

Basil Read Holdings Limited
(Incorporated in the Republic of South Africa)
Registration Number 1984/007758/06
Share Code: BSR ISIN: ZAE000029781
("Basil Read" or "the Company")

ANNOUNCEMENT REGARDING THE SALE OF LETTING ENTERPRISE BY THE GROUP

1 INTRODUCTION

Shareholders are advised that Thunderstruck Investments 136 (Pty) Ltd ("**Thunderstruck**"), a joint venture of Basil Read Limited (in Business Rescue) ("**BRL**"), which, in turn, is a wholly owned subsidiary of Basil Read Holdings Limited ("**the Company**"), has entered into an agreement to sell immovable properties in Ekurhuleni Metropolitan Municipality (the "**Disposal**").

2 BACKGROUND AND RATIONALE FOR THE DISPOSAL

BRL is the main operating entity of the Basil Read group of companies ("**the Group**"). The Company is the ultimate Holding Company and houses the construction and roads divisions, and the mining and development subsidiaries. Because of the business rescue proceedings, the Company applied to the JSE to suspend trading, and such suspension occurred on Wednesday, 20 June 2018.

The business rescue plan as published ("**Business Rescue Plan**"), refers to and contemplates the disposal of certain non-core assets in the Group.

The immovable properties in Ekurhuleni Metropolitan Municipality represent such non-core assets as contemplated in the Business Rescue Plan.

Thunderstruck, in which the Company holds an effective 50% interest, has entered into a sale of letting enterprise agreement with Susand Investments (Pty) Ltd ("**the Sale Agreement**"). The Group's registered office and corporate offices were based on the properties being sold. Susand Investments (Pty) Ltd ("**the Purchaser**") is not a related party to the Company or the Group in terms of the JSE Listings Requirements.

3 KEY TERMS OF THE TRANSACTION

3.1 Sale and purchase

Thunderstruck is selling immovable properties ("**Property**") described as the following:

1. Erf 541 Hughes Extension 75 Ekurhuleni Metropolitan Municipality, in extent 8,875 (eight thousand eight hundred and seventy five) square meters, together with all improvements thereto;
2. Erf 542 Hughes Extension 75, Ekurhuleni Metropolitan Municipality, in extent 8972 (eight thousand nine hundred and seventy two) square meters, together with all improvements thereto;
3. Erf 543 Hughes Extension 75, Ekurhuleni Metropolitan Municipality, in extent 8972;
4. Erf 544 Hughes Extension 75, Ekurhuleni Metropolitan Municipality, in extent 8,853; and
5. All fixtures and fittings of a permanent nature in the improvements upon and to the Property, specifically including the generator/s, water tanks and pumps, computer cabling and installations

(collectively: "**the Sale Property**").

3.2 The sale consideration

The total sale price is R136,000,000.00 (one hundred and thirty-six million rand), payable in accordance with the following terms, which include, but are not limited to:

1. The Purchaser paying a deposit by the Purchaser of 5% (five percent) of the total purchase price;
2. The Purchaser providing a guarantee from a registered commercial bank for the balance of the purchase price.

3.3 Possession and Risk, Occupation and Improvements

The parties agreed that the Purchaser would take vacant occupation of the Property on 1 June 2019, subject to the purchaser paying occupational rent in the amount of R1,000,000.00 (one million rands) excluding VAT, payable monthly and in advance until the Property is registered in the name of the Purchaser. On the date of the registration of the transfer of the Property into the name of the Purchaser, the rent will be calculated and payable *pro-rata* to the actual date of transfer.

3.4 Payment Breach

If either of the Seller or the Purchaser breaches its respective obligations under the Sale Agreement, upon written notice from the aggrieved party, the defaulting party may remedy the breach within 15 (fifteen) business days; failing which, the aggrieved party may sue for performance or cancel the agreement without prejudice to its legal rights to claim damages.

3.5 Application of the proceeds

The proceeds from the Disposal will be first applied in the settling the liabilities commitments of Thunderstruck and then the balance distributed to the respective shareholders. BRL intends to applied it share towards repayment of the Post Commencement Funding ("PCF") in order to improve the outcome of the Business Rescue Plan.

