



Basil Read Holdings Limited  
(Incorporated in the Republic of South Africa)  
(Registration Number 1984/007758/06)  
Share Code: BSR ISIN: ZAE 000029781

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**DISPOSAL OF 100% OF THE ISSUED SHARE CAPITAL AND SALE CLAIMS IN LYT ARCHITECTURE (PTY) LTD (“LYT ARCHITECTURE”) BY A WHOLLY OWNED SUBSIDIARY OF BASIL READ HOLDINGS LIMITED (“BASIL READ”) TO THE LYT ARCHITECTURE MANAGEMENT CONSORTIUM (“PURCHASERS”)**

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## **INTRODUCTION**

Shareholders are advised that TWP Matomo Process Plant (Pty) Ltd (“TWP Matomo”) and Basil Read Limited, wholly owned subsidiaries of Basil Read, have entered into a sale of shares and claims agreement (the “Sale Agreement”) with the Purchasers, in terms of which the Purchasers will acquire all of the issued share capital and sale claims of LYT Architecture from TWP Matomo for a purchase price of R42 million (the “Transaction”).

## **RATIONALE FOR THE SALE AGREEMENT AND USE OF PROCEEDS**

Basil Read announced to shareholders on 27 August 2014 that it had developed an 18-month turnaround strategy which involved the critical evaluation of the various businesses and assets in the group into core and non-core categories. As part of this process, LYT Architecture was determined to be non-core and was earmarked for disposal.

The net proceeds will initially be placed on call, whereafter Basil Read intends to apply the net proceeds towards capital management initiatives.

## **BACKGROUND TO THE PURCHASERS**

The Purchasers are a management consortium consisting of members of management and employees of LYT Architecture. None of the Purchasers currently, or previously have, held positions as directors or principle executive officers with either Basil Read, Basil Read Limited or TWP Matomo. The Purchasers have been led by the Managing Director of LYT Architecture, Mr G Steenekamp, in the Management Buy Out.

## **BACKGROUND TO LYT ARCHITECTURE**

LYT Architecture is a diversified professional practice providing architectural and design services to a broad spectrum of clients across the African continent. LYT Architecture’s portfolio of completed projects includes commercial, industrial, retail, educational, residential, hotel and leisure projects as well as numerous projects for the mining industry and reported fee income of R40.3 million for the six months ended 30 June 2014.

## **KEY TERMS OF THE TRANSACTION**

### **• Sale agreement and purchase price**

In terms of the sale agreement, the Purchasers will acquire the entire issued share capital of LYT Architecture and all rights attaching thereto (the “sale shares”) as well as all claims which TWP Matomo and basil read limited have against LYT Architecture on the effective date of the transaction (the “sale claims”).

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The Purchasers will acquire the sale shares and the sale claims for a purchase price of R42 million, which will be allocated firstly to the face value of the sale claims and the balance to the sale shares.

The purchase price was based on an independent valuation which considered a combination of discounted cash flow, capitalised earnings and net asset valuation methodologies to negotiate and determine the total purchase price.

The sale claims specifically excludes a \$104 478 (USD) claim by basil read mauritius (Pty) ltd, a wholly owned subsidiary of Basil Read Limited, against LYT Form and Space Limited, a Nigerian incorporated entity, in which LYT Architecture has a 39.99% interest and control over the operations and board of directors.

The total purchase price shall be paid jointly by the Purchasers to TWP Matomo, pro rata, as follows:

- A sum of R5 million in cash, on the signature date;
- A sum of R25 million in cash, on or before 16 February 2015;
- A sum of R12 million in cash in three annual cash instalments, subject to the rollover clause below, as follows:
  - R4 million on, or before 1 February 2016;
  - R4 million on, or before 1 February 2017; and
  - R4 million on, or before 1 February 2018.

Ownership of, and all risk and benefit in, and to, the sale shares and the sale claims will pass from TWP Matomo to the purchasers on and with effect from the effective date.

#### • **Roll over of the instalments**

In terms of the sale agreement the Purchasers shall be entitled to defer payment, and/or partial payment, of the instalments from one year to the next, (i.e. "Rollover") in the following circumstances and on terms based on a sliding scale of r1 million increments of the instalments:

- In the event of the revenue of LYT Architecture, as certified by its auditor ("fee income") for the 12-month period ending 31 January 2016 ("the first year"), being R88 million or less, then the Purchasers shall be entitled to defer payment of the first instalment, in R1 million increments on a pro rata basis, up to a maximum of R4 million, from 1 February 2016 to 1 February 2017; and
- In the event of the fee income for the 12-month period ending 31 January 2017 ("the second year") being R93 million or less then the purchasers shall be entitled to defer payment of the second instalment, in R1 million increments on a pro rata basis, up to a maximum of R4 million, plus the amount rolled over from the first year, from 1 February 2017 to 1 February 2018.

Interest at the prime rate shall accrue on all amounts rolled over after 1 February 2017 until the date of payment of such rolled over amounts.

The Purchasers shall not be entitled to rollover payment of any amount to a date after 1 February 2018. The full amount of the instalments plus interest thereon must have been paid by the purchasers to TWP Matomo on, or before, 1 February 2018.

#### • **Increase in the purchase price and acceleration in the event of a success year**

In the event of the fee income exceeding R140 million for the first year then:

- The purchase price shall be increased to R45 million ("the increased purchase price"); and
- The balance of the increased purchase price (the difference between r45 million and all amounts paid up to 31 January 2016) shall become due and payable within 14 business days from 31 January 2016.

In the event of the fee income exceeding R140 million for the second year or the third year (the 12-month period from 1 February 2017 to 31 January 2018) ("a success year"), then, the balance of the purchase price, in the amount of R42 million, shall become due and payable within 14 business days from the last day of such success year.

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- **Other terms**

Limited warranties were provided by both the Purchasers and Basil Read which are normal for a transaction of this nature. The Purchasers will also release the Basil Read group from any guarantees and will pledge their shares in LYT Architecture to TWP Matomo, until payment of the purchase price.

- **Effective date of the Transaction**

The effective date of the Transaction is 1 February 2015 and the signature date of the Sale Agreement is 11 February 2015.

## **DEED OF PLEDGE AS SECURITY**

The implementation of the Transaction is subject to a deed of pledge which was signed together with the Sale Agreement, in terms of which each of the Purchasers has pledged the shares held by them in LYT Architecture, to TWP Matomo as security for the R12 million deferred purchase price, set out in 5.1 above.

Mr G Steenekamp and Mr C Jearey will each be entitled to dispose of up to 2% of the shares held by them, to the LYT Black Empowerment Trust (still to be created). TWP Matomo will release such shares from the pledge to enable the transfer to the LYT Black Empowerment Trust, following which Mr G Steenekamp and Mr C Jearey will procure that such shares are pledged to TWP Matomo.

## **PROFIT AND NET ASSET VALUE ATTRIBUTABLE TO LYT ARCHITECTURE**

The value of the net assets of LYT Architecture as per the most recently published results of Basil Read, being the unaudited results for the six months ended 30 June 2014 is R32.3 million. The profits attributable to the net assets of LYT Architecture for the six months ended 30 June 2014 is R2.3 million.

## **CATEGORISATION OF THE TRANSACTION**

The Transaction constitutes a category 2 disposal for Basil Read under the provisions of section 9.5 (a) of the Listings Requirements of the JSE Limited.

## **RENEWAL OF CAUTIONARY ANNOUNCEMENT**

Shareholders are referred to the cautionary announcements released on SENS on 11 December 2014 and 28 January 2015 and are advised that early stage discussions for the potential disposal of certain other non-core assets are still ongoing and if successfully concluded may have a material effect on the price of the Company's securities.

Accordingly, shareholders are advised to continue to exercise caution when dealing in the Company's securities until a full announcement is made.



Corporate Advisor to  
Basil Read  
St John Capital



Sole Debt Provider to  
the Purchasers  
First National Bank  
Leveraged Finance



Sponsor to Basil Read  
Grindrod Bank Limited



Legal Advisor to  
the Purchasers  
RSM Betty & Dickson



Legal Advisors to Basil Read  
Lapin Attorneys