



ADAMANTEM



MATUSON
ASSOCIATES

Basil Read Limited (in business rescue)

Registration number 1962/002313/06

("The Company")

March - May 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 **Eleventh 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. Construction contracts were significantly impact 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. Some site activities were allowed to resume at the beginning of May 2020, and primarily to implement safe procedures to protect employees against Covid-19 and align with Government regulations.
 - 2.1.3. The Company had to implement business continuity procedures and undertake various cash conservation and cost cutting initiatives to limit further distress to the business and ensure operations can continue to enable completion of the contracts.
 - 2.1.4. The Covid-19 disruptions have delayed the completion of contracts by more than two months as the ramp up of operations is expected to be slow, as a result of the supply chain challenges and getting all the subcontractors back on site, given the travelling restrictions.
 - 2.1.5. The following Contracts are still to be completed with the following estimated completion dates:
 - 2.1.5.1. Rosetta – November 2020.
 - 2.1.5.2. TCTA – July 2020.
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2.1.5.3. Medupi Buildings – October 2020.

2.2. Performance Guarantees

2.2.1. Since the last Update Report, no further performance guarantees have been called.

2.2.2. The value of performance guarantees outstanding is R264.8 versus R1.1 billion on the 15 June 2018

2.2.3. 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 Arbitration. The resumption date of these matter remains uncertain pending clarity on when the Courts will resume allocating dates.

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. In this regard and where appropriate, legal actions have been instituted to recover significant claims and have incurred additional costs in t he process

2.4. Realisation of Non-Core Assets

2.4.1. Basil Read Boksburg Campus

The Company concluded a “lease with an option to purchase” with Bobcat on a property in workshop and warehouse property in which it has 50% interest in February 2020.

2.4.2. Rolling Hills Lifestyle Estate

The BRPs 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. Since the Tenth Update Report, no affected person has introduced the BRPs to any persons who may have any interest in the properties.

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 South African economy, have been impacted by the Covid-19 pandemic with certain clients declaring a *force majeure* resulting in the termination of certain long-term contracts being and retrenchments, particularly within the Mining Business.

2.5.3. However, despite the Covid 19, these businesses have managed to preserve cash in order to remain sustainable despite the impact of this pandemic.

2.5.4. Sale of the Mining Business

This process is in progress and while some offers have been received, it has been considered prudent to continue pursuing further potential offers. It must nevertheless be highlighted that the Covid-19 pandemic is likely to have a negative impact on asset prices, particularly for assets affected by a business rescue.

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.

2.6.7. 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.

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 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 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.
