

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 LEASE AND OPTION TO SELL PREMISES BY THE GROUP

1. INTRODUCTION

Shareholders are advised that Basil Rad Properties No. 3 (Pty) Ltd ("**the Landlord**"), a subsidiary of 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 lease with an option to potentially 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 Landlord, in which the Company holds an effective 50% interest, is entering into a lease agreement with Bobcat Equipment Company South Africa (Pty) Ltd ("**the Tenant**"), granting the Tenant an option to purchase the leased property during the lease period ("**the Agreement**"). The Tenant is not a related party to the Company or the Group in terms of the JSE Listings Requirements.

The property intended to be leased and eventually sold under the Agreement, represents the non-core assets contemplated in the Business Rescue Plan, as discussed above.

3. KEY TERMS OF THE TRANSACTION

3.1 Letting and Hiring

1. The Landlord is leasing the following to the Tenant:
 - a. The remaining extent of Erf 308 Hughes Extension 53, Boksburg, Ekurhuleni Metropolitan Municipality, measuring approximately 6,437 (six thousand four hundred and thirty seven) square meters, held under title deed TT2855/2009 and situated at 55 Denne Road, Hughes; and
 - b. The remaining extent of Erf 558 Hughes Extension 34 Boksburg, Ekurhuleni Metropolitan Municipality, measuring approximately 1,6596 (one six five nine six) hectares held under title deed T36268/2011 and situated at 53 Denne Road, Hughes;
 - c. The above erven are notatially tied;

(collectively: the "**Property**");

2. The Agreement shall commence on 1 February 2020 ("**Commencement Date**") for 3 (three) years;
3. The occupation date was 1 November 2019, which entitles the Tenant to have access to and occupy the Property before the Commencement Date ("**Occupation Date**");
4. The Tenant is liable to pay rent from the Commencement Date, but may pay other monies under the Agreement, including VAT, monthly and in advance, from the Occupation Date;

5. The Landlord grants to the Tenant an option to renew the Lease for a further period of 3 (three) years ("the **Lease Renewal Period**"), essentially on the same terms and conditions as agreed to and set out in this Agreement.

The Agreement contains legal warranties and indemnities as well as breach clauses which are considered normal in respect of an Agreement of this nature.

3.2 Conditions Precedent

3.2.1 The Agreement is subject to the following conditions precedent:

- a. the approval of this Agreement by the Board of Directors of the Tenant and the signature of this Agreement by a duly authorised representative of the Tenant; and
- b. the approval of this Agreement by the Board of Directors of the Landlord and the signature of this Agreement by a duly authorised representative of the Landlord.

3.3 Option to Purchase

- 3.3.1 The Landlord grants to the Tenant an option to purchase the Property during the initial three year term of the Agreement.
- 3.3.2 The option is exercisable at the discretion of the Tenant, in writing and the purchase price ranges from R50,000,000, if exercised during the first year of the term, to R55,651,250, if exercised at the end of the term.
- 3.3.3 The Option to Purchase shall commence on the Signature Date of this Agreement and shall endure for the Initial Period.
- 3.3.4 If the Option to Purchase is not exercised by the Tenant in writing during the Initial Period, then it shall lapse and be of no further force of effect.
- 3.3.5 The Option to Purchase shall be exercised in writing by the Tenant by delivering a notice to the Seller at its nominated *domicilium*.

3.4 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 apply its share towards repayment of the Post Commencement Funding ("**PCF**") in order to improve the outcome of the Business Rescue Plan.

4 PROFIT AND NET ASSET VALUE ATTRIBUTABLE TO THE PROPERTY

The book value of the Property, which is the subject of the Disposal was R66 million per the last set of audited annual financial statements for the year ended 31 December 2017. The net profit for the Property for the year ended 31 December 2017, was R6.58million.

Basil Read equity accounted its 50% interest in Thunderstruck in the group annual financial statements for the year ended 31 December 2017, which was prepared in terms of IFRS.

The Company 50% share of the purchase price ranges from R25,000,000 to R27,825,625 depending on when the Tenant exercises the option to purchase.

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 a 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 and the Option being exercisable at the discretion of the Tenant. 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.

Benoni
18 November 2019

Sponsor
Grindrod Bank Limited