

BASIL READ HOLDINGS LIMITED

Incorporated in the Republic of South Africa

(Registration number 1984/007758/06)

(Basil Read or the Company)

ISIN: ZAE000029781

Share code: BSR

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**DECLARATION DATA ANNOUNCEMENT AND TERMS OF THE BASIL READ PARTIALLY UNDERWRITTEN RENOUNCEABLE RIGHTS OFFER**

**1. Introduction**

Basil Read shareholders ("Shareholders") are referred to the results of general meeting announcement released by Basil Read on 4 December 2017 on the Stock Exchange News Service ("SENS") of the JSE Limited ("JSE"), wherein Shareholders were advised that the necessary resolutions to implement a rights offer ("Rights Offer") had been passed and accordingly the Rights Offer would now proceed.

Such resolutions included the increase of Basil Read's authorised stated capital from 300 000 000 Basil Read Ordinary Shares and 33 607 507 "A" Ordinary Shares to authorised stated capital of 6 000 000 000 Basil Read Ordinary Shares and 33 607 507 "A" Ordinary Shares by the creation of a further 5 700 000 000 Basil Read Ordinary Shares.

**2. Salient terms of the Rights Offer**

Basil Read proposes to raise R300 million (excluding the potential R19 094.22 proceeds from the rights attached to Basil Read's treasury shares) through an offer of approximately 1 363 636 364 Rights Offer shares ("Rights Offer Shares") at a price of R0.22 per Rights Offer Share ("Rights Offer Issue Price") in the ratio of 1 035.45602 Rights Offer Shares for every 100 existing Basil Read ordinary shares ("Basil Read Shares") held on the initial record date for the Rights Offer, being Friday, 9 February 2018. The Rights Offer Issue Price represents a 63% discount to the closing price on Friday, 19 January 2018. Application will be made to the JSE for the listing of the letters of allocation and the Rights Offer Shares on the securities exchange of the JSE as follows:

- letters of allocation in respect of the Rights Offer Shares will be listed from the commencement of business on Wednesday, 7 February 2018 to the close of business on Tuesday, 20 February 2018, both days inclusive, under the JSE code: BSRN and ISIN: ZAE000253886; and
- the Rights Offer Shares will be listed with effect from the commencement of business on Thursday, 22 February 2018.

The Rights Offer Shares will, upon allotment and issue, rank *pari passu* with all other shares of the same class.

The Rights Offer will allow for excess applications. The right to apply for additional Rights Offer Shares is transferable on renunciation.

Certificated Shareholders wishing to apply for excess Rights Offer Shares should complete the Form of Instruction enclosed with the Rights Offer circular ("Rights Offer Circular") in accordance with the instructions contained therein and return it to the transfer secretaries so as to be received by the transfer secretaries by no later than 12:00 p.m. on Friday, 23 February 2018.

Dematerialised Shareholders wishing to apply for excess Rights Offer Shares should instruct their CSDP or Broker, in terms of the custody agreement entered into between themselves and their CSDP or Broker, as to the number of excess Rights Offer Shares for which they wish to apply.

An announcement will be released on SENS on or about Monday, 26 February 2018 stating the results of the Rights Offer and the basis of allocation of any additional Rights Offer Shares for which application is made.

### 3. Rationale for the Rights Offer

As announced on SENS on 28 August 2017, Basil Read reported a net loss of R 474.1 million for the 6 months ended 30 June 2017 compared to a profit of R73.5 million for the 6 months ended 30 June 2016, mainly attributed to the provisions on contracts within the roads division and write down of goodwill as a result of a decline in earnings of that division, claims recoveries being significantly below expectations, cost overruns (including penalties from delays) on certain of the Company's distressed projects, as well as realising bad debts. In terms of Basil Read's accounting policy, where contracts are expected to post a loss on completion, a provision is created for the full loss in the period determined. Consequently, a number of provisions for loss-making contracts were created during the first half of the financial year ended 31 December 2017.