3.6 Suspensive Conditions

The conclusion of the Disposal is subject to the fulfilment or waiver of certain suspensive conditions, which include:

- The Purchasers paying the deposit and delivering guarantees for the balance of the purchase price;
- The Competition Commission approving the transaction, evidenced by the issuing of a merger clearance certificate within 8 (eight) weeks of submission of the application for approval, which time period will automatically extend until the Competition Commission provides its approval;
- The acceptance/confirmation/approval/endorsement of the transaction by the Business Rescue Practitioners.

3.7 Other provisions

The transaction agreement contains legal warranties and indemnities which are considered normal in respect of a transaction of this nature.

The Closing date of the transaction will be one business day after the fulfillment of the suspensive conditions and is still to be determined.

4 PROFIT AND NET ASSET VALUE ATTRIBUTABLE TO BRL

The total sale price is R136,000,000.00 (one hundred and thirty-six million rand), of which the subsidiary represents the Company share is R78,000,000 (50% shareholding). The Company's share closed 4 (four) cents per share on 20 June 2018, before the share was suspended. This translated to a market capitalization of R59,813,226 (fifty nine million eight hundred and thirteen thousand two hundred and twenty six rands). The categorization calculations based on the above values are set out in the attached calculation spreadsheet.

The sale price, however, only represents 2.5% (two-point five percent) of total assets of the Company as at 31 December 2017. The sale, therefore, does not represent a substantial asset at Company level and shareholder approval is not required in terms of the Companies Act, 71 of 2008.

5 DIRECTORS CONFIRMATION

The Board of Directors of the Company confirms the following in terms of Schedule 11.5(a) of the JSE Listings Requirements:

- Basil Read and its subsidiaries (the "**Group**") are in severe financial difficulty, which is evidenced by the fact that the operating subsidiary, Basil Read Limited was placed in business rescue on Friday, 15 June 2018;
- the decision to apply for voluntary business rescue proceedings in Basil Read Limited was taken in the best interest of the Group as a whole. The sale of non-core assets is set out as part of the business rescue plan of Basil Read Limited (the "**Business Rescue Plan**"), as approved by the creditors of Basil Read Limited, and is accordingly required in order to implement the Business Rescue Plan successfully and improve the financial position of the Group;
- all alternative methods of financing Basil Read Limited have been exhausted and PCF in Basil Read Limited was secured subject to a successful business rescue process including, specifically, the sale on non-core assets, as it is contemplated that the PCF will be repaid from, *inter alia*, these proceeds; and
- the Purchasers in respect of the Disposal are not related parties of Basil Read or the other members of the Group.

The Company's sponsor is of the opinion, based on the information available to it, that as evidenced by the business rescue proceedings, the Company is in severe financial difficulty and that the Disposal and further disposals of non-core assets is key to the implementation of the Business Rescue Plan,

The Disposal of the Sale Property is not to a related party of the listed entity and the Takeover Regulation Panel has not been consulted, as the Disposal does not constitute all or the greater part of the Basil Read group assets or undertaking, in terms of section 112 of the Companies Act.

6 WORKING CAPITAL STATEMENT

The Board of Directors are of the opinion that the BSR Group does not have sufficient working capital available to meet its present requirements for at least the next 12 months. The auditors of the group articulated this in their emphasis of matter opinion with respect to the 2017 audited financial statements. Furthermore, the placing of a major subsidiary, Basil Read Limited, in business rescue further evidence that the Group requires further working capital to meet its requirement. The business rescue plan seeks to achieve sufficient working capital for the group through the PCF, disposal of the non-core assets, resolution of claims and completion of loss-making construction contracts. The Disposal is critical building block to the improvement of the working capital of the Group.

7. CATEGORISATION AND SCHEDULE 11 DISPENSATION

The transaction is categorised as a category one transaction in terms of the JSE Listings Requirements, due to the current circumstances of the Company. The Company has applied for and the JSE has granted the Company dispensation from the requirements of Category one transactions, pursuant to Schedule 11 of the JSE Listings Requirements.

6 September 2019

Sponsor
Grindrod Bank Limited