



ADAMANTEM



MATUSON
ASSOCIATES

Basil Read Limited (in business rescue)

Registration number 1962/002313/06

("The Company")

June – August 2020

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 **Thirteenth 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/ 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, with all site activities suspended on 26 March 2020 as directed by the South African Government and in line with the provisions of the Disaster Management Act.
 - 2.1.2. All site activities have since resumed and have been operating at a steady pace, in compliance with Government regulations set to protect employees and sub-contractors from contracting Covid-19.
 - 2.1.3. The Company has reported only one case of an employee who has tested positive for Covid-19, in this reporting period which employee has since recovered and resumed work.
 - 2.1.4. Notwithstanding the Covid 19 disruptions, the company has successfully completed the TCTA project and received the Performance Certificate on 10 September 2020. The TCTA project contributed significantly to the Company’s financial distress, due to its significance, complexity and numerous problems that were encountered in execution that eventually resulted in the business rescue proceedings. The Company is now focused on reaching financial closure on this project through the contractual final account processes.
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2.1.5. The following Contracts are expected to be completed by December 2020:

2.1.5.1. Rosetta

2.1.5.2. Medupi Buildings

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 performance guarantees outstanding is now only R154million versus R1.1 billion on 15 June 2018.

2.2.3. We anticipate a further reduction of the outstanding guarantees by the end of December 2020 being the performance and retention guarantees on the Medupi and Rosetta projects.

2.2.4. Negotiations are ongoing to seek to mitigate the claims and losses associated with the call of these guarantees.

2.3. Contract Claims

2.3.1. The aggregate sum of contract claims is substantial and the BRPs believe the extent to which the Company is able to recover these claims will impact materially on the result of the business rescue process.

2.3.2. The resolution of contract claims continues to be time consuming, tedious and costly, however, the Company has been able to make progress and resolve certain of these claims and continues to pursue the outstanding ones.

2.3.3. The process of claims resolution has been impacted by the Covid-19 related lockdowns and in particular those matters that were to be heard in courts or in arbitration. However, the Company has been successful in obtaining a provisional sentence judgement against the National Department of Public Works, to settle an interim payment certificate which has been outstanding since June 2018.

2.3.4. It must be pointed out that, going forward, the Company is heavily reliant on realising claims in order to meet post-commencement commitments. Consequently the Company will continue to pursue claims vigorously.

2.3.5. It must also be highlighted that certain of the claims the Company won remain unpaid due to the employers being unable or willing to settle them. Consequently, the timing of receipts of funds for these claims is remains uncertain.

2.4. Realisation of Non-Core Assets

Given the state of the local and global economy, as a consequence of the Covid-19 pandemic, we do not anticipate that there will be a significant interest in the non-core assets of the company. We however continue to pursue expressions of interest from several 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.

2.5. Retained Businesses (Mining and Developments)

- 2.5.1.** 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.
- 2.5.2.** These businesses, as with every business in the current economic climate, have been impacted by the Covid-19 pandemic with certain clients declaring a *force majeure* resulting in the termination of certain long-term contracts leading to retrenchments, particularly within the Mining Business.
- 2.5.3.** However, despite the Covid 19, these businesses have managed to preserve cash in order to have sufficient working capital to sustain operations despite the impact of this pandemic.
- 2.5.4.** The Mining Business has managed to secure two new contracts in Namibia during this reporting period which is testament to the strategy of preserving and safeguarding this business.

2.6. 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:

- 2.6.1.** Business Rescue Costs.
 - 2.6.2.** Pre-Commencement Secured Creditors.
 - 2.6.3.** PCF Employees.
 - 2.6.4.** Secured PCF Creditors.
 - 2.6.5.** Unsecured PCF Creditors.
 - 2.6.6.** Pre-Commencement Employees.
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2.6.7. Pre-Commencement Concurrent Creditors.

3. Unforeseen Setbacks

- 3.1. The Covid-19 pandemic is one of the unforeseen setbacks that has affected adversely the planned completion dates of contracts, the ability of employers to pay the company what is due and the ability to finalise claims.
- 3.2. For other unforeseen setbacks, attention is drawn to previous update reports for further detail.
- 3.3. 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 negative impact of the unforeseen setbacks, as set out in this and 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 and contract claims in particular.
 - 5.2. Notwithstanding the abovementioned uncertainties, it is anticipated that:
 - 5.2.1. subject to the abovementioned realisation of Claims, 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 significantly 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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