More importantly, a few legacy cash-depleting projects over the past years negatively impacted the cash reserves of the Company, resulting in cash flow being constricted and Basil Read being unable to meet future cash requirements without recapitalisation.

The Directors recognise that funding is critical and, the board of Basil Read resolved to recapitalise the balance sheet to position Basil Read for the current environment. The first phase of the recapitalisation involved seeking a bridge facility from the IDC of R150 million ("IDC Bridge Loan"). The first tranche of R61 million of the R150 million bridge funding from the IDC was approved on 14 August 2017 and drawn down on 21 September 2017, the second tranche of R89 million was approved on 2 October 2017 (with R46 million being drawn down on 16 November 2017 and the remaining R43 million being drawn down on 4 December 2017) to meet existing commitments. The IDC Bridge Loan and the Debt Standstill Agreement (as detailed in the SENS announcement issued by Basil Read on 5 December 2017) ("Debt Standstill Agreement") provide the group with the necessary breathing room and stability to focus on operations, while long-term funding is required to recapitalise the group and provide it with the necessary platform and working capital to carry out its operations efficiently (without any cash flow limitations), while implementing its strategic objectives.

The second phase of the recapitalisation is this Rights Offer targeting a capital raise of R300 million.

In addition to recapitalising the balance sheet of Basil Read, the group is undergoing a strategic repositioning, including *inter alia* the following:

- rightsizing overheads for each division;
- corporate overhead restructure including reducing head-office rent;
- fixing and closing distressed contracts;
- renewed focus on resolving claims timeously;
- investing in and growing the higher margin businesses in the civils, developments and mining divisions to enable the Company to generate more operating cash flow; and
- selling certain non-core assets to allow Basil Read to reduce balance sheet risk and generate free cash. The disposals are anticipated to be made in the 2018 financial year.

Basil Read recognises that it is crucial to raise the necessary funds as mentioned above. Strategic re-alignment and the removal of the liquidity constraint should have a significant positive impact on the group, including *inter alia*:

- allowing the group to focus on higher margin and more profitable projects;
- enhancing operational and financial efficiency across the group with improved net margins;
- reducing borrowing costs over the longer term;
- securing guarantees at more favourable rates;
- settling overdue creditors and maintaining the relationships necessary to carry out the profitable projects into the future;
- early payments resulting in material settlement discounts;
- avoiding penalties by timeous payment of contractors resulting in projects being completed on time; and
- managing maintenance programs of capital equipment rather than spending significant amounts on emergency capital expenditure.

A cash improved and strategically repositioned business should result in improved profitability going forward.

#### 4. Commitments and underwriting

**Shareholders attention is drawn to the minimum subscription read with the restrictions on Shareholder commitments and support, the underwriting as well as the milestones under the Debt Standstill Agreement detailed below.**

The following Shareholders have undertaken to follow or support the following of their rights for approximately R166 million (the "Commitments") subject to the restrictions below:

<b>Name of Ordinary Shareholder</b>	<b>Number of Basil Read Ordinary Shares held before the Rights Offer</b>	<b>Number of Rights Offer Shares in the ratio of 1 035.45602 for every 100 Basil Read Ordinary Shares held</b>	<b>Letters of allocation to be followed</b>	<b>Percentage of total Rights Offer Shares</b>
Allan Gray Proprietary Limited	31 356 373 <sup>1</sup>	324 681 452	324 681 452	23.8
PSG Asset Management Proprietary Limited	11 983 213 <sup>2</sup>	124 080 900	124 080 900	9.1
Prudential Investment Managers (South Africa) Proprietary Limited	11 704 576 <sup>3</sup>	121 195 737	121 195 737	8.9
Industrial Development Corporation of South Africa Limited ("IDC")	9 090 909 <sup>4</sup>	94 132 365	94 132 365	6.9
SIOC	7 883 243	81 627 514	81 627 514	6.0
Ashburton Fund Managers Proprietary Limited (in its capacity as a discretionary FSP of the Ashburton Dynamic Equity Hedge Fund)	942 363	9 757 754	9 757 754	0.7
<b>Total</b>	<b>72 960 677</b>	<b>755 475 722</b>	<b>755 475 722</b>	<b>55.4</b>

