



ADAMANTEM



MATUSON
ASSOCIATES

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

October 2018

**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:

John Lightfoot and Siviwe Dongwana

Joint Business Rescue Practitioners



1. Introduction

1.1. 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 **Second Update Report**, is being tabled in terms of Section 132 (3) (a) of the Companies Act 71 of 2008 (“the Act”).

1.2. Reference is made in this report to the Business Rescue Plan (“the Plan”), it is therefore important that this report be read in conjunction with the Plan and the previous update report.

2. Meeting to Consider the Plan

2.1. The adjourned meeting to consider the amended Plan took place on 27 September 2018.

2.2. Based on the Creditors’ voting interest, present and voting in person or by a proxy, the proposed Plan was approved and adopted as follows -

2.2.1. by 99% of all creditors; and

2.2.2. by 98% of all independent creditors.

2.3. The proposed increase in the BRPs fee, from R2,000 (incl. VAT) to R3,000 (incl. VAT), per hour, was approved.

3. Update on Business Rescue Proceedings

3.1. Prime Objectives of the Business Rescue Plan

3.1.1. Facilitate the completion of contracts in progress, where possible.

3.1.2. Realise the maximum value from the settlement of contract claims and the sale of immovable property, plant and non-core investments.

3.1.3. Optimise and preserve value of the retained businesses.

3.1.4. Improve the Company’s balance sheet through a debt to equity conversion of the concurrent creditors’ amounts to preference shares.

3.2. Challenges

The BRPs are of the opinion that a successful business rescue remains achievable, notwithstanding the following significant challenges -

3.2.1. Post-Commencement Finance (“PCF”)

3.2.1.1. Although ‘in principle’ undertakings to provide PCF were given prior to the company filing for business rescue, the PCF was finalised only three months after commencement of business rescue.

3.2.1.2. As consequence of the delays in PCF approval, and inflows during this period being significantly reduced, the Company had to curtail onsite activities.

3.2.2. Completion of Construction Contracts

3.2.2.1. The Company had over 20 construction contracts as at the commencement of business rescue proceedings.

3.2.2.2. A key challenge in the raising of PCF was to obtain adequate funding to enable the for the completion of these construction contracts.

3.2.2.3. Certain of the construction contracts were not PCF-funded and alternative funding mechanisms were discussed with the respective Employers with varying degrees of success. To date the status of the construction contracts is as follows -

Description	Buildings	Civils	Roads	Total
Total at 15 June 2018	8	10	7	25
Completed	3	1	1	5
Cancelled by Employer	1	1	2	4
Cancelled by Company	1	1		2
In-progress	3	7	4	14

3.2.3. Saint Helena Airport Project (“SHAP”)

3.2.3.1. SHAP, included in the Civils construction contracts above, was terminated by the St. Helena Government (SHG) in October 2018, resulting in the call up of guarantees of over R140 million.

3.2.3.2. At the same time SHG terminated the Airports Operating contract, which was due to continue for another seven years. The view of the BRPs is that this cancellation is unlawful.

3.2.3.3. A significant amount of time and resources was spent in negotiations with SHG, and the United Kingdom's Department of International Development (the funder) in an endeavour to seek an amicable settlement of the contract and for the benefit of all affected persons.

3.2.4. Cost Reduction Initiatives

3.2.4.1. A number of cost reduction initiatives have been identified, the implementation of which was primarily dependent on the securing of PCF and the approval of the Plan.

3.2.4.2. Efforts are now underway to effect substantial cost reductions.

3.2.5. Uncertainty of Proceeds and Timing for Disposal of Assets

3.2.5.1. The Company has certain assets, the realisation of which is anticipated to yield significant cash flows. However, some uncertainty exists with regards to both the timing and quantum of amounts to be realised.

3.2.5.2. Prevailing unfavourable market conditions are likely to result in these assets realising significantly less than historical values.

3.2.6. Other Challenges

3.2.6.1. Given the scale of the Company's business, w, there is a significant body of affected persons with whom the BRPs have had, and continue to, engage with on various issues including, but not limited, to the following –

3.2.6.1.1. Debts in moratorium;

3.2.6.1.2. Negotiating conditions under which to provide goods / services during business rescue;

3.2.6.1.3. Dealing with threats of litigation from various parties; and

3.2.6.1.4. Negotiating with employers threatening to cancel contracts.

3.2.6.2. Dealing with these challenges has demanded a significant amount of time of the BRPs and their legal advisors.

4. Proof of Claims

To date, there remains a large number of claims outstanding and creditors who have yet to submit their claims are encouraged to do so.

5. Conclusion

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