

# Basil Read may sell mining

## RESCUE PLAN TABLED: PRACTITIONERS SAY THEY WILL CONSIDER ANY REASONABLE OFFER

➔ **R733m loss before tax in 2017, compared with budgeted profit of R218m.**

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Moneyweb

**A** rescue plan has been tabled for the construction business of listed group Basil Read.

The plan relies heavily on the group's successful mining business and could even see that asset being sold to save the construction side.

The group voluntarily applied to have its construction business put in business rescue in June after funders refused further assistance outside of a formal business rescue process.

If approved, the plan could deliver an initial business rescue dividend of 8c in the rand to concurrent creditors in the next 12 months, compared to 5.4c had the business gone straight into liqui-

dation in June, according to the practitioners.

The company's business rescue practitioners (BRPs) say they will consider any offer to purchase Basil Read Mining, a profitable surface mining business, which could result in a further business rescue dividend being paid to preference shareholders.

This would be dependent on approval of the funders who provided post-commencement finance.

According to information contained in the business rescue plan, Basil Read has 43 active construction sites spread across South Africa, Namibia, Botswana, Lesotho and St Helena island.

At the time of going into business rescue, the company had 4 730 employees and supported a further 2 500 jobs indirectly through its subcontractors.

The practitioners state that the local construction industry is under pressure, with no prospect of improvement in the short term.

Against this backdrop, Basil Read had been doing work at low margins with no buffer for unexpected obstacles.

When major projects became distressed, the company incurred significant penalties, losses and

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delays, which resulted in a R733 million loss before tax in the 2017 financial year, compared with a budgeted profit of R218 million.

Management negotiated an 18-month debt standstill and did a successful R300 million rights issue. The proceeds of the rights issue were used to repay R150 million in bridging finance to the Industrial Development Corporation, with the balance utilised as

# 4 730

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working capital.

The company was still unable to meet its financial obligations in the short term and after failing to secure further financing, turned to business rescue.

The BRPs will continue with a staff restructuring process, but have not indicated how many staff might need to be retrenched.

Most of the company's construction contracts are with government clients.

These include projects at Eskom's Kusile and Medupi power stations (one and three projects respectively), and four roads projects for the SA National Roads Agency.

The construction operations seem to have slowed down due to the delay in securing post-commencement finance, but the business rescue practitioners have engaged clients in an effort to see the continuation of work.

Most clients have responded positively and engagements are ongoing, they say.

The business rescue practitioners have proposed that the St Helena government provide post-commencement finance with regard to Basil Read's contract to develop and operate the new airport on the island.

That government did not accept the proposal due to constitutional and regulatory restrictions and is currently considering a proposal for Lombards Insurance Company and Standard Chartered Bank to provide such finance.

A project review is being done to determine the amount of work that is outstanding with regard to the first phase of the airport's construction.

The review – which is expected to be finalised within two months – will also look at the unresolved issues between Basil Read and the St Helena government, and will endeavour to identify a new party to take over the operations of the airport.

The business rescue practitioners have engaged with 11 of Basil Read's clients about outstanding contract claims totalling about R218 million, including two relating to Eskom's Medupi Power Station project, two against the department of public works, one against the Passenger Rail Agency of SA and one against Transnet.

The company's total assets as of June 30 amounted to R2.3 billion and claims totalling almost R1.4 billion have been received from creditors.