<sup>1</sup> Allan Gray Proprietary Limited is the appointed discretionary investment manager of clients who are beneficial and/or registered holders of Basil Read Ordinary Shares. Allan Gray Proprietary Limited is not the beneficial owner of the shares and has irrevocably undertaken to procure that its clients follow their rights. This commitment is subject to the continuing mandates of its clients in their current form and in the absence of any instructions from its clients to the contrary. Allan Gray Proprietary Limited has limited its commitment such that its clients' rights need not be followed by the clients to the extent (and only to such extent) that the exercise thereof would result in Allan Gray Proprietary Limited's clients' aggregate holding of the issued shares in the capital of Basil Read exceeding 25% thereof.

<sup>2</sup> PSG Asset Management Proprietary Limited is the registered beneficial owner (or alternatively has the mandate to control the voting rights) of the Basil Read Ordinary Shares. PSG Asset Management Proprietary Limited is in support and will exercise its rights in respect of the Basil Read Ordinary Shares.

<sup>3</sup> Prudential Investment Managers (South Africa) Proprietary Limited is the appointed discretionary investment manager of clients who are beneficial and/or registered holders of Basil Read Ordinary Shares. Prudential Investment Managers (South Africa) Proprietary Limited is not the beneficial owner of the shares and has irrevocably undertaken to recommend to its clients to follow their rights. This commitment is subject to the continuing mandates of its clients in their current form and in the absence of any instructions from its clients to the contrary. Prudential Investment Managers (South Africa) Proprietary Limited has limited its clients' commitment to follow their rights to the effect that the maximum aggregate holding by its clients will not exceed 10% of the total number of issued Basil Read Ordinary Shares post the Rights Offer.

<sup>4</sup> The IDC's total holding in terms of following its rights, 8 400 263 Basil Read Ordinary Shares which the IDC holds as security pre-Rights Offer, as well as the underwritten shares (per the underwriting below) is limited to 33% of the total number of Basil Read Ordinary Shares post the Rights Offer.

Furthermore, to provide the Company and Shareholders with the certainty of a successful implementation of the Rights Offer, the Company has entered into an underwriting agreement with the IDC to underwrite up to a maximum amount of R89.1 million.

The effect of the undertakings and the underwriting commitment referred to above is that the Rights Offer is partially underwritten and committed to the value of R255 million subject to the maximum post rights shareholding restrictions outlined above and the impact of such restrictions as reflected in Annexure 5 to the Rights Offer Circular. The potential result of these restrictions is that the effective committed and supported and underwritten amount is R168 million if none of the other Ordinary Shareholders follow their rights and no excess applications are made. The Rights Offer is conditional on receiving a minimum aggregate subscription amount of R168 million which addresses this worst-case scenario. In addition, in terms of the Debt Standstill Agreement, the Company has agreed a milestone with the standstill creditors to raise a minimum of R300 million by way of the Rights Offer by 31 March 2018. Failure to raise the R300 million could result in a default under the Debt Standstill Agreement. Unless such milestone is relaxed or waived by the standstill creditors, it may result in the termination of the Debt Standstill Agreement and the standstill creditors demanding immediate repayment of the outstanding debt owed to them by the group which would have a material adverse impact on the group. If any potential asset disposals or other mechanisms to fund the group were to be unsuccessful, insufficient or delayed, Basil Read may cease to be a going concern and be unable to pay its debts, which may lead to business rescue or liquidation.

Further details of the underwriting agreement and Commitments will be set out in the Rights Offer Circular.

#### 5. Entitlement

The allocation of Rights Offer Shares will be such that Shareholders will not be allocated a fraction of a Rights Offer Share and as such any entitlement to receive a fraction of a Rights Offer Share which:

- is less than one-half of a Rights Offer Share, will be rounded down to the nearest whole number; and
- is equal to or greater than one-half of a Rights Offer Share but less than a whole Rights Offer Share, will be rounded up to the nearest whole number.

