



ADAMANTEM



MATUSON
ASSOCIATES

Basil Read Limited (in business rescue)

Registration number 1962/002313/06

("The Company")

December 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

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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 **Third 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 reports.

1.3. Please refer to www.matusonassociates.co.za/basilread/ for further information on the business rescue proceedings of the Company.

2. Update on Business Rescue Proceedings

2.1. Challenges

The business rescue process has been subjected to a number of significant challenges, being:

2.1.1. Post Commencement Finance (“PCF”)

- PCF was only finalised three months after commencement of business rescue;
- as a consequence of the delay in PCF approval, onsite construction activities were curtailed, and anticipated cash inflows significantly reduced;
- available PCF was consumed largely in funding non-revenue generating fixed costs;
- notwithstanding that the design and construction of the St Helena Airport was largely completed in 2016 and the operation of the airport was proceeding well, in the process of negotiating settlement proposals, the St Helena Government repudiated the contracts and by its purported cancellation thereof and called up the guarantees. The impact of this was that anticipated PCF funding in the sum of some R40 million was withdrawn.

2.1.2. Construction Contracts

- pending cancellation and/or suspension of a number of loss-making contracts, complicated by contractual and other adverse factors have had to be overcome, including essential unfunded costs that had to be paid; and
- subsequent to commencement of business rescue a number of cost overruns and reduced revenues have been identified.

2.1.3. Asset Realisations

- plant and equipment: The contractual requirement for plant and equipment to remain on sites has delayed the sale process in respect thereof;
- non-core assets: Given the nature of these assets and the prevailing economic conditions, reduced realisations and delays are inevitable.

2.1.4. Construction Claims

The process of resolving and recovery of claims has been considerably more protracted than initially anticipated, reasons being:

- claims are numerous and complex;
- cumbersome adjudication process; and
- employer counter-claims.

2.1.5. Reliability of Company forecasts, accounting and information systems:

- Inaccuracies and understatement in forecasts of contract costs to complete.
- Estimates of revenues to completion failing to take account of previously received pre-business rescue advance payments.

3. Proof of Claims

- 3.1. There remains a large number of pre-commencement creditors who have yet to submit their claims, and who are encouraged to do so.
- 3.2. Having initially set 20 November 2018 as the deadline for submission of claims the business rescue practitioners have agreed to extend this date to 31 January 2019.
- 3.3. Claim forms can be found on -
www.matusonassociates.co.za/wp-content/uploads/2018/06/Claim-Form-Basil-Read.pdf

4. Current initiatives being pursued

- 4.1. The BRPs are continuing with the following key elements of the business rescue plan, being:

4.1.1. Contracts

- completion of profitable contracts;
- cancellation and/or cession of onerous contracts;

4.1.2. Claims – Resolution and recovery;

4.1.3. Disposal of non-core assets;

4.1.4. Reduction of fixed cost overheads;

- 4.2. Most importantly the staff complement of Basil Read has been significantly reduced by way of the following retrenchments:

4.2.1. Head office from 98 to approximately 17.

4.2.2. All labour on onerous and cancelled contracts.

5. Conclusion

Whilst the business rescue practitioners remain of the opinion that there is a reasonable prospect of achieving an end result that would be better than that of a liquidation, given the risks and challenges detailed above, to this end they are considering various initiatives. In the event that these proposed initiatives constitute a material variation to those set out in the business rescue plan, in terms of section 152 of the Companies Act, creditor approval may be required. In this connection the business rescue practitioners will be again communicating with affected persons early during January 2019.
