



ADAMANTEM



MATUSON
ASSOCIATES

Basil Read Limited (in business rescue)

Registration number 1962/002313/06

("The Company")

January – February 2021

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")

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. This report, being the **Fifteenth Update Report**, is being tabled in terms of Section 132 (3) (a) of the Companies Act 71 of 2008 (“the Act”) as the business rescue proceedings of the Company have not been concluded within three months of the date of commencement as required.
- 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 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. Construction Contracts (“Contracts”)

- 2.1.1. As previously reported, construction contracts were significantly impacted by Covid-19, with all site activities suspended on 26 March 2020 as directed by the South African Government and in line with the provisions of the Disaster Management Act.
- 2.1.2. Following the relaxation of the lockdown regulations and all site activities have since resumed and have been operating at a steady pace, in compliance with Government regulations set to protect employees and sub-contractors from contracting Covid-19.
- 2.1.3. The Company and its subsidiaries had a cumulative total of 94 employees who tested positive for Covid-19, 89 of whom recovered and 1 deceased.
- 2.1.4. Based on our current estimates and the individual project plans, the following Contracts are now expected to be completed as follows:
 - 2.1.4.1. Umgeni Water – Rosetta Water Treatment Plant, achieved Practical Completion in January 2021. The contract achieved Certificate of Completion at the beginning of the March 2021.

2.1.4.2. Eskom – Medupi Buildings- the project is in final commissioning stage and the company is expecting to receive the Performance Certificate by end of April/May 2021.

2.2. Guarantees

2.2.1. Since the last Update Report, no further performance guarantees have been called by any of the employers nor by the Company itself.

2.2.2. The value of guarantees outstanding is currently standing at R119 million compared to R1.1 billion on 15 June 2018 when the Company filed for business rescue proceedings.

2.2.3. We anticipate further reduction of the outstanding guarantees as we complete the outstanding contracts in the coming months.

2.2.4. Negotiations continue to seek to mitigate the claims and losses associated with guarantees that were previously called.

2.3. Contract Claims

2.3.1. The aggregate sum of contract claims is substantial and the BRPs believe the extent to which the Company is able to recover these claims will impact materially on the result of the business rescue process.

2.3.2. The resolution of contract claims is time consuming, tedious and costly. The process has also been adversely impacted by the Covid-19 related lockdowns, particularly those matters that were due to be heard in courts or in arbitration.

2.3.3. Notwithstanding these challenges the Company successfully obtained favourable rulings with respect to certain of these claims. Unfortunately, Employers unlawfully continue withholding payments flowing from these rulings. Consequently, the Company has had to take additional legal action to enforce the rulings. Thus, the timing of receipts of funds for these claims remains uncertain.

2.3.4. The Company continues to rely heavily on realising claims in order to meet commitments.

2.4. Realisation of Non-Core Assets

Given the prevailing depressed economic conditions domestically and globally, particularly with the Covid-19 pandemic, there has been no further interest in the non-core assets of the Company. However, we remain optimistic that this position is likely to change as the economic conditions improve. 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.

2.5. Retained Businesses (Mining and Developments)

- 2.5.1. One of the primary objectives of the approved Plan was the optimisation, safeguarding and preservation of the retained businesses.
- 2.5.2. These businesses remain self-sustaining and continue to perform well under the present circumstance.
- 2.5.3. The Mining business has entered preferred bidder negotiations with clients in South Africa and Botswana. These negotiations when concluded in the coming weeks, will effectively increase the business's order book by more than R1.5 bn and will replace the two major contracts that were terminated at the beginning of the Covid-19 pandemic lockdowns in Q1 2020.
- 2.5.4. There are no further developments on the disposal of the retained businesses since the last report.

2.6. 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, in the following order:

- 2.6.1. Business Rescue Costs.
- 2.6.2. Pre-Commencement Secured Creditors.
- 2.6.3. PCF Employees.
- 2.6.4. Secured PCF Creditors.
- 2.6.5. Unsecured PCF Creditors.
- 2.6.6. Pre-Commencement Employees.
- 2.6.7. Pre-Commencement Concurrent Creditors.



3. Unforeseen Setbacks

- 3.1. The Covid-19 pandemic was an unforeseen setback with adverse effects on the planned completion dates of contracts and hampered the ability of Employers to pay the Company as well as the finalisation of claims.
- 3.2. Attention is drawn to previous update reports for further details on previously reported setbacks.
- 3.3. 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.

4. Proof of Claims

- 4.1. The claims submission period has closed.
- 4.2. Please refer any questions or queries relating to your claim to basilread@matusonassociates.co.za

5. Conclusion

- 5.1. Owing to the negative impact of the unforeseen setbacks, as set out in this and 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 and contract claims in particular.
- 5.2. Notwithstanding the above mentioned uncertainties, it is anticipated that:
 - 5.2.1. subject to the above-mentioned realisation of Claims, all PCF and other post-commencement obligations will be settled in full; and
 - 5.2.2. the risk of further guarantees being called, although not eliminated, has been significantly reduced.
- 5.3. It remains the opinion of the BRPs that a full implementation of the Plan will achieve a better result than a liquidation.