#### 6. Conditions precedent

The implementation of the Rights Offer is subject to the JSE granting a listing for the letters of allocation and the Rights Offer Shares on the securities exchange of the JSE in respect of the Rights Offer.

#### 7. Foreign shareholders

Foreign Shareholders may be affected by the Rights Offer, having regard to prevailing laws in their relevant jurisdictions. Such foreign Shareholders should inform themselves about and observe any applicable legal requirements of such jurisdiction in relation to all aspects of this announcement that may affect them, including the Rights Offer. It is the responsibility of each foreign Shareholder to satisfy himself as to the full observation of the laws and regulatory requirements of the relevant foreign jurisdiction in connection with the Rights Offer, including the obtaining of any governmental, exchange or other consents or the making of any filing which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes or other requisite payments due in such jurisdiction.

The Letters of Allocation and the Rights Offer shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended ("U.S. Securities Act"), or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state and other securities laws of the United States. There will be no public offer of the Letters of Allocation and the Rights Offer Shares in the United States. Neither the U.S. Securities and Exchange Commission ("SEC") under the U.S. Securities Act nor any U.S. federal or state securities commission has registered, approved or disapproved the Rights Offer Shares or passed comment or opinion upon the accuracy or adequacy of the Rights Offer Circular. Ordinary Shareholders who are citizens or residents of the United States are advised that the Rights Offer Shares have not been and will not be registered under the U.S. Securities Exchange Act of 1934, as amended. Accordingly, the Company is not extending the Rights Offer into the United States unless an exemption from the registration requirements of the U.S. Securities Act is available.

Rights Offer Shares will be provisionally allotted to all Ordinary Shareholders on the register at the initial record date for the Rights Offer, including restricted shareholders referred to below. However, the accompanying Form of Instruction (where applicable) will not be sent to Ordinary Shareholders with registered addresses or who are resident or located in the United States or in any jurisdiction where the extension or making of the Rights Offer would be unlawful or in contravention of certain regulations (each an "Excluded Territory") on such initial record date (referred to herein as Restricted Shareholders) and Letters of Allocation will not be

credited to the securities account of the CSDP or Broker of Ordinary Shareholders who are Restricted Shareholders, except where the Company is satisfied that such action would not result in contravention of any registration or other legal requirement in any jurisdiction. Restricted Shareholders (subject to such exceptions) will be treated as Ordinary Shareholders whose Letters of Allocation have lapsed.

8. Salient dates and times

The proposed salient dates and times in respect of the Rights Offer are set out below.

**Shareholders are advised to trade with care given the amendments to the standard JSE corporate action timetable as reflected below.**

	2018
Declaration date announcement released on SENS on	Monday, 29 January
Rights Offer declaration announcement published in the press on	Tuesday, 30 January
Finalisation date announcement released on SENS by 11:00 on	Wednesday, 31 January
Circular available on Basil Read's website at <a href="http://www.basilread.co.za">www.basilread.co.za</a>	Monday, 5 February
Last day to trade in Basil Read Ordinary Shares in order to participate in the Rights Offer	Tuesday, 6 February
Listing and trading of Letters of Allocation on the JSE under JSE code: BSRN and ISIN: ZAE0000253886 commences at 09:00 on	Wednesday, 7 February
Basil Read Ordinary Shares commence trading on the JSE ex-Rights Offer entitlement at 09:00	Wednesday, 7 February
Rights Offer Circular and Form of Instruction distributed to Certificated Shareholders	Thursday, 8 February
Record Date for determination of Ordinary Shareholders entitled to participate in the Rights Offer at 17:00 on ( <b>Initial Record Date</b> )	Friday, 9 February
Dematerialised Shareholders will have their accounts at their CSDP or Broker automatically credited with their entitlement	Monday, 12 February
Certificated Shareholders on the Register will have their entitlement credited to their accounts held with the Transfer Secretaries	Monday, 12 February
Rights Offer opens at 09:00 on	Monday, 12 February
Rights Offer Circular distributed to those Dematerialised Shareholders who have elected to receive documents in hard copy	Tuesday, 13 February
Last day to trade Letters of Allocation on the JSE	Tuesday, 20 February
Rights Offer Shares listed and trading therein commences on the JSE	Thursday, 22 February <sup>10</sup>
Payment to be made and Form of Instruction to be lodged with the Transfer Secretaries by Certificated Shareholders by 12:00 p.m.	Friday, 23 February
Rights Offer closes at 12:00 p.m.	Friday, 23 February
Record Date for Letters of Allocation ( <b>Final Record Date</b> )	Friday, 23 February
Results of Rights Offer and basis of allocation of excess Rights Offer Shares announced on SENS	Monday, 26 February
Results of Rights Offer and basis of allocation of excess Rights Offer Shares published in the press on	Tuesday, 27 February
Rights Offer Shares issued	Tuesday, 27 February <sup>10</sup>

