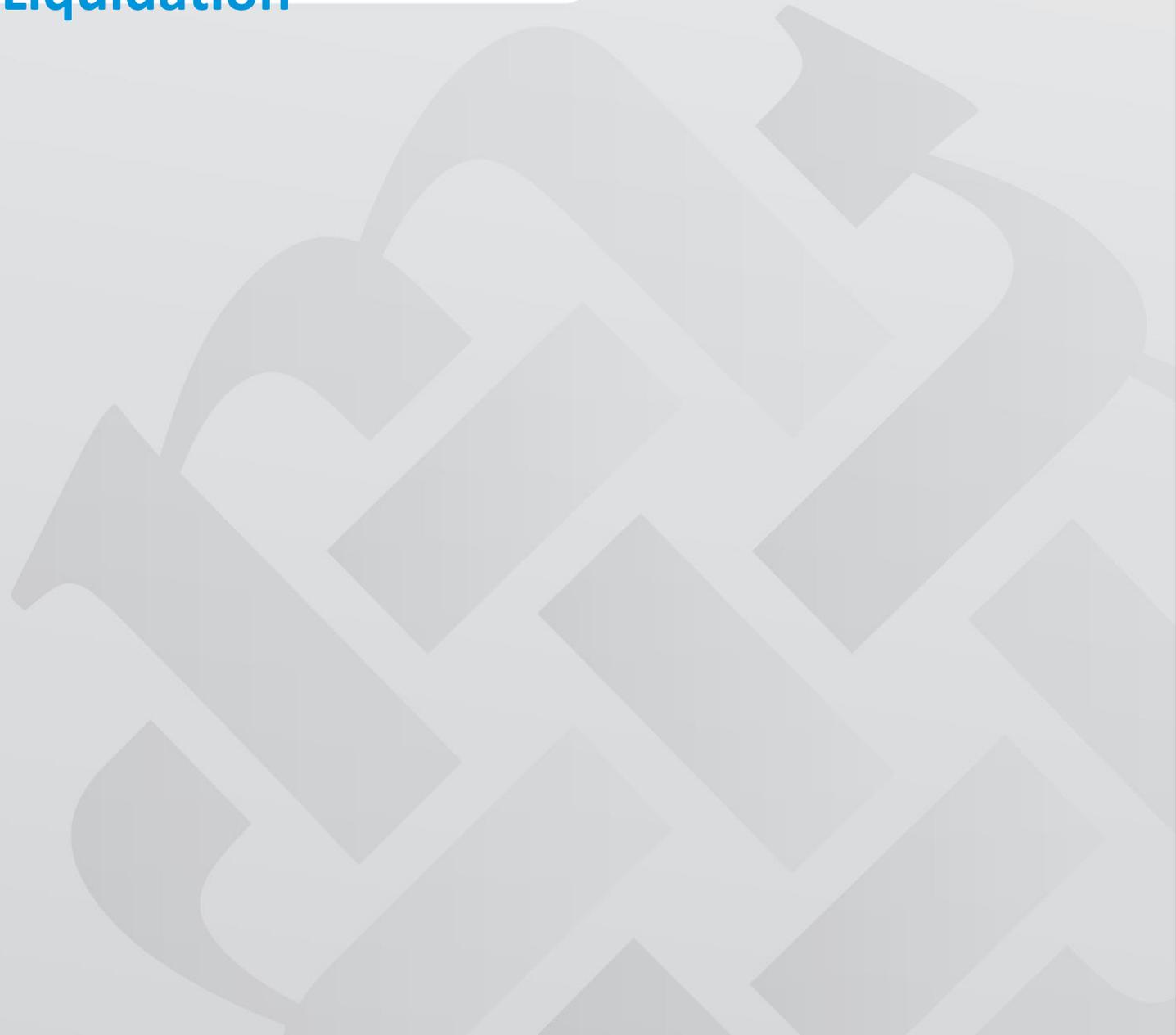
# Presentations

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- Presentation by Employees' Representative.



# Business Rescue vs. Liquidation



# Business Rescue vs. Liquidation

	Business Rescue	Liquidation
Completion of Construction Contracts	<ul style="list-style-type: none"> <li>▪ Many Creditors will have the benefit of future supply of goods and services to the Company.</li> <li>▪ The prospect of collecting outstanding debts and retentions will be improved.</li> <li>▪ Resolution of Contract Claims.</li> <li>▪ Reduce the risk of any potential claims or penalties against the Company.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Liquidators will generally not trade unless indemnified to do so.</li> <li>▪ Difficult from a regulatory perspective.</li> <li>▪ Minimal value will be realised for assets on a forced sale basis.</li> </ul>
Guarantees	<ul style="list-style-type: none"> <li>▪ 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 a higher Business Rescue Dividend.</li> </ul>	<ul style="list-style-type: none"> <li>▪ All Construction Contracts would be terminated resulting in the crystallisation of the Guarantees as liabilities of the Company.</li> <li>▪ Cross guarantee impact on Basil Read Mining.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>▪ Employees have received full salaries and benefits since the commencement of Business Rescue.</li> <li>▪ Retrenched employees to receive full retrenchment packages on exit (no individual cap).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employment contracts suspended upon liquidation.</li> <li>▪ Employees to receive capped severance in terms of the Insolvency Act = R28 000 per employee.</li> <li>▪ Payment of retrenchment dividend made as and when L&amp;D Account confirmed, which could take between 18 –24 months.</li> </ul>

# Business Rescue vs. Liquidation

	Business Rescue	Liquidation
Costs	<ul style="list-style-type: none"> <li>The BRPs submit that the entire cost of the Business Rescue will be significantly lower than the liquidation costs that would be incurred if the Company was to be liquidated.</li> </ul>	<ul style="list-style-type: none"> <li>The estimated fees a liquidator would be entitled to would be based on a percentage of gross realisation of the assets.</li> </ul>
Preferrent Creditors	<ul style="list-style-type: none"> <li>SARS does not enjoy any preference in Business Rescue.</li> </ul>	<ul style="list-style-type: none"> <li>Creditors who have been granted a preference over any free residue by way of statute. These creditors include:               <ul style="list-style-type: none"> <li>Employees</li> <li>SARS</li> <li>Unperfected general notarial bondholders</li> </ul> </li> </ul>
Concurrent Creditors	<ul style="list-style-type: none"> <li>Initial estimated dividend of 8c in the Rand.</li> <li>Further dividend/s from Retained Businesses.</li> </ul>	<ul style="list-style-type: none"> <li>Estimated dividend of approximately 5.4c in the Rand.</li> </ul>
Realisation of Assets	<ul style="list-style-type: none"> <li>Maximum value is preserved and realised.</li> </ul>	<ul style="list-style-type: none"> <li>Assets are usually sold at distressed prices.</li> </ul>
Timing	<ul style="list-style-type: none"> <li>Initial estimated dividend within 12 months.</li> </ul>	<ul style="list-style-type: none"> <li>Liquidation dividend between 18 and 24 months.</li> </ul>
Employer Claims and Penalties	<ul style="list-style-type: none"> <li>Ability to resolve and collect on any outstanding or potential claims against the employer.</li> <li>Completing the contract timeously would mitigate any risk of penalties.</li> </ul>	<ul style="list-style-type: none"> <li>Inability to resolve and collect on any outstanding or potential employer claims.</li> <li>Cancellation of contracts may result in additional penalties.</li> </ul>

# Dividend to Affected Persons

## Comparison of Business Rescue to Liquidation

Class of Creditor	Business Rescue	Liquidation
Secured	70c - 90c	85c
Business Rescue Costs	100c	N/A
PCF Creditors	100c	N/A
Concurrent	Initial - 8c + additional pref. share dividend	5.4c
Employees	Full retrenchment and severance pay due	R28 000 per employee

- Based on realisation assumptions in the Plan.
- Liquidation calculation based on information provided in PwC's liquidation calculation.

## Timing of Dividend to Affected Persons

### Business Rescue

- Initial estimated dividend within 12 months

### Liquidation

- Liquidation dividend between 18 and 24 months.

## Opinion of BRPs



# Opinion in terms of the Companies Act

## Opinion

It is the view of the BRPs that, notwithstanding inevitable risks and challenges, there is a **reasonable prospect of a successful Business Rescue**. This opinion is premised on the following -

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

# Voting



# Conducting of a Vote

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## Determination of Voting Interests

- A Secured or Unsecured Creditor has a voting interest equal to the value of the amount owed to that Creditor.
- PCF Creditors, including employees with claims in terms of section 135(1) of the Companies Act, will have a voting interest equal to the value of the amount owed to that PCF Creditor.
- A creditor who has a disputed claim, contingent claim, prospective claim, damages or unliquidated claim will not be allowed to vote.
- A Creditor whose claim amount does not reconcile with the Company's records will only be allowed to vote on the amount determined in the sole discretion of the BRPs.

## Amendments to the Proposed Plan

- In terms of section 152(1)(d) of the Companies Act, the BRPs must invite discussion, and entertain and conduct a vote, on any motions to -
  - i. Amend the proposed Plan, in any manner moved and seconded by holders of creditors' voting interests, and satisfactory to the BRP. or
  - ii. Direct the BRPs to adjourn the meeting in order to revise the Plan for further consideration.

# Adjournment

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## Adjournment Motion

- Rationale.
- Preliminary date for the approval of the Plan.
- Impact on timelines.
- Support received to date.

## Preliminary Approval

- The adjournment will be approved if –
  - i. it was supported by the holders of more than **75% of the creditors' voting interests** that were voted. and
  - ii. the votes in support of the proposed **plan included at least 50% of the independent creditors' voting interests**, if any, that were voted.

## Results of Voting on the Adjournment

## Conclusion



# Conclusion

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1. General
2. Next Steps
3. Questions



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