



ADAMANTEM



MATUSON
ASSOCIATES

Basil Read Limited (in business rescue)

Registration number 1962/002313/06

("The Company")

February / March 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")



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 **Fifth 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 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

- 2.1.1. The majority of the construction contracts that the Company had at the commencement of business rescue proceedings have either been completed, ceded or have been terminated.
- 2.1.2. The following contracts remain ongoing –
 - 2.1.2.1. Medupi Contracts (refer to paragraph 2.1.3 for further information)
 - 2.1.2.2. Rosetta
 - 2.1.2.3. Julius Sebolai School
 - 2.1.2.4. Nokuthula School
 - 2.1.2.5. R59 Vereeniging
 - 2.1.2.6. Zuikerbosch

2.1.3. Medupi Contracts

2.1.3.1. The Company has entered into an agreement with Eskom for the completion and descoping of certain works at Medupi. The agreement further provides for cessions of certain works to other contractor/s in order to minimise the disruption of the Medupi Build programme. Most positively, the Company's major work is expected to be completed by the end of May 2019, thereby mitigating the risk of further losses from guarantees being called.

2.1.4. SANRAL Contracts

2.1.4.1. Since the Fourth Update Report, SANRAL has engaged with the guarantee providers with a view to facilitating the employment of step-in contractor/s. These negotiations are in an advanced stage, with the contracts being Musina, Mthatha and Polokwane.

2.1.4.2. In this regard, the above is beneficial to the Company and its affected persons.

2.2. Contract Claims

2.2.1. Since the Fourth Update Report, the Company has made significant progress on the resolution of contract claims. Year-to-date 2019, claims totalling approximately R34 million have been approved and in respect of certain payments have already been received and utilised to repay PCF.

2.2.2. The BRPs continue to pursue and resolve the payment and resolution of contract claims amounting to in excess of R200 million. A number of claims will (where possible) have to be pursued through arbitration and/or litigation.

2.2.3. The processes and procedures for resolving contract claims has proved to be time consuming and tedious and is subject to various dispute resolution mechanisms, including 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. Whilst the BRPs have employed additional resources to pursue these claims it is currently not possible to estimate a likely recovery with any degree of accuracy.

2.3. Construction Plant and Equipment

2.3.1. Resulting from the completion, termination of construction contracts, surplus construction plant and equipment has become available.

2.3.2. After obtaining the relevant independent valuations, referred to in paragraph 2.3.3 of the Fourth Update Report, the Company has appointed a professional, independent party to assist with the disposal process.

2.3.3. Unreserved auctions of all surplus construction plant and equipment have commenced and will continue to take place during April and May 2019.

2.3.4. The proceeds arising from the sale of the surplus construction plant and equipment, which were encumbered, will be utilised to repay *inter-alia*, PCF advanced, retrenchment costs and other business rescue related costs.

2.4. Realisation of Non-Core Assets

2.4.1. Head Office

The Company has agreed to vacate the Basil Read Campus by the end of April 2019 as a new tenant has been found for the premises (which is likely to enhance the value of the property). Vacating the premises will substantially reduce the costs for the Company and its continuing business.

2.4.2. Leasing

2.4.2.1. A non-binding offer for the sale of shares has been received.

2.4.2.2. Conclusion of an agreement is anticipated during the course of April 2019.

2.4.3. Klipriver Business Park and Rolling Hills Lifestyle Estate

The BRPs continue to pursue expressions of interest from a number of 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. Since the Fourth Update Report, no affected person has introduced the BRPs to any persons who may have any interest in the properties.

2.5. Retained Businesses (Mining and Developments)

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

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

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.

3. Unforeseen Setbacks

3.1. For the sake of convenience, the unforeseen setbacks recorded in paragraph 3.1.1 - 3.1.8 of the Fourth Update Report, are again recorded and have been further amplified.

