



ADAMANTEM



MATUSON  
ASSOCIATES

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

**Registration number 1962/002313/06**

**("The Company")**

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**April / May 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:

**John Lightfoot and Siviwe Dongwana**

**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 **Sixth 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. At the outset of business rescue proceedings, the Company had over 20 Contracts. To date, the majority of these Contracts have either been completed or have been terminated.
- 2.1.2. The status of the remaining Contracts are 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
Final snagging	1. Cape Town Schools 2. Julius Sebolai School 3. Nokuthula School	1. Western Cape Government 2. Gauteng Government 3. Gauteng Government

## 2.2. Contract Claims

2.2.1. 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.

2.2.2. 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.

## 2.3. Performance Guarantees

2.3.1. At the outset of business rescue proceedings, performance guarantees outstanding totalled approximately R1.1 billion. As at May 2019, this amount has reduced to R744 million.

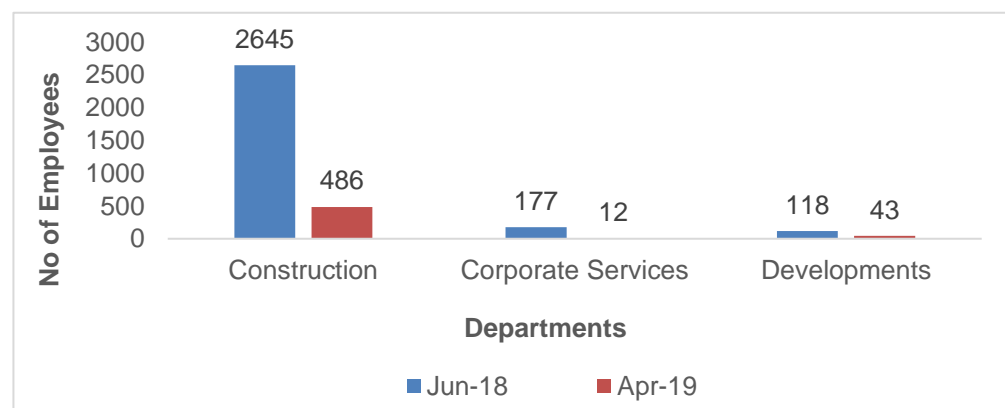
2.3.2. Two contracts were cancelled, by the N3TC and the Saint Helena Government, resulting in performance guarantees of approximately R214 million being called.

2.3.3. Based on ongoing negotiations with various employers, it is anticipated that no further calls on guarantees will be made.

## 2.4. Employees

2.4.1. With the exception of the employees required to assist with the completion of the Contracts (including the various Medupi contracts), noted in paragraph 2.1.1 above, and the remaining staff at Head Office, all other employees have been retrenched and will receive their full retrenchment packages.

2.4.2. Headcount summary as at 30 April 2019:



## **2.5. Construction Plant and Equipment (“P&E”)**

**2.5.1.** Unreserved auctions of all surplus P&E continued throughout May 2019. The BRPs anticipate a final auction, of any unsold P&E, to take place in June 2019.

**2.5.2.** The proceeds arising from the sale of the surplus construction plant and equipment, which were encumbered, will be utilised to repay *inter-alia*, Post-Commencement Finance (“PCF”) advanced, retrenchment costs and other business rescue related costs.

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

### **2.6.1. Head Office**

**2.6.1.1.** The Company has found new premises and will have vacated the current Basil Read Campus by the end of May 2019. Vacating the premises will substantially reduce the costs for the Company and its continuing business.

**2.6.1.2.** A final sale of the Basil Read Campus is anticipated but has yet to be concluded.

### **2.6.2. Lehating**

**2.6.2.1.** A sale of shares agreement for the sale of shares was received in early May 2019.

**2.6.2.2.** Conclusion of the such agreement is anticipated during the course of June 2019.

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

**2.6.3.1.** 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.

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

**2.7.1.** 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.

**2.7.2.** 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:

### **2.7.2.1. 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.

## **2.8. 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:

**2.8.1.** Business Rescue Costs.

**2.8.2.** Pre-Commencement Secured Creditors.

**2.8.3.** PCF Employees.

**2.8.4.** Secured PCF Creditors.

**2.8.5.** Unsecured PCF Creditors.

**2.8.6.** Pre-Commencement Employees.

**2.8.7.** Pre-Commencement Concurrent Creditors.

## **3. Unforeseen Setbacks**

**3.1.** Attention is drawn to previous update reports for further detail on the unforeseen setbacks

**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.

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#### **4. Proof of Claims**

- 4.1.** Having initially set 20 November 2018 as the deadline for submission of claims the BRPs have agreed to further extend this date to 31 July 2019.
- 4.2.** There remains a large number of pre-commencement creditors who have yet to submit their claims, and who are encouraged to do so.

#### **5. Conclusion**

- 5.1.** 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.
  - 5.2.** Notwithstanding the abovementioned uncertainties, it is anticipated that:
    - 5.2.1.** all PCF and other post-commencement obligations will be settled in full;
    - 5.2.2.** in excess of 2,600 employees will receive their full retrenchment packages; and
    - 5.2.3.** the risk of further guarantees being called, although not eliminated, has been 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.
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**Companies and Intellectual Property Commission  
Republic of South Africa**

**Form CoR 125.1**

**About this Form**

- This form is issued in terms of section 132 and 141 of the companies Act, 2008, and Regulation 125 of the Companies Regulations, 2011.
- This Notice and the attached report must be published to every affected person, and to-
  - a) The Commission, if the business rescue proceedings were started by the company; or
  - b) The court, if the proceedings were ordered by the court.
- A report and Notice must be issued at the end of the first three months of the business rescue proceedings, and at regular monthly intervals after that

**Contacting the Commission**

The Companies and Intellectual Property Commission of South Africa

**Postal Address**

PO Box 429  
Pretoria  
0001  
Republic of South Africa  
Tel: 086 100 2472

www.cipc.co.za

**Business Rescue Status Report**

**Date:** 17 May 2019

**Customer Code:** \_\_\_\_\_

**Concerning**

*(Name and Registration Number of Company)*

**Name:** Basil Read Limited

**Registration No:** 1962/002313/06

The above named company commenced business rescue proceedings on 15 June 2018

Because the business rescue proceedings have not concluded within three months, the appointed business rescue practitioner provides the attached report in terms of section 132 (3).

**Name and Title of person signing on behalf of the Practitioner:**

Siviwe Dongwana and John Lightfoot - Joint Business Rescue Practitioners

**Authorised Signature:**

