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Basil Read Limited (in business rescue)

Registration number 1962/002313/06

("The Company")

March – April 2021

("CIPC")

**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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1. Introduction

- 1.1. The Company was placed in business rescue under the supervision of the Practitioners joint business rescue practitioners (“the Practitioners”) in business rescue proceedings on 15 June 2018, and the Business Rescue Plan (“the Plan”) proposed by the Practitioners was presented to and approved by 99% of all creditors and 98% of independent creditors on 27 September 2018.
- 1.2. This report, being the **Sixteenth 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 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. Construction Contracts (“Contracts”)

- 2.1.1. As previously reported, construction contracts were significantly impacted by Covid-19 and the regulations and restrictions issued by the South African Government in terms of the Disaster Management Act.
- 2.1.2. There is a general level of uncertainty regarding the future and the fear of an impending third wave. It is in this context that the Company is seeking to complete the remaining contract.
- 2.1.3. The Company is currently left with one contract, the Eskom – Medupi Buildings contract, compared to the 27 contracts that existed at the commencement of the business rescue proceedings. Based on current estimates, this contract is expected to be completed by June 2021.
- 2.1.4. The Company is currently pursuing construction opportunities with existing clients and in partnership with other construction companies.



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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 R93m compared to R1.1 billion on 15 June 2018 when the Company filed for business rescue.
- 2.2.3. The Practitioners anticipate further reduction in guarantee exposure as the remaining contract is completed and claims are resolved.
- 2.2.4. The Company is continuing with negotiations continue to seek to mitigate the claims and losses associated with the call of these guarantees.

2.3. Contract Claims Receivable

- 2.3.1. The aggregate sum of contract claims is substantial and the Practitioners believe the extent to which the Company can recover these claims will impact materially on the result of the business rescue process.
- 2.3.2. The resolution of contract claims has proven to be time consuming, tedious and costly with the process being further adversely affected by the Covid-19 related lockdowns, particularly where matters have been subject to court and arbitration proceedings.
- 2.3.3. Notwithstanding these challenges the Company has been successful in obtaining favourable rulings with respect to certain of these claims. Unfortunately, Employers continue to unlawfully withhold payments due in terms of these rulings. Consequently, the Company has had to take additional legal action to enforce the rulings. As a result, the timing of receipts of funds for these claims remains uncertain.
- 2.3.4. The Company continues to rely heavily on realising claims to meet its commitments.

2.4. Realisation of Non-Core Assets

Given the contraction of the local and global economy, resulting from the Covid-19 pandemic, there has been further waning of interest in the non-core assets of the Company. However, we remain optimistic that this position is likely to improve in the coming year. 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 notwithstanding the negative overhang of the business rescue of the Company on them and the adverse effects of the prevailing Covid-19 pandemic,
- 2.5.3. There have been 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 mentioned non-core assets and contract claims will be distributed in terms of the payment waterfall, as contained in the Plan, and in line with the Company Act.

3. Unforeseen Setbacks

- 3.1. The remains high levels of uncertainty globally because of the various stains of the Covid-19 virus and the subsequent waves of new infections associated with them. Currently there are fears of a third wave and the potential responses that will come with it. This has an adverse effect on the planned completion dates of the remaining contract, the finalisation of contract claims and hampers the ability of Employers to pay the Company timeously.
- 3.2. 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.

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 abovementioned delays and setbacks, 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.
- 5.2. Notwithstanding the abovementioned uncertainties, it is anticipated that:
 - 5.2.1. subject to the anticipated 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 Practitioners that a full implementation of the Plan will achieve a better result than a liquidation.