- 3.1.1. Pre-business rescue advance payments (received from employers), which the BRPs were not advised of in full at the commencement of business rescue;
 - 3.1.2. Negative certificates from employers, resulted in anticipated cash flows not materialising in favour of the Company;
 - 3.1.3. As a consequence of PCF related delays, costs and penalties were levied by employers;
 - 3.1.4. Legal disputes regarding *inter-alia*, the recovery of claims and of a contractual nature, resulted in significant increases in legal fees and time spent on these matters by the BRPs;
 - 3.1.5. Non-payment of long outstanding certificates and claims by certain employers, resulting in further costs incurred to recover the monies owed;
 - 3.1.6. Material changes in estimated future cash flows as a consequence of the above issues and certain operational issues;
 - 3.1.7. The conversion of a contingent liability into a current liability, negatively affecting the Company's working capital and management of its banking facilities; and
 - 3.1.8. Delays in negotiating and securing PCF, which was substantially lower than initially anticipated and further delays in the flow of the funding into the Company, thereby negatively impacting the Company's ability to continue work on the construction contracts.
- 3.2. As a result of these setbacks, the cash flows estimate at the commencement of business rescue have now been negatively impacted by an estimated amount of R774 million. This amount has increased by R74 million due to an unanticipated claim made against the company and the group pursuant to the call up of a guarantee.
- 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. Post Commencement Funding ("PCF")

- 4.1. The PCF initially required was referred to in paragraph 4 of the Fourth Update Report.
- 4.2. The lenders in the interim period, have agreed to provide the Company with additional PCF, by way of bridging finance, from the proceeds of the sale of the surplus construction plant and equipment, in order to enable the Company to continue with the business rescue, in terms of the Plan.

5. Proof of Claims

- 5.1.** Having initially set 20 November 2018 as the deadline for submission of claims the BRPs have agreed to extend this date further to 30 April 2019.
- 5.2.** There remains a large number of pre-commencement creditors who have yet to submit their claims, and who are encouraged to do so.
- 5.3.** A claim form is annexed (Annexure A) to this Fifth Update Report.

6. Conclusion

- 6.1.** Owing to the negative impact of the unforeseen setbacks, as set in paragraph 3 above, 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.
- 6.2.** Similarly, had certain of these unforeseen setbacks been known when the independently estimated liquidation dividend, as reflected in the Plan, was calculated, it is evident that with the information now at hand, in a liquidation, at the time when business rescue proceedings commenced, no dividend would have accrued to concurrent creditors.
- 6.3.** Notwithstanding the abovementioned uncertainties, it is anticipated that -
 - 6.3.1.** all PCF and other post-commencement obligations will be settled in full;
 - 6.3.2.** in excess of 1,800 employees will receive their full retrenchment packages; and
 - 6.3.3.** the risk of further guarantees being called, although not eliminated, has been reduced.
- 6.4.** It is therefore the opinion of the BRPs that a full implementation of the Plan will achieve a better result than a liquidation.

ANNEXURE A

CLAIM FORM

BASIL READ LIMITED ("COMPANY")

Attention: Business Rescue Practitioners
Email: basilread@matusonassociates.co.za

Name of Creditor	
Representative of Creditor	
Contact Details (Email and Telephone)	
Address of Creditor	
Registration Number	
Bank Account Details	Bank Name: Bank Account: Branch Code:
Claim Amount as at Date of Business Rescue	
Cause of Indebtedness	
Security for Indebtedness	
Description of Documents Annexed to Support the Cause of Indebtedness and the Security for the Indebtedness	

Name of Creditor:
Name of Signatory:
Date:
Capacity:

Note

- If the creditor is a juristic person, a resolution or power of attorney must accompany this claim form and confirm that the person who submits and/or signs this claim form is authorised to act on behalf of that juristic person in respect of these business rescue proceedings, to sign any and all documents on behalf of the juristic person and to attend, and if necessary, vote at any meetings convened in respect of these business rescue proceedings
- Full details of the claim, the manner in which it arose and information and documentation relating to any security, must be set out in this form or in an annexure to the form if the space provided above is limiting
- Claims forms can be submitted via email to mbrink@matusonassociates.co.za marked for the attention of the business rescue practitioners.