Dematerialised Shareholders' accounts updated and debited by CSDP or Broker (in respect of payment for Rights Offer Shares)	Tuesday, 27 February <sup>10</sup>
Certificates distributed to Certificated Shareholders (in respect of Rights Offer Shares)	Tuesday, 27 February <sup>10</sup>
Rights Offer Shares in respect of successful excess applications (if applicable) issued on or about	Thursday, 1 March
CSDP or Broker accounts of Dematerialised Shareholders credited/debited and updated with Rights Offer Shares in respect of successful excess applications (if applicable)	Thursday, 1 March
Share certificates in respect of successful excess applications (if applicable) posted to Certificated Shareholders by registered post on or about	Thursday, 1 March
Refund payments made by EFT or cheques posted, as the case may be, to Certificated Shareholders in respect of unsuccessful excess applications (if applicable) on or about	Thursday, 1 March

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Notes:

1. All references to dates and times are to local dates and times in South Africa.
2. Dematerialised Shareholders are required to inform their CSDP or Broker of their instructions in terms of the Rights Offer in the manner and time stipulated in the agreement governing the relationship between the Shareholder and their CSDP or Broker.
3. Share certificates may not be dematerialised or rematerialized between Wednesday, 7 February 2018 and Friday, 9 February 2018, both days inclusive.
4. Dematerialised Shareholders will have their accounts at their CSDP or Broker automatically credited with their rights and Certificated Shareholders will have their rights credited to their accounts at the Transfer Secretaries.
5. CSDPs effect payment in respect of Dematerialised Shareholders on a *delivery-versus-payment* method.
6. Share certificates will be posted at the risk of the relevant Certificated Shareholders (or their renouncees).
7. Refund payments will be made or transferred at the risk of the Certificated Shareholders (or their renouncees).
8. Any changes to the dates and times will be announced on SENS.
9. Finalisation announcement  
It is anticipated that the finalisation announcement for the Rights Offer will be released on SENS on Wednesday, 31 January 2018.
10. These dates have been extended beyond the standard JSE corporate actions timetable in order to cater for the manual allocation arising out of the limits placed on the Commitments as outlined in paragraph 4 above.  
**Shareholders should trade with care on Wednesday, 21 February 2018 as Rights Offer Shares will only be issued on Tuesday, 27 February 2018.**

9. Rights Offer Circular

Further details of the Rights Offer will be set out in the Rights Offer Circular which is expected to be distributed to certificated Shareholders on Thursday, 8 February 2018 and to dematerialised Shareholders on Tuesday, 13 February 2018.

The Rights Offer Circular is expected to be made available on the Company's website [www.basilread.co.za](http://www.basilread.co.za) on Monday, 5 February 2018.

Johannesburg  
29 January 2018

Company Secretary  
A Ndoni

Corporate Advisor and Transaction Sponsor  
Tamela Holdings Proprietary Limited

Legal Adviser  
Tugendhaft Wapnick Banchetti & Partners