



ADAMANTEM



MATUSON
ASSOCIATES

Basil Read Limited (in business rescue)
Registration number 1962/002313/06
("The Company")

July 2019

Report to the Companies and Intellectual Property Commission
and to all Affected Persons
In Terms of Section 132 (3) (a) of the Companies Act 71 of 2008

Prepared by:

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Joint Business Rescue Practitioners ("BRPs")

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1. Introduction

- 1.1. The Company was placed under the supervision of the BRPs in business rescue proceedings on 15 June 2018, and the Business Rescue Plan (“the Plan”) proposed by the BRPs was approved by 99% of all creditors and 98% of independent creditors on 27 September 2018.
- 1.2. The business rescue proceedings of the Company have not been concluded within three months of the date of commencement thereof, and therefore as required, this report, being the **Eighth Update Report**, is being tabled in terms of Section 132 (3) (a) of the Companies Act 71 of 2008 (“the Act”).
- 1.3. Reference is made in this report to the Plan, it is therefore important that this report be read in conjunction with the Plan and all the previous update reports.
- 1.4. Please refer to www.matusonassociates.co.za/basilread/ for further information on the business rescue proceedings of the Company.

2. Current Status

- 2.1. Since the publication of the seventh report on 4 July 2019, the BRPs continue to pursue all actions and initiatives contained therein. However, as no material events have occurred since publication of the Seventh Update Report, which are likely to impact significantly on the outcome of the business rescue process, the matters contained in that report are largely repeated herein for ease of reference.

2.2. Construction Contracts (“Contracts”)

Contract Status	# of Contracts	Contract
Completed	11	1. Bruma Lake 2. Cape Town Schools 3. Coega 4. Julius Sebolai School 5. Medupi Buildings 6. Medupi Clarifiers 7. Medupi Coal Stock Yard 8. Melrose Arch 9. Nokuthula School 10. Protea Hotel 11. US Embassy
Cancelled by Employer No Guarantees Called	2	1. Ashton-Montagu 2. Kusile Civil Works
Cancelled by Employer Guarantees Called	3	1. Kazerne 2. N3 Road 3. SHAP
Cancelled by Basil Read	2	1. Durban Building (Prasa) 2. Port Shepstone Magistrates Court
To be Ceded	2	1. Mthatha 2. Musina
Ceded	3	1. Medupi Ash Dumps 2. Polokwane 3. R59 Vereeniging
Contracts to Complete (as at 31 July 2019)	3	1. Medupi Coal Stock Yard 2. Rosetta 3. Zuikerbosch
Total	26	

2.2.1. Inordinate delays by Employers in paying amounts due to the Company on certain of the above Contracts continue to place a strain on cash flows and subsequently, has resulted in delays in paying post commencement creditors.

3. Contract Claims

3.1. The resolution of contract claims has proven to be time consuming and tedious and is subject to various dispute resolution mechanisms, including negotiations, arbitration and litigation. The aggregate sum of these claims is substantial and the degree of success in their recovery will impact materially on the end result of the business rescue process. To date, the Company has had some success in the resolution of such claims.

3.2. Whilst the BRPs have employed additional resources to pursue these claims there remains significant uncertainty on the timing and quantum to be recovered with any degree of accuracy.

4. Realisation of Non-Core Assets

4.1. Basil Read Campus (“Head Office & Workshops”)

4.1.1. The sale of the Head Office, in which the Company had a 50% interest, was concluded in June 2019 with a binding offer received for the balance of the property. The sale enables the settlement of the mortgage against the property and any surplus would be used to service other obligations.

4.1.2. The Company has since moved to new premises with significantly lower operating costs resulting in even lower fixed overheads for the Company.

4.2. Klipriver Business Park and Rolling Hills Lifestyle Estate

The BRPs continue to receive and entertain expressions of interest from interested parties. Should any affected person know of or be interested in any of the properties for sale, please contact the business rescue team at basilread@matusonassociates.co.za.

4.3. Retained Businesses (Mining and Developments)

4.3.1. One of the prime objectives of the approved Plan was the optimisation, safeguarding and preservation of the retained businesses. These businesses continue to perform and are self-sustaining.

4.3.2. Various options are currently being pursued with a view to achieving optimal value for the benefit of all stakeholders, including creditors, employees and employers, including:

4.3.2.1. Sale of the Mining Business

An independent sales advisor was appointed in May 2019 to run an accelerated-sales process, which is still ongoing.

4.4. Proceeds from Realisations

Proceeds from the realisation of the above non-core assets will be distributed in terms of the payment waterfall, as contained in the Plan.

5. Unforeseen Setbacks

- 5.1. Attention is drawn to previous update reports for further details on the unforeseen setbacks experienced during these business rescue proceedings.
- 5.2. All the unanticipated setbacks will adversely affect the quantum of any business rescue dividend that may ultimately be paid to concurrent creditors. However, the extent of the reduction of any business rescue dividend cannot be calculated at this stage, until all realisations have occurred.

6. Proof of Claims

- 6.1. A concern remains that despite numerous notices to do so, there remains a large number of pre-commencement creditors who have yet to submit their claims.
- 6.2. We encourage those creditors to please submit their claims to basilread@matusonassociates.co.za.

7. Conclusion

- 7.1. Owing to the negative impact of the unforeseen setbacks, as set out in the previous update reports, the dividend to concurrent creditors, as anticipated in the Plan, is likely to be significantly reduced. Any dividend that may accrue, will largely depend on the value of asset realisations, contract claims in particular.
- 7.2. Notwithstanding the abovementioned uncertainties, it is anticipated that:
 - 7.2.1. Business rescue costs would be paid;
 - 7.2.2. Retrenchment packages for more than 2,600 employees will be paid in full
 - 7.2.3. all PCF and other post-commencement obligations will be paid in full.
 - 7.2.4. the risk of further guarantees being called, although not eliminated, has been reduced.
- 7.3. It remains the opinion of the BRPs that a full implementation of the Plan will achieve a better result than a liquidation.