



ADAMANTEM



MATUSON  
ASSOCIATES

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**Basil Read Limited (in business rescue)**

**Registration number 1962/002313/06**

**("The Company")**

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**June 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 **Seventh 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/](http://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. The status of the remaining Contracts is as follows:

Contract Status	Contract	Employer
Basil Read to complete	1. Rosetta 2. R59 Road 3. Zuikerbosch	1. Umgeni Water 2. Gauteng Government 3. Rand Water
Contracts to be ceded or descoped	1. Ashton-Montagu Road 2. Medupi (various contracts) 3. Mthatha-Bhaziya Road 4. Musina Road 5. Polokwane Road	1. Western Cape Government 2. Eskom 3. SANRAL 4. SANRAL 5. SANRAL
Defects period (snagging complete)	1. Cape Town Schools 2. Julius Sebolai School 3. Nokuthula School	1. Western Cape Government 2. Gauteng Government 3. Gauteng Government

2.1.2. Inordinate delays by employers in making payment on amounts due to the Company on certain of the above Contracts is placing a strain on cash flows and is creating a knock-on delay in settling post commencement creditors.

### **3. Contract Claims**

**3.1.** The processes and procedures for resolving contract claims have proven to be time consuming and tedious and are 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.

### **4. Realisation of Non-Core Assets**

#### **4.1. Klipriver Business Park and Rolling Hills Lifestyle Estate**

**4.1.1.** 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](mailto:basilread@matusonassociates.co.za). Since the Fifth Update Report, no affected person has introduced the BRPs to any persons who may have any interest in the properties.

#### **4.2. Retained Businesses (Mining and Developments)**

**4.2.1.** 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.

**4.2.2.** 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:

##### **4.2.2.1. Sale of the Mining Business**

An independent sales advisor has been appointed to value the business and to adjudicate on any potential offers received. This process is in progress and while some offers have been received, it has been considered prudent to continue pursuing further potential offers.

### **4.3. 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:

- 4.3.1. Business Rescue Costs.
- 4.3.2. Pre-Commencement Secured Creditors.
- 4.3.3. PCF Employees.
- 4.3.4. Secured PCF Creditors.
- 4.3.5. Unsecured PCF Creditors.
- 4.3.6. Pre-Commencement Employees.
- 4.3.7. Pre-Commencement Concurrent Creditors.

### **5. Unforeseen Setbacks**

- 5.1. Attention is drawn to previous update reports for further detail on the unforeseen setbacks.
- 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. There remains a large number of pre-commencement creditors who have yet to submit their claims, and who are encouraged to do so.

### **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. all PCF and other post-commencement obligations will be settled in full;
  - 7.2.2. in excess of 2,600 employees will receive their full retrenchment packages; and
  - 7.2.